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INTERNATIONAL BUSINESS SETTLEMENT HOLDINGS LIMITED 國際商業結算控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00147)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board of directors (the “Board” or the “Directors”) of International Business Settlement Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2017 (the “period” or “reporting period”), together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Six months ended 30 September	
	NOTES	2017 HK\$'000	2016 HK\$'000 (restated)
Revenue	3	14,764	58,468
Cost of sales and services		<u>(6,069)</u>	<u>(42,334)</u>
Gross profit		8,695	16,134
Other income, gains and losses	4	24,911	2,027
Selling expenses		(7,119)	(9,552)
Administrative expenses		(43,514)	(23,288)
Finance costs	5	<u>(10,789)</u>	<u>(11,732)</u>
Loss before taxation		(27,816)	(26,411)
Income tax	6	<u>(4,784)</u>	<u>(4,562)</u>
Loss for the period	7	<u>(32,600)</u>	<u>(30,973)</u>
Other comprehensive income (expense) for the period			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		<u>1,143</u>	<u>4,720</u>
Total comprehensive expense for the period		<u><u>(31,457)</u></u>	<u><u>(26,253)</u></u>

		Unaudited	
		Six months ended	
		30 September	
		2017	2016
<i>NOTES</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
			(restated)
Loss for the period attributable to			
Owners of the Company		(29,877)	(27,263)
Non-controlling interests		(2,723)	(3,710)
		<u>(32,600)</u>	<u>(30,973)</u>
Total comprehensive income (expense)			
attributable to:			
Owners of the Company		(28,727)	(21,977)
Non-controlling interests		(2,730)	(4,276)
		<u>(31,457)</u>	<u>(26,253)</u>
Loss per share			
Basic (<i>HK cents</i>)	9	<u>(0.15)</u>	<u>(0.14)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2017 <i>HK\$'000</i> (unaudited)	31 March 2017 <i>HK\$'000</i> (audited)
	<i>NOTES</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		20,864	22,381
Intangible assets	10	47,816	32,538
Interests in associates		–	–
Long-term receivables	11	124,407	68,254
Finance lease receivables		–	283
Deferred tax assets		36,568	35,936
Deposits for purchase of equipment		–	50,743
		<u>229,655</u>	<u>210,135</u>
CURRENT ASSETS			
Land development expenditure	12	–	151,904
Properties for sale		2,698,009	2,349,883
Trade and other receivables	13	339,213	123,578
Finance lease receivables		–	122
Restricted bank deposits		18,105	32,336
Bank balances and cash		1,040,125	1,513,380
		<u>4,095,452</u>	<u>4,171,203</u>
CURRENT LIABILITIES			
Trade and other payables	14	524,047	475,735
Deposits received for sale of properties		1,281,705	1,211,182
Borrowings – due within one year	15	1,027,055	885,699
Amount due to non-controlling interests		55,365	54,639
Amount due to ultimate holding company		2,308	2,309
Tax liabilities		17,521	19,713
		<u>2,908,001</u>	<u>2,649,277</u>
NET CURRENT ASSETS		<u>1,187,451</u>	<u>1,521,926</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,417,106</u>	<u>1,732,061</u>
NON-CURRENT LIABILITIES			
Borrowings – due after one year	15	73,961	355,204
Deferred revenue		–	2,255
		<u>73,961</u>	<u>357,459</u>
NET ASSETS		<u><u>1,343,145</u></u>	<u><u>1,374,602</u></u>

	30 September	31 March
	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
CAPITAL AND RESERVES		
Share capital	20,319	20,319
Reserves	1,313,634	1,342,361
	<hr/>	<hr/>
Equity attributable to owners of the Company	1,333,953	1,362,680
Non-controlling interests	9,192	11,922
	<hr/>	<hr/>
TOTAL EQUITY	1,343,145	1,374,602
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following new amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of annual improvements to HKFRSs 2014–2016 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

The Group has not early applied any amendments to HKFRSs that have been issued at the date of these condensed consolidated financial statements are authorised for issuance but are not yet effective.

3. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by different business lines. In a manner consistent with the way in which information is reported internally to the Group’s Executive Directors, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and performance assessment.

The Group has identified the following reportable segment.

- Property development – Developing and selling of commercial and residential properties, including undertaking of primary land development activities, in the PRC.
- International business settlement – Providing a fast, highly efficient and low cost financial expressway between different countries by connecting their central banks’ real-time settlement and clearing system. Based on its unique block chain regional settlement circle technology, the Group is developing a multi-currency, internationalized and distributed global settlement platform, which aimed at realizing point-to-point, “7X24” (i.e. 24 hours a day, 7 days a week), multi-currency and real-time fund settlement and clearing for cross border trading business and individuals around the world.
- Financing business – Provision of finance through money lending services, finance leases, leasing, factoring and other related services.

