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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 2018

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 2018 (the “period” or “reporting period”), together with the comparative figures for the corresponding period in 2017 (the “preceding period”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Six months ended 30 September	
	NOTES	2018 HK\$'000	2017 HK\$'000
Revenue	4(a)	798,205	14,764
Cost of sales and services		<u>(691,195)</u>	<u>(6,069)</u>
Gross profit		107,010	8,695
Other income, gains and losses	5	756	24,911
Selling expenses		(1,087)	(7,119)
Administrative and other expenses		(39,562)	(43,514)
Finance costs	6	<u>(11,712)</u>	<u>(10,789)</u>
Profit/(loss) before taxation		55,405	(27,816)
Income tax	7	<u>(39,598)</u>	<u>(4,784)</u>
Profit/(loss) for the period	8	<u>15,807</u>	<u>(32,600)</u>

		Unaudited	
		Six months ended	
		30 September	
		2018	2017
<i>NOTES</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>(23,450)</u>	1,143
Total comprehensive income for the period		<u>(7,643)</u>	<u>(31,457)</u>
Profit/(loss) for the period attributable to:			
– Owners of the Company		2,670	(29,877)
– Non-controlling interests		<u>13,137</u>	<u>(2,723)</u>
		<u>15,807</u>	<u>(32,600)</u>
Total comprehensive income attributable to:			
– Owners of the Company		(19,026)	(28,727)
– Non-controlling interests		<u>11,383</u>	<u>(2,730)</u>
		<u>(7,643)</u>	<u>(31,457)</u>
Earnings/(loss) per share	<i>10</i>		
Basic and diluted (<i>HK cents</i>)		<u>0.01</u>	<u>(0.15)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2018	31 March 2018
	<i>NOTES</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		18,923	23,357
Intangible assets	11	54,713	59,186
Interests in associates		–	–
Loan receivables	12	117,805	133,704
Deferred tax assets		35,630	39,351
		227,071	255,598
CURRENT ASSETS			
Properties for sale		2,018,554	2,809,622
Trade and other receivables	13	135,711	154,799
Factoring receivables	14	119,601	123,150
Loan receivables	12	21,406	18,571
Restricted bank deposits		4,345	11,947
Bank balances and cash		971,351	1,167,633
		3,270,968	4,285,722
CURRENT LIABILITIES			
Trade and other payables	15	888,297	934,063
Deposits received for sale of properties		–	1,311,790
Borrowings	16	608,462	813,590
Amount due to non-controlling interests		57,807	61,508
Amount due to an ultimate holding company		1,775	2,304
Tax liabilities		17,629	18,604
Contract liabilities	4(b)	607,096	–
		2,181,066	3,141,859
NET CURRENT ASSETS		1,089,902	1,143,863
TOTAL ASSETS LESS CURRENT LIABILITIES		1,316,973	1,399,461
NON-CURRENT LIABILITIES			
Borrowings	16	–	68,785
NET ASSETS		1,316,973	1,330,676

	30 September	31 March
	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
CAPITAL AND RESERVES		
Share capital	20,319	20,319
Reserves	<u>1,268,634</u>	<u>1,293,720</u>
Equity attributable to owners of the Company	1,288,953	1,314,039
Non-controlling interests	<u>28,020</u>	<u>16,637</u>
TOTAL EQUITY	<u><u>1,316,973</u></u>	<u><u>1,330,676</u></u>

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2017/2018 consolidated annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2018. This is the first set of the Group’s financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 2.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017/2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2017/2018 consolidated annual financial statements.

2. CHANGES IN HKFRSs

Adoption of new or amended HKFRSs – effective from 1 April 2018

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Considerations
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014-2016 Cycle	First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of HKFRS 9 Financial Instruments (see note 2A below) and HKFRS 15 Revenue from Contracts with Customers (see note 2B below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2018 did not have any material impact on the Group's accounting policies.

Impact of new or amended HKFRSs which are issued but not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective:

Annual Improvements to HKFRSs 2014-2016 Cycle	Improvements to HKFRSs ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HKAS 19	Employee Benefits ¹
HKAS 28	Long-term Interests in Associates or Joint Ventures ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ *Effective for annual periods beginning on or after 1 January 2019*

² *Effective for annual periods beginning on or after 1 January 2021*

³ *The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early application of the amendments continue to be permitted*

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 30 September 2018, the Group has non-cancellable operating lease commitments of HK\$12,053,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

A. HKFRS 9 Financial Instruments (“HKFRS 9”)

(i) *Classification and measurement of financial instruments*

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of accumulated losses as of 1 April 2018 as follows (increase/(decrease)):

	<i>HK\$’000</i>
<u>Accumulated losses</u>	
Opening balance as at 31 March 2018	(7,804,347)
Increase in expected credit losses (“ECLs”) in trade receivables, factoring receivables, loan receivables and other receivables. <i>(note 2A(ii) below)</i>	(8,080)
Increase in deferred tax assets relating to impairment provisions	<u>2,020</u>
Restated opening balance as at 1 April 2018	<u><u>(7,810,407)</u></u>

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group’s classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (“amortised costs”); (ii) financial assets at fair value through other comprehensive income (“FVOCI”); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK\$’000	Carrying amount as at 1 April 2018 under HKFRS 9 HK\$’000
Factoring receivables	Loans and receivables	Amortised cost	123,150	120,687
Loan receivables	Loans and receivables	Amortised cost	152,275	147,744
Trade and other receivables	Loans and receivables	Amortised cost	154,799	153,713
Restricted bank deposits	Loans and receivables	Amortised cost	11,947	11,947
Bank balances and cash	Loans and receivables	Amortised cost	1,167,633	1,167,633

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group’s impairment model by replacing the HKAS 39 “incurred loss model” to the “ECLs model”. HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs and contract assets earlier than HKAS 39. Restricted bank deposits and bank balances and cash are subject to ECLs model but the impairment is immaterial for the current reporting period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets, using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables has been grouped based on shared credit risk characteristics and the days past due. The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 April 2018 were HK\$18,000. The loss allowances further increased for HK\$20,000 for trade receivables during the six months period ended 30 September 2018.

(b) Impairment of debt investments

All of the Group's other debt investments at amortised costs are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months ECLs.

The increase in loss allowance for these debt investments including factoring receivables and loan receivables upon the transition to HKFRS 9 as of 1 April 2018 were HK\$2,463,000 and HK\$4,531,000. The loss allowances decreased for HK\$22,000 for factoring receivables and HK\$331,000 for loan receivables during the six months period ended 30 September 2018. The decrease during the six months ended 30 September 2018 would be HK\$353,000 lower under HKAS 39.

(c) Impairment of other receivables

Other financial assets at amortised cost of the Group includes amount due from a third party and other receivables. Applying the ECLs model result in the recognition of ECLs of HK\$1,068,000 on 1 April 2018 and a reversal of ECLs of HK\$457,000 for the six months ended 30 September 2018 was noted.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the comparative information presented does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

B. HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”)

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group recognises revenue from the following major sources:

- Sales of properties
- Interest income from financing business
- Services fees for provision of settlement service

Among the above revenue of the Group, interest income from financing business (within the scope of HKFRS 9 Financial Instruments) are not applied within the scope of HKFRS 15.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. There is no cumulative effect of initially applying HKFRS 15 by the Group and no adjustment to the opening balance of accumulated losses was required at the date of initial application (that is, 1 April 2018).