Following the expansion of financing business in current interim period, the CODM considered that the property development segment, international business settlement segment and financing business segment are the main businesses lines and reportable operating segments of the Group. Operations other than these three segments are not significant to the Group and presented as “Others” for reporting purpose.

As a result of above changes, certain prior period figures have been restated to conform with current period presentation.

Segment revenue and results

Six months ended 30 September 2017 (unaudited)

	Property development	International business settlement	Financing business	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE					
External sales and segment revenue	<u>9,258</u>	<u>–</u>	<u>5,506</u>	<u>–</u>	<u>14,764</u>
Segment (loss) profit	(5,077)	(14,864)	4,478	(327)	(15,790)
Unallocated corporate expenses					(16,521)
Interest income					<u>4,495</u>
Loss before taxation					<u><u>(27,816)</u></u>

Six months ended 30 September 2016 (unaudited)

	Property development <i>HK\$'000</i>	International business settlement <i>HK\$'000</i>	Financing business <i>HK\$'000</i> (restated)	Others <i>HK\$'000</i>	Total <i>HK\$'000</i> (restated)
REVENUE					
External sales and segment revenue	<u>50,584</u>	<u>–</u>	<u>7,884</u>	<u>–</u>	<u>58,468</u>
Segment (loss) profit	(7,797)	(992)	3,799	(767)	(5,757)
Unallocated corporate expenses					(22,459)
Interest income					<u>1,805</u>
Loss before taxation					<u><u>(26,411)</u></u>

Segment assets and liabilities

	30 September 2017 <i>HK\$'000</i> (unaudited)	31 March 2017 <i>HK\$'000</i> (audited) (restated)
ASSETS		
<i>Segment assets</i>		
Property development	2,836,818	2,655,601
International business settlement	94,174	54,745
Financing business	350,908	151,733
Reportable segments total	3,281,900	2,862,079
Others	905	857
Total segment assets	3,282,805	2,862,936
<i>Unallocated assets</i>		
Bank balances and cash	1,040,125	1,513,380
Other assets	2,177	5,022
Total unallocated assets	1,042,302	1,518,402
Consolidated total assets	4,325,107	4,381,338

	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
		(restated)
LIABILITIES		
<i>Segment liabilities</i>		
Property development	(2,939,666)	(2,978,341)
International business settlement	(33,188)	(17,083)
Financing business	(2,317)	(4,016)
Reportable segments total	(2,975,171)	(2,999,440)
Others	(721)	(692)
Total segment liabilities	(2,975,892)	(3,000,132)
Unallocated liabilities		
Other liabilities	(6,070)	(6,604)
Total unallocated liabilities	(6,070)	(6,604)
Consolidated total liabilities	(2,981,962)	(3,006,736)

Information about geographical areas

The Group's operations are principally located in the PRC (country of domicile). All revenue from external customers were generated from customers in the PRC. All non-current assets of the Group are mainly located in the PRC.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Interest income	4,495	1,805
Net exchange gain	8,306	–
Reversal of allowance for bad and doubtful debts	2,708	–
Reversal of impairment loss on land development expenditure (<i>note 12</i>)	6,428	–
Government grant	2,306	–
Finance lease income	–	28
Others	668	194
	(24,911)	(2,027)

5. FINANCE COSTS

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on borrowings		
– Bank borrowings	49,792	67,640
– Other borrowings	9,757	9,900
	<u>59,549</u>	<u>77,540</u>
<i>Less: capitalised in properties for sale</i>	<u>(48,760)</u>	<u>(65,808)</u>
	<u><u>10,789</u></u>	<u><u>11,732</u></u>

Borrowings costs capitalised during the interim periods arose from borrowings specifically for the purpose of obtaining qualifying assets.

6. INCOME TAX

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax in PRC		
Enterprise Income Tax (“EIT”)	1,213	1,034
Land Appreciation Tax (“LAT”)	2,741	(867)
	<u>3,954</u>	<u>167</u>
Deferred tax		
Current period	830	4,395
	<u>4,784</u>	<u>4,562</u>

No provision for Hong Kong Profits Tax has been made for both interim periods as the Group has no assessable profit arising in Hong Kong.

The PRC EIT is calculated based on the applicable tax rate on assessable profits, if applicable. The applicable EIT rate for the Company's PRC subsidiaries during both interim periods is 25%.