The following tables summarised the impact of adopting HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018. There was no material impact on the Groups' condensed consolidated statement of cash flow for the six months ended 30 September 2018:

The impacts on the condensed consolidated statement of financial position as of 30 September 2018 (increase/(decrease)):

	As reported	Adjustments	Amount without application of
	HK\$'000	HK\$'000	HKFRS 15
			HK\$'000
Assets			
Properties for sale	<u>2,018,554</u>	<u>(559)</u>	<u>2,017,995</u>
Capital and reserves			
Reserves	<u>1,268,634</u>	<u>559</u>	<u>1,269,193</u>
Liabilities			
Contract liabilities	607,096	(607,096)	–
Deposits received for sale of properties and deferred revenue	<u>–</u>	<u>607,096</u>	<u>607,096</u>

The impacts on the condensed consolidated statement of profit or loss and other comprehensive income (increase/(decrease)) for the six months ended 30 September 2018:

	As reported	Adjustments	Amount without application of
	HK\$'000	HK\$'000	HKFRS 15
			HK\$'000
Cost of sales and services	(691,195)	11,748	(679,447)
Selling expenses	<u>(1,087)</u>	<u>(11,748)</u>	<u>(12,835)</u>
Profit before taxation	55,405	–	55,405
Profit for the period	15,807	–	15,807
Total comprehensive income for the period	<u>(7,643)</u>	<u>–</u>	<u>(7,643)</u>

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Note	Product/ service	Nature of the goods or services, satisfaction of performance obligation and payment terms	Nature of change in accounting policy and impact on 1 April 2018
(a)	Property development	<p>Customers obtain control of the property units when the properties are delivered to and have been accepted by them. Revenue is thus recognised upon when the customers accept the property units so delivered. In addition, it is the Group's practice to provide standard decoration to customers to maintain the properties' quality, therefore, decoration provision will not be considered as a separate performance obligation by practice.</p> <p>Right of return No right of return is noted from the Group's contract with customers.</p> <p>Financing component Should the contract contains a significant financing component, the transaction price should reflect the time value of money.</p> <p>The Group is not required to consider the time value of money if the period between payment and the transfer of the property unit is one year or less, as a practical expedient. In assessing whether a contract contains a significant financing component, the Group considers various factors, including the length of time between when the Group expected to transfer the property unit to the customer and when the customer pays for them, and the interest rate in the contract and prevailing interest rates in the relevant market.</p> <p>Revenue is discounted when the inflow of cash or cash equivalents is deferred. Interest is calculated and recognised using the effective interest method.</p>	<p>Impact HKFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of HKFRS 15, the Group has to make reclassification from deposits received for sales of properties to contract liabilities.</p> <p>There is no financing component considered necessary by the Group.</p>
(b)	International business settlement	<p>The Group provides multi-currency settlement services. Upon the completion of such transaction (i.e. at a point in time), service fee income will then be charged based on the transaction amount and recognised as revenue by the Group.</p>	<p>Impact HKFRS 15 did not result in significant impact on the Group's accounting policies.</p>

3. SEGMENT REPORTING

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 segments.

Property development	Developing and selling of commercial and residential properties, including undertaking of primary land development activities, in the People's Republic of China ("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, internationalised and distributed global settlement platform, which aimed at realising 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.

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.

(a) Segment revenue and results

Six months ended 30 September 2018 (unaudited)

	Property development <i>HK\$'000</i>	International business settlement <i>HK\$'000</i>	Financing business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE					
External sales and segment revenue	<u>791,916</u>	<u>25</u>	<u>6,264</u>	<u>-</u>	<u>798,205</u>
Segment profit/(loss)	78,051	(13,261)	2,016	(452)	66,354
Unallocated corporate expenses					(16,640)
Interest income (<i>note 5</i>)					<u>5,691</u>
Profit before taxation					<u>55,405</u>

Six months ended 30 September 2017 (unaudited)

	Property development <i>HK\$'000</i>	International business settlement <i>HK\$'000</i>	Financing business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <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 (<i>note 5</i>)					<u>4,495</u>
Loss before taxation					<u>(27,816)</u>

Segment results represent the results from each segment without allocation of central administration costs including directors' emoluments and interest income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