The Group is required to prepay LAT and EIT in accordance with the relevant PRC tax rules in respect of pre-sale of property development projects. As at 30 September 2017, the amount of prepaid LAT and EIT in respect of deposits received for sales of properties amounted to approximately HK\$5,960,000 (31 March 2017: HK\$11,571,000), which has been presented as deduction against the tax liabilities of the respective subsidiary in the condensed consolidated statement of financial position.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors' emoluments	2,060	1,089
Other staff salaries, wages and allowances	19,170	9,284
Other staff retirement scheme contributions	971	572
	22,201	10,945
<i>Less: staff costs capitalised in properties for sale</i>	(997)	(772)
Total staff costs	21,204	10,173
Depreciation of property, plant and equipment	2,806	1,370
Professional fee regarding the acquisition of a subsidiary	–	1,577
Rental expenses in respect of rented premises	9,845	2,780
Research and development expense not capitalised	2,384	–

8. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend (2016: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share for the interim periods attributable to the owners of the Company is based on the following data:

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit and loss		
Loss for the period attributable to owners of the Company		
for the purpose of basic loss per share	<u><u>(29,877)</u></u>	<u><u>(27,263)</u></u>
	Six months ended	
	30 September	
	2017	2016
Number of shares		
Weighted average number of shares for the purposes of		
basic loss per share	<u><u>20,319,072,320</u></u>	<u><u>19,039,072,320</u></u>

No diluted earnings per share were presented as there were no potential ordinary shares in issue for both periods.

10. INTANGIBLE ASSETS

The movements in intangible assets during the current interim period is summarised as follows:

	HK\$'000
As at 1 April 2017 (audited)	32,538
Additions	13,814
Translation adjustments	<u>1,464</u>
As at 30 September 2017 (unaudited)	<u><u>47,816</u></u>

The Group paid to an independent software company to assist the Group in developing a settlement platform for connecting with the systems of the central banks and commercial banks of the countries along the “one belt and one road”. The platform is in the stage of testing in docking with banking system, in the view of directors of the Company, the platform will generate future economic benefits. The expected useful life of the platform is 10 years and the intangible assets will be amortised when it is ready for use.

11. LONG-TERM RECEIVABLES

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Carrying amount of lease and factoring receivables	150,047	99,964
<i>Less:</i> amounts due within one year shown under current assets (<i>note 13</i>)	<u>(25,640)</u>	<u>(31,710)</u>
Amounts shown under non-current assets	<u>124,407</u>	<u>68,254</u>

The carrying amount consists of the followings:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
– Lease receivable (<i>note a</i>)	150,047	–
– Factoring receivable (<i>note b</i>)	<u>–</u>	<u>99,964</u>
	<u>150,047</u>	<u>99,964</u>

Notes:

- (a) In June 2017, the Group has entered into sale and lease back arrangements (the “Arrangement”) with an independent third party. Pursuant to the Arrangement, the Group advanced an aggregate amount of RMB131,300,000 (equivalent to approximately HK\$154,144,000) to the lessee at a fixed rate of 6% per annum and are repayable by 30 quarterly instalments. The Group obtained the title of certain nursery-grown plant, being the subject property of the Arrangement from the lessee with a market value of approximately RMB131,300,000. The Group also obtained a guarantee from the intermediate holding company of the lessee to provide a guarantee of the lease receivable due to the Group in case of default in the payment by the lessee. Upon the lessee discharging all its obligations under the Arrangement, the Group will return the ownership title of the nursery-grown plant to the lessee for a nominal amount.

(b) The balance as at 31 March 2017 represented the amount due from 福建萬嘉貿易有限公司 (Fujian Wanjia Trading Co., Ltd) (“Fujian Wanjia”)*. In February 2014, Fujian Wanjia entered into an agreement with a non-related third party leasee for the lease of a property owned by Fujian Wanjia for a term up to 2024. On 11 May 2015, the Group entered into a factoring agreement with Fujian Wanjia for an amount of RMB120,000,000 (equivalent to approximately HK\$147,122,000). Pursuant to which the Group is entitled to receive the rental income generated from the lease of the property. Fujian Wanjia is responsible for collecting the rentals on behalf of the Group and is required to repay the amounts due if the leasee defaults the payment. The amount carries interest at a fixed rate of 13% per annum and repayable quarterly over five years. On 7 May 2015, the Group obtained a guarantee from 福建高德貿易有限公司 (Fujian Gaode trading Co., Limited) (“Fujian Gaode”)*, a related company of Fujian Wanjia, that Fujian Gaode agreed to provide guarantee of the factoring receivables to the Group in case of default. During the current interim period, under mutual consent, Fujian Wanjia early repaid the entire outstanding balance in cash to the Group and terminated the agreement.