	30 September 2018 <i>HK\$'000</i> (unaudited)	31 March 2018 <i>HK\$'000</i> (audited)
ASSETS		
<i>Segment assets</i>		
Property development	2,167,577	2,988,144
International business settlement	95,416	105,948
Financing business	260,845	275,886
Others	908	965
Total segment assets	<u>2,524,746</u>	<u>3,370,943</u>
Unallocated assets		
Bank balances and cash	971,351	1,167,633
Other assets	1,942	2,744
Total unallocated assets	<u>973,293</u>	<u>1,170,377</u>
Consolidated total assets	<u>3,498,039</u>	<u>4,541,320</u>

	30 September	31 March
	2018	2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
LIABILITIES		
<i>Segment liabilities</i>		
Property development	(2,114,787)	(3,144,668)
International business settlement	(58,664)	(59,274)
Financing business	(2,359)	(691)
Others	(1,109)	(763)
	<u>(2,176,919)</u>	<u>(3,205,396)</u>
Total segment liabilities		
Unallocated liabilities		
Other liabilities	(4,147)	(5,248)
	<u>(4,147)</u>	<u>(5,248)</u>
Total unallocated liabilities		
Consolidated total liabilities		
	<u>(2,181,066)</u>	<u>(3,210,644)</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash and other assets not attributable to respective segments; and
- all liabilities are allocated to operating segments other than other payables not attributable to respective segments.

4. REVENUE

(a) Disaggregation of revenue

Revenue primarily represents revenue arising from sale of properties, service income and interest income, after deducting discounts and other sales related taxes. An analysis of the Group's revenue for the period is as follow:

by geographical areas

The Group's operations are principally located in the PRC (country of domicile). Majority of revenue for the six months ended 30 September 2018 from external customers were generated from customers in the PRC.

by major products and service lines and timing of revenue recognition

	Six months ended 30 September 2018 (Unaudited)				
		International			
	Property development <i>HK\$'000</i>	business settlement <i>HK\$'000</i>	Financing business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Major products and service lines					
– Sales of high-rise apartments	645,760	–	–	–	645,760
– Sales of studio/office units	138,329	–	–	–	138,329
– Sales of villas	7,005	–	–	–	7,005
– Sales of retail shops	338	–	–	–	338
– Sales of car parks	484	–	–	–	484
– Interest income from financing service	–	–	6,264	–	6,264
– Service fees for provision of settlement service	–	25	–	–	25
	<u>791,916</u>	<u>25</u>	<u>6,264</u>	<u>–</u>	<u>798,205</u>
Timing of revenue recognition					
– At a point in time	791,916	25	–	–	791,941
– Interest income (under HKFRS 9)	–	–	6,264	–	6,264
	<u>791,916</u>	<u>25</u>	<u>6,264</u>	<u>–</u>	<u>798,205</u>

(b) All the Group's revenue are derived from contracts with customers.

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	Six months ended	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Trade receivables (note 13)	7,486	3,648
Contract liabilities	<u>607,096</u>	<u>–</u>

The contract liabilities mainly relate to the advance consideration received from customers for the property development segment. HK\$770,844,000 of the contract liabilities as of 1 April 2018 has been recognised as revenue for the six months ended 30 September 2018.

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	5,691	4,495
Government grant	–	2,306
Referral fee income	2,620	–
Net exchange (loss)/gain	(8,600)	8,306
Reversal of credit allowance	810	–
Reversal of allowance for bad and doubtful debts	–	2,708
Reversal of impairment loss on land development expenditure	–	6,428
Others	235	668
	<u>756</u>	<u>24,911</u>

6. FINANCE COSTS

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowings		
– bank borrowings	25,448	49,792
– other borrowings	9,603	9,757
	<u>35,051</u>	<u>59,549</u>
Less: amount capitalised in properties for sale	<u>(23,339)</u>	<u>(48,760)</u>
	<u>11,712</u>	<u>10,789</u>

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

7. INCOME TAX

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax in PRC		
Enterprise Income Tax (“EIT”)	21,497	1,213
Land Appreciation Tax (“LAT”)	15,214	2,741
	36,711	3,954
Deferred tax		
Charge for the period	2,887	830
Taxation expense	39,598	4,784

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 2018, the amount of prepaid LAT and EIT in respect of contract liabilities (previously known as “deposits received for sale of properties”) amounted to approximately HK\$5,241,000 (31 March 2018: HK\$14,765,000), which has been presented as deduction against the tax liabilities of the respective subsidiary in the condensed consolidated statement of financial position.

8. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period has been arrived at after charging:

	Six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Directors' emoluments	1,949	2,060
Other staff salaries, wages and allowances	15,671	19,170
Other staff retirement scheme contributions	1,728	971
	<u>19,348</u>	<u>22,201</u>
<i>Less: staff costs capitalised in properties for sale</i>	<u>(1,028)</u>	<u>(997)</u>
Total staff costs	<u>18,320</u>	<u>21,204</u>
Depreciation of property, plant and equipment	3,445	2,806
Provision for credit allowance	20	–
Rental expenses in respect of rented premises	4,387	9,845
Research and development expense not capitalised	–	2,384
	<u>–</u>	<u>2,384</u>

9. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors of the Company resolved not to declare any interim dividend for the period (2017: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(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	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit and loss		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	<u><u>2,670</u></u>	<u><u>(29,877)</u></u>

	Six months ended	
	30 September	
	2018	2017
Number of shares		
Weighted average number of shares for the purposes of basic earnings/(loss) per share	<u><u>20,319,072,320</u></u>	<u><u>20,319,072,320</u></u>

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

11. INTANGIBLE ASSETS

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

	<i>HK\$'000</i>
As at 1 April 2018 (audited)	59,186
Exchange adjustments	<u>(4,473)</u>
As at 30 September 2018 (unaudited)	<u><u>54,713</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 “Belt and Road Initiative”. 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.

12. LOAN RECEIVABLES

	30 September 2018 <i>HK\$'000</i> (unaudited)	31 March 2018 <i>HK\$'000</i> (audited)
Carrying amount of loan receivables (net of credit allowance)	139,211	152,275
<i>Less:</i> current portion included in current assets	<u>(21,406)</u>	<u>(18,571)</u>
Amounts due after one year included in non-current assets	<u>117,805</u>	<u>133,704</u>

As at 30 September 2018, loan receivables were secured by collaterals.

The customers are obliged to settle the amounts according to the terms set out in relevant contracts. Interest rates are offered based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends. The Group's loan principals charged interests at contract rate ranging from approximately 6% to 15% per annum (2018: 6%).

The Directors consider that the fair values of loan receivables are not materially different from their carrying amounts.

A maturity profile of the loan receivables (net of credit allowance) based on the maturity date at the end of reporting period is as follow:

	30 September 2018 <i>HK\$'000</i> (unaudited)	31 March 2018 <i>HK\$'000</i> (audited)
Within one year	21,406	18,571
2 to 5 years	88,456	89,887
Over 5 years	<u>29,349</u>	<u>43,817</u>
	<u>139,211</u>	<u>152,275</u>

The ageing analysis of loan receivables (net of credit allowance) based on the loan drawdown date at the end of reporting period is as follows:

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
0 to 30 days	4,134	3,694
181 to 360 days	<u>135,077</u>	<u>148,581</u>
	<u>139,211</u>	<u>152,275</u>

As at 30 September 2018, all of the loan receivables were not yet past due. These balances related to customers that have good repayment record with the Group. Based on the Directors' assessment, an increase of approximately HK\$4,531,000 in loss allowance for these receivables was made upon the transition to HKFRS 9 as of 1 April 2018; and for the six months period ended 30 September 2018, a decrease of credit allowance of approximately HK\$331,000 was credited to profit or loss as a reversal.

13. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Trade receivables	7,524	3,648
Less: credit allowance	<u>(38)</u>	<u>–</u>
	7,486	3,648
Other receivables and prepayments:		
Other deposits	11,964	14,978
Prepayments for construction work	48,041	46,919
Other tax prepayment	30,988	35,954
Other receivables	5,725	21,281
Other prepayments	13,292	7,389
Amount due from a third party	<u>18,215</u>	<u>24,630</u>
Total trade and other receivables	<u>135,711</u>	<u>154,799</u>

The following is an aged analysis of trade receivables (net of credit allowance) of the Group presented based on the date of delivery of properties to the customers at the end of the reporting period:

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
91-180 days	<u>7,486</u>	<u>3,648</u>

14. FACTORING RECEIVABLES

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Carrying amount of factoring receivables (net of credit allowance)	119,601	123,150
Less: amounts due within one year shown under current assets	<u>(119,601)</u>	<u>(123,150)</u>
	<u>-</u>	<u>-</u>

As at 30 September 2018, factoring receivables were secured by collaterals.

15. TRADE AND OTHER PAYABLES

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Trade payables	7,050	8,680
Accrued construction cost to contractors	753,422	803,459
Interest payable	16,038	15,867
Amounts due to third parties	13,610	15,954
Other payables	59,982	57,490
Other tax payables	20,414	16,166
Receipt in advance from customers	<u>17,781</u>	<u>16,447</u>
	<u>888,297</u>	<u>934,063</u>

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 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
0 – 90 days	<u>7,050</u>	<u>8,680</u>

16. BORROWINGS

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Bank borrowings, secured (<i>note (a)</i>)	577,319	724,922
Other borrowings, unsecured (<i>note (b)</i>)	<u>31,143</u>	<u>157,453</u>
	<u>608,462</u>	<u>882,375</u>
Carrying amount of borrowings repayable:		
Within one year	608,462	813,590
More than one year, but not exceeding two years	<u>–</u>	<u>68,785</u>
	608,462	882,375
<i>Less:</i> amount shown under current liabilities	<u>(608,462)</u>	<u>(813,590)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>68,785</u>

All borrowings were fixed-rate borrowings and denominated in RMB.

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

	30 September 2018 (unaudited)	31 March 2018 (audited)
Effective interest rates	<u>3% – 24%</u>	<u>3% – 24%</u>

Notes:

- (a) The followings show the carrying amounts of certain assets of the Group pledged to secure the bank borrowings provided to the Group:

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Secured by:		
Properties for sale	<u>754,381</u>	<u>827,943</u>

In addition to the Group's own assets pledged, 廣西正和實業集團有限公司 (Guangxi Zhenghe Industrial Co., Ltd*), the former related party of Liuzhou Zhenghe and other related parties of former shareholder of Liuzhou Zhenghe had also pledged certain assets to banks to secure the borrowings granted to the Group.

- (b) As at 30 September 2018, the Group's other borrowings represent (i) an unsecured borrowing of HK\$22,035,000 (31 March 2018: HK\$23,836,000) provided by a third party with interest at a fixed rate of 24% (2018: 24%) per annum and repayable in April 2019; and (ii) an unsecured borrowing of HK\$9,108,000 (31 March 2018: HK\$10,467,000) provided by another third parties with interest at a fixed rate of 18% (2018: 18%) per annum and repayable in April 2019.

During the period, an unsecured borrowing of HK\$123,150,000 provided by another third party with interest at a fixed rate of 5% per annum has been fully repaid.