12. LAND DEVELOPMENT EXPENDITURE

During the current interim period, land development cost amounted to approximately RMB140,285,000 (equivalent to approximately HK\$161,759,000) has been received and an impairment loss of HK\$6,428,000 previously recognised was reversed.

13. TRADE AND OTHER RECEIVABLES

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Trade receivables	2,529	5,078
<i>Less:</i> allowance for bad and doubtful debts	<u>(2,295)</u>	<u>(4,852)</u>
	234	226
Other receivables and prepayments		
Other deposits (<i>note a</i>)	12,464	11,938
Prepayments for construction work	35,668	39,150
Other receivables	8,498	8,875
Other prepayments	5,796	1,207
Receivables for platform fee	–	3,383
Amounts due from a third party (<i>note b</i>)	23,480	27,063
Other tax prepayment (<i>note c</i>)	27,103	26
Lease receivable (<i>note 11</i>)	25,640	–
Loan receivable (<i>note d</i>)	80,000	–
Factoring receivables (<i>note e</i>)	117,398	31,710
Interest receivable	<u>2,932</u>	<u>–</u>
Total trade and other receivables	<u>339,213</u>	<u>123,578</u>

Notes:

- a. As at 30 September 2017, other deposits include an amount of approximately HK\$11,153,000 (31 March 2017: HK\$10,713,000) guarantee deposits paid to the local government for the Group to construct a hotel in Liuzhou city. The amount will be fully refunded upon the completion of the construction and commencement of hotel operation, which is expected to be within one year.
- b. The balance of the amount due from a third party is non-trade related, unsecured and repayable on demand. It arises from a bank loan borrowed by 廣西正桓貿易有限公司 (Guangxi Zhenghuan Trading Company Limited) (“Guangxi Zhenghuan”)*, a wholly owned subsidiary of Liuzhou Zhenghe, on behalf of 廣西正和實業集團有限公司 (Guangxi Zhenghe Industrial Co., Ltd) (“Guangxi Zhenghe Industrial”)*, which was the holding company of former substantial shareholder of Liuzhou Zhenghe at the time of the borrowing and the bank loan is secured by the assets of Guangxi Zhenghe Industrial. The interest element of the bank loan represents the amount charged by the bank on the same borrowing drawn by Guangxi Zhenghuan.
- c. The balance mainly represent the prepaid EIT amounting to HK\$13,975,000 and prepaid VAT amounting HK\$4,394,000, which is paid in relation to the receipt in advance from customers.
- d. In August 2017, the Group entered into an agreement to offer a bridging loan of HK\$120,000,000 to an independent third party. The loan carries interest at a fixed rate of 10% per annum and is repayable in September 2017. The loan receivable is secured by 100% equity interest in an investment fund owned by the borrower and a 10% equity interest in its wholly-owned subsidiary. As at 30 September 2017, HK\$40,000,000 was repaid and the remaining balance of HK\$80,000,000 together with accrued interests thereon have been overdue. The remaining balance of HK\$80,000,000 together with the related interests have been subsequently received by the Group.
- e. During the current interim period, the Group entered into six factoring agreements with six independent third parties (the “Sellers”) for an aggregate amount of RMB100,000,000. Pursuant to which the Group is entitled to the rights to receive cash for those bills receivables discounted to the Group by the Sellers. The Sellers are responsible for collecting the cash on behalf of the Group and is required to repay the factoring receivables due to the Group. The factoring receivables carry interest at a fixed rate of 6.5% per annum and are repayable quarterly over one year. A related company of the Sellers provided guarantee for the factoring receivables due to the Group. As at 30 September 2017, the outstanding factoring receivables are HK\$117,398,000.

The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debt) of the Group presented based on the date of delivery of properties to the customers and the date the consultancy services provided:

	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
More than one year	<u>234</u>	<u>226</u>

At 30 September 2017, the Group's trade receivables of HK\$234,000 (At 31 March 2017: HK\$226,000) were past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

14. TRADE AND OTHER PAYABLES

	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade payables	13,594	13,712
Accrued construction costs to contractors	446,031	355,239
Interest payable	10,946	40,492
Amounts due to third parties (<i>note</i>)	23,564	27,144
Other payables	10,865	5,793
Other tax payables	3,368	11,479
Bill payables	–	16,914
Receipt in advance from customers	<u>15,679</u>	<u>4,962</u>
	<u>524,047</u>	<u>475,735</u>

Note: The balances represent the amounts due to third parties which were non-trade related, unsecured, interest-free and repayable on demand. As at 30 September 2017, included amounts of approximately HK\$15,209,000 (31 March 2017: HK\$19,119,000) due to 福建萬嘉貿易有限公司 and 福州大展實業有限公司, which represent monies advanced by these parties when they were business partners of the then former shareholder of Liuzhou Zhenghe.

The following is an aged analysis of the Group's trade payables presented based on the date of materials received at the end of the reporting period:

	30 September 2017 <i>HK\$'000</i> (unaudited)	31 March 2017 <i>HK\$'000</i> (audited)
0-90 days	<u>13,594</u>	<u>13,712</u>

15. BORROWINGS

	30 September 2017 <i>HK\$'000</i> (unaudited)	31 March 2017 <i>HK\$'000</i> (audited)
Bank borrowings, secured	906,058	902,613
Other borrowings, unsecured	<u>194,958</u>	<u>338,290</u>
	<u>1,101,016</u>	<u>1,240,903</u>
Carrying amount of borrowings repayable:		
Within one year	1,027,055	885,699
More than one year, but not exceeding two years	73,961	323,630
More than two year, but not exceeding five years	<u>–</u>	<u>31,574</u>
	1,101,016	1,240,903
<i>Less:</i> amounts shown under current liabilities	<u>(1,027,055)</u>	<u>(885,699)</u>
Amounts shown under non – current liabilities	<u>73,961</u>	<u>355,204</u>

All borrowings were fixed-rate borrowings and denominated in RMB during both periods.

The ranges of effective interest rates on the Group's fixed-rate borrowings are as follows:

	30 September 2017	31 March 2017
Effective interest rate	<u>5%-30%</u>	<u>6%-24%</u>

As at 30 September 2017, the Group's other borrowings represent (i) an unsecured borrowing of HK\$117,398,000 (31 March 2017: HK\$315,737,000) provided by a third party with interest at a fixed rate of 5% (31 March 2017: 6%) per annum and repayable in July 2018; (ii) an unsecured borrowing of HK\$22,265,000 (31 March 2017: HK\$22,553,000) provided by another third party with interest at a fixed rate of 24% (31 March 2017: 24%) per annum and repayable in March 2018; and (iii) an unsecured borrowing of HK\$55,295,000 (31 March 2017: Nil) provided by another third party with interest at a fixed rate of 24% per annum and repayable in December 2017.

The followings show the carrying amounts of assets pledged to secure the bank borrowings provided to the Group:

	30 September 2017	31 March 2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Secured by:		
Properties for sale	<u>971,087</u>	<u>969,207</u>

In addition to the Group's own assets pledged, Guangxi Zhenghe Industrial, the former related party of Liuzhou Zhenghe and other related parties of former shareholder of Liuzhou Zhenghe had also pledged certain assets to the bank to secure the borrowings to the Group.

16. OTHER COMMITMENTS

	30 September 2017	31 March 2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Commitments contracted for but not provided in the condensed consolidated financial statements in respect of:		
– construction for properties for sale	711,449	916,197
– development of settlement platform	35,781	44,292
– purchase of equipment	<u>–</u>	<u>50,743</u>
	<u>747,230</u>	<u>1,011,232</u>

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall results

For the reporting period, the Group recorded a turnover of approximately HK\$14,764,000, representing a significant decrease of 74.75% against approximately HK\$58,468,000 for the same period in 2016. The turnover for the period were mainly contributed by the sales of the properties in 正和城 (“Zhenghe City”*) which are constructed by 柳州正和樺桂置業集團有限公司 (Liuzhou Zhenghe Huagui Real Estate Group Company Limited*) (“Liuzhou Zhenghe”) and interest income from financing business.

A gross profit amounted to approximately HK\$8,695,000 was recorded for the reporting period (2016: HK\$16,134,000).

A loss of approximately HK\$32,600,000 was recorded for the period, representing an increase of 5.25% from approximately HK\$30,973,000 for the same period of last year. The basic loss per share for the reporting period was HK0.15 cent which represented a slight increase of 7.14% from HK0.14 cent for the same period in 2016.

Review of operations and prospect

International Business Settlement

The self-developed Next Generation Settlement Network (the “NGSN”) mainly aims to provide an alternative settlement channel to the market, to provide an alternative around the clock and multi-currency remittance channel to banks and customers connected to the network. NGSN can help banks and customers to tap into overseas markets as well. In line with the national policies, NGSN can effectively facilitate trade settlement of countries and regions connected to the network, and providing support to banks and customers in countries along the “one belt and one road” to expand their business.

The Group has been actively expanding its bank customer base for NGSN. Up till now, several large-scale banks (including domestic and international banks) are currently planning to connect to the network and the Group maintains continuous communication with about 20 intended banks. The Group is expecting to establish comprehensive cooperative relationships with about 40 small, medium-sized and large banks at home and abroad in 2018. In addition, the Group has also entered into memorandums of understanding with several large-scale enterprises, with an aim to provide services in 2018. While discussing cooperation with our customers, several banks and enterprise customers have also realized the values brought by the NGSN resolution and realized that the NGSN could facilitate the implementation of the “one belt and one road” strategy led by China. Management of the above customers attach great importance to the NGSN and hope that the NGSN system can be put into use soon. However, as the NGSN is a payment settlement system, and its value and influence will depend on the numbers of banks and other financial institutions connected to the system. Thus, the Group has been trying its best to implement its operating strategy to provide services to its customers by the end of 2018.

The Group is actively developing its electronic money and cross-border payment business as well, and plans to promote its business development in three aspects, which are strategic planning, connection and services, so as to create values for the shareholders.

The Group was granted an Electronic Money Institution (“EMI”) License by the Central Bank of Lithuania last year. The license is valid in the European Union for a long term. With this license, the Group can open accounts for enterprises and individuals all around the globe and provide electronic money issue, exchange and payment services to all European countries. The technology research and development on European electronic banking system and the integrated know your customer system has been completed. The systems are expected to provide services to Lithuania and the European Union in December 2017. It is expected that the integrated payment gateway will be connected to domestic payment institutions and electronic banks of Lithuania in December 2017. The development of the distributed point-to-point clearing system is expected to commence during the year. The system will be launched to the market when appropriate according to the business development of the Group.

In addition to Europe, the Group focuses on the countries along the “one belt and one road”. Currently, the Group has commenced the application for the NBKR Payment License in Kyrgyzstan and also carried out the preparatory work in Hong Kong, Macau, Taiwan, Southeast Asia and other regions.

Leveraging on the consolidation of the NGSN technology, the Group has been establishing various information technology systems to support its business strategy. The Group is expecting to provide its enterprise customers and individual customers with online payment, cross-border remittance, currency exchange and other basic financial services. Last year, the Group completed the proof of concept project connected with the European SEPA system, which verified the feasibility of the NGSN against the European interface. Once the NGSN becomes mature, the EMI system can be connected to the NGSN, enabling the NGSN to provide services to the EMI's customers. Thus, both systems can benefit from the synergic development and mutual promotion, creating greater contributions to the Group.

During the reporting period, no new institutional members joined the network and no membership fee received as revenue in this segment. Segment loss of approximately HK\$14,864,000 (2016: HK\$992,000) was recorded. The major expenses for the period were office rental expenses, research and development expenses and staff costs.

Liuzhou Zhenghe

Zhenghe City is a mix-used complex project which offers a wide range of properties, including villas, townhouses, commercial buildings, office buildings, hotels and high rise apartments developed by Liuzhou Zhenghe.

Zhenghe City comprises two phases with Phase I providing a stack of residential and commercial properties with gross floor area of approximately 500,000 square meters and a saleable area of approximately 474,570 square meters. Phase II will provide another stack of residential and commercial properties with a total gross floor area of approximately 580,000 square meters and a saleable area of approximately 536,199 square meters. Both Phase I and Phase II have commenced construction and under development. The progress of each phases are shown as follows:

	Property type	Status
Phase I:		
Zone A	Villas and high-rise apartment buildings	Construction work completed and most of the properties were sold.
Zone B	Villas and high-rise apartment buildings	Construction work completed and most of the properties were sold.

	Property type	Status
Zone C	Residential and commercial complexes and studio/office buildings	<p>Construction work of 7 blocks of residential and commercial complexes were completed and the acceptance certificate of completion were granted. Most of the residential complexes were sold.</p> <p>3 blocks of studio/office buildings are under construction. The pre-sale permits were granted and the acceptance certificate of completion are expected to be granted in first half of 2018.</p>
Phase II:		
Zone D1	Villas	Construction work completed. 16 villas with a total saleable area of 8,008 square meters are held for sale.
Zone D1	High-rise apartment buildings	5 blocks of high-rise apartment buildings are under construction. The pre-sale permits were granted and the acceptance certificate of completion is expected to be granted in late 2017.
Zone D2	Villas	Construction work completed. 8 villas with a total saleable area of 4,684 square meters are held for sale.
Zone E	Hotel and serviced apartment	A hotel building and a block of serviced apartment are under construction. The pre-sale permit for the serviced apartment was granted and the acceptance certificate of completion is expected to be obtained in late 2017.

	Property type	Status
Zone F	Residential and commercial complexes	<p>6 blocks of residential and commercial complexes are under construction.</p> <p>The pre-sale permit of 3 blocks were granted and the acceptance certificate of completion are expected to be obtained in the first half of 2018.</p> <p>The pre-sale permit of the remaining 3 blocks are expected to be granted in the late 2017 and the acceptance certificate of completion are expected to be obtained in the second half of 2019.</p>

During the period ended 30 September 2017, an area of approximately 1,152 square meters (2016: 4,841 square meters) was sold and generated a segment turnover of approximately HK\$9,258,000 for the current period (2016: HK\$50,584,000). A segment loss of HK\$5,077,000 was recorded for the current period (2016: HK\$7,797,000).

The relatively small sales figures in the reporting period was mainly due to no newly completed units was delivered to customers. As the acceptance certificate of completion for the high-rise apartment buildings of Zone D1 are expected to be obtained in late 2017, it is expected that the revenue from sales of properties in the financial year ending 31 March 2018 will increase significantly.

An external expert, DTZ Cushman & Wakefield Limited, was engaged to help to assess the fair value of the properties development project as at 30 September 2017. For those properties which had completed the construction work and held for sale, direct comparison method by making reference to comparable sales transactions as available in the relevant market is used. For those properties still under construction, the value is derived from by using direct comparison method with the assumption that the construction works of the properties would have been completed at the date of valuation and have taken into account the construction costs expected and costs that will be expended to complete the development. No impairment loss is required for the period ended 30 September 2017 as the net realisable value is higher than carrying amount.

Liuzhou Zhenghe will continue to develop the Phase II of Zhenghe City and actively seek other property development opportunity in Guangxi or other provinces in the PRC.

Financing business

In 2015, the Group obtained an approval from the Management Committee of China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區管理委員會) and established a wholly foreign owned enterprise (“WFOE”) in the China (Shanghai) Pilot Free Trade Zone to carry out financing business in the PRC. The scope of business including finance leasing business; leasing business; purchasing of leased assets at domestic and foreign markets; disposal of residual value and maintenance of leased assets; provision of consultation and guarantees for lease transactions and engaging in commercial factoring business. The registered capital of the WFOE is USD100 million (approximately RMB620 million) and the first phase of capital contribution injected to the WFOE in 2015 was USD20 million (approximately RMB124 million).

In the reporting period, USD15 million (approximately RMB101 million) was injected to WFOE to expand the financing business in order to diversify the revenue streams of the Group and utilize the resources of the Group to maximize the return to the Company and its shareholders as a whole.

During the reporting period, this segment recorded approximately HK\$5,506,000 interest income (2016: HK\$7,884,000) and the segment profit was HK\$4,478,000 (2016: HK\$3,799,000).

Other operations

Other operations of the Group include the provision of consultancy services, trading of goods and operation of e-commerce platforms and an investment in a gold mine. No turnover was generated for these other operations during the reporting period and the loss incurred was HK\$327,000 (2016: HK\$767,000). The management will continue review the situation regularly and explore the possible solution for improvement to generate returns for the shareholders.

The 27% effective equity interest in the gold mine in the Republic of Kyrgyz was fully impaired in previous year. The progress of the construction of mining plants and other infrastructure are delayed and test-run of the mining production is expected to be commenced in 2018. The Company’s shareholding in the gold mine had been pledged to secure a bank loan borrowed by the mining company to finance its operation.

Material acquisitions and disposals of subsidiaries and associated companies

There was no other material acquisitions and disposal of subsidiaries and associated companies during the reporting period.

Financial review

Finance position, liquidity and gearing

At 30 September 2017, the total assets and liabilities of the Group stood at HK\$4,325,107,000 (31 March 2017: HK\$4,381,338,000) and HK\$2,981,962,000 (31 March 2017: HK\$3,006,736,000) respectively. The Group recorded a total equity amounted to HK\$1,343,145,000 as at 30 September 2017 (31 March 2017: HK\$1,374,602,000). The decrease of total equity is mainly due to the loss incurred in the period.

The Group recorded net current assets of HK\$1,187,451,000 as at 30 September 2017 (31 March 2017: HK\$1,521,926,000). The bank balances and cash as at 30 September 2017 was HK\$1,040,125,000 (31 March 2017: HK\$1,513,380,000), of which most were denominated in Hong Kong dollars, US dollars and Renminbi.

The Group's current ratio (defined as current assets divided by current liabilities) was 1.41 (31 March 2017: 1.57).

As at 30 September 2017, the Group had total borrowing amounted to HK\$1,182,253,000 (31 March 2017: HK\$1,324,995,000) which were denominated in Renminbi. The breakdowns are as follows:

- (i) bank and other borrowings amounted to HK\$1,101,016,000 (31 March 2017: HK\$1,240,903,000) with effective interest rates in the ranges of 5.00% to 30.00%; and
- (ii) interest free loan due to third parties, ultimate holding company and non-controlling interests amounted to HK\$23,564,000 (31 March 2017: HK\$27,144,000), HK\$2,308,000 (31 March 2017: HK\$2,309,000) and HK\$55,365,000 (31 March 2017: HK\$54,639,000) respectively.

The gearing ratio, as a ratio of total borrowings to total equity, as at 30 September 2017 was 0.88 (31 March 2017: 0.96).

Financial resources

During the period, the Group's operations continued to be mainly financed by internal resources, borrowings as well as proceeds raised from equity financing exercise from previously year. The management believes that the Group will generate its liquidity from business operations and will consider making use of further equity financing when necessary.

Capital structure

As at 30 September 2017, the total issued share capital of the Company was HK\$20,319,072 which is divided into 20,319,072,320 shares of ordinary shares of the Company.

Charges on assets

As at 30 September 2017, certain properties for sale with carrying amount of HK\$971,087,000 (31 March 2017: HK\$969,207,000) were pledged to secure certain bank borrowings granted to the Group.

Contingent liabilities

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchaser to banks, the Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate. As at 30 September 2017, the guarantee given to banks for the above-mentioned mortgage facilities amounted to HK\$484,508,000 (31 March 2017: HK\$481,828,000).

Foreign exchange exposure

As part of the Group's assets and liabilities are denominated in Renminbi, US dollars and Hong Kong dollars, in order to minimize the foreign exchange risk, the Group aims to utilize the fund for transactions that are denominated in the same currency.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for six months ended 30 September 2017.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2017, the Group had approximately 180 employees. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include performance bonus, medical insurance, mandatory provident fund scheme, local municipal government retirement scheme and education subsidy to encourage continuous professional development of staff.

MODEL CODE FOR DIRECTOR'S DEALING IN SECURITIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company received confirmation from all of the Directors that they had complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions throughout the reporting period.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's securities during the six months ended 30 September 2017.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2017 except for the deviation from the code provision A.2.1, E.1.2, F.1.3 and A.6.7 as follows:

- (a) In accordance with the code provision A.2.1, the role of Chairman and Chief Executive Officer ("CEO") should not be performed by the same individual. On 22 September 2017, after the Company announced the retirement of Mr. Luo Feng as Chairman of the Company, who also served the role of CEO previously, the Company did not officially have Chairman and CEO. The responsibilities of the Chairman and daily management of the Group's business is handled by the executive Directors collectively and being supported by a team of senior management which is in turn supported by staff with relevant expertise and experience.

The Board considers this arrangement allows contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the shareholders of the Company as a whole. Depending on the future development of the business of the Company, the Board will review the existing structure and consider the issue of nominating appropriate candidate to fill up the role of Chairman and CEO.

- (b) Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. As stated above, the Company did not officially have a chairman. However, one of the directors of the Company present at the annual general meeting held on 22 September 2017 was elected as chairman thereof to ensure an effective communication with the shareholders thereat.
- (c) Code provision F.1.3 stipulates that the company secretary should report to the Chairman and/or the CEO. Following the retirement of Mr. Luo Feng as the Chairman on 22 September 2017, the company secretary reported to the executive Directors since 22 September 2017 as the Company has no Chairman or CEO.
- (d) In respect of the Code Provision A.6.7, Mr. Shao Ping, the independent non-executive director of the Company, were unable to attend the annual general meeting held on 22 September 2017 due to his other business engagements.

Save as those mentioned above, in the opinion of the Directors, the Company complied with the Code Provisions of the CG Code during the period.

AUDIT COMMITTEE

The Audit Committee of the Company comprised of four independent non-executive Directors, namely, Mr. Yap Yung (the chairman), Mr. Zhang Guangsheng, Mr. Chan Siu Tat and Mr. Shao Ping. They are responsible for ensuring the quality and integrity of internal control, conducting review of the Group's accounting principles and practices, risk management and the Group's interim and annual accounts.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company and management have reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company at (www.ibsettlement.com). The interim report containing all information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the period.

By Order of the Board
International Business Settlement Holdings Limited
Yuen Leong
Executive Director

Hong Kong, 30 November 2017

* *The English name is for identification purpose only*

As at the date of this announcement, the Board comprises Mr. Yuen Leong, Ms. Luan Li and Mr. Hu Jianjun as executive directors; and Mr. Yap Yung, Mr. Zhang Guangsheng, Mr. Chan Siu Tat and Mr. Shao Ping as independent non-executive directors.