17. OTHER COMMITMENTS

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Commitments contracted for:		
– construction for properties for sale	223,994	242,186
– development of settlement platform	13,691	14,872
	<u>237,685</u>	<u>257,058</u>

18. CONTINGENT LIABILITIES

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>581,029</u>	<u>747,359</u>

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 buyers obtained the individual property ownership certificate.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall results

Key performance indicator (Financial Ratio)

		Six months ended	
		30 September	
	NOTES	2018	2017
Revenue (HK\$'000)		798,205	14,764
Gross Profit margin (%)	(i)	13.41%	58.89%
Profit/(loss) for the period (HK\$'000)		15,807	(32,600)
Earnings/(loss) per share (HK cents)		0.01	(0.15)
		30 September	31 March
		2018	2018
Net asset value per share (HK cents)	(ii)	6.48	6.55

Notes:

- (i) Gross profit margin is calculated as gross profit divided by revenue and multiplying the resulting value by 100%.
- (ii) Net asset value per share is calculated based on the number of 20,319,072,320 ordinary shares of HK\$0.001 each in issue as at 30 September 2018 (31 March 2018: 20,319,072,320 ordinary shares of HK\$0.001 each).

For the reporting period, the Group recorded a turnover of approximately HK\$798,205,000, compared to approximately HK\$14,764,000 for the preceding period. The turnover for the period was mainly generated from the property development segment in 正和城 (“Zhenghe City”) of 柳州正和樺桂置業集團有限公司 (Liuzhou Zhenghe Huagui Real Estate Group Company Limited*) (“Liuzhou Zhenghe”). During the period, the construction of 2 blocks of studio/office buildings in Zone C, 3 blocks of high-rise apartments in Zone D1 and 2 blocks of residential and commercial complexes in Zone F were completed and delivered to the customers. As a result, the turnover of the Group for the period increased significantly.

A overall gross profit of approximately HK\$107,010,000 (2017: HK\$8,695,000) and gross profit margin of 13.41% (2017: 58.89%) was recorded for the reporting period. The relatively high gross profit margin in the preceding period was mainly due to the low contribution from Liuzhou Zhenghe as no newly completed units was delivered to customers in that period. The overall gross profit margin in the preceding period was twisted by the contribution from the financing business.

A profit amounted to approximately HK\$15,807,000 was recorded for the reporting period whereas a loss of approximately HK\$32,600,000 was recorded for the preceding period. The loss recorded in the preceding period was mainly due to low level of gross profit, as a result of no newly completed units were delivered to customers, which was unable to cover the Group's regular administrative and operating expenses incurred. The basic earnings per share for the reporting period was HK0.01 cents (2017: loss per share HK0.15 cents).

Review of operations and prospect

International Business Settlement

During the period, the Group proactively expands settlement and clearing services for commercial and individual customers in the Eurozone with the Electronic Money Institution (EMI) License granted in Lithuania. Regardless of whether the Group's customer is a European customer, an international customer, a domestic customer, or either a traditional trading company, a production enterprise or a new service enterprise, upon completion of account opening procedures through our remote account opening services, these customers are able to obtain prompt and convenient services covering acceptance and remittance provided by our electronic bank. In particular, efficient and convenient business settlement and clearing services of Single Euro Payments Area (SEPA) can be enjoyed in the European Economic Area (EEA).

Currently, the Group is committed to exploring business partners in Europe with a view to enhancing services. The Group has initiated discussions with certain banks and service providers that provide professional services regarding international payment as well as conducted inspection and assessment on certain banks and service providers in an attempt to reach preliminary cooperation intentions. It is also the Group's intention to further enhance the variety of commercial settlement and clearing services, expand the scope of service and boost the efficiency of settlement services through such cooperation.

As of 30 September 2018, a total of 40 European customers opened e-banking accounts through e-banking, which provided deposit, remittance and settlement services with deposits amounting to approximately EUR1.2 million and transactions amounting to approximately EUR2.0 million.

The Group aims to tap into the market in Asian-Pacific region (especially in China) in the fourth quarter of 2018, and has engaged in discussions with domestic commercial banks or professional institutions. Issues regarding shared customer service, shared accounts and technical integration have been discussed and accomplished to a certain extent. Through cooperation with domestic institutions, the Group expects to provide domestic and overseas customers with a more diversified and efficient service for cross-border payment between China and European countries.

In addition, the Group is now planning to upgrade its European EMI license to a Special Bank license with an aim of providing commercial customers with more financial services based on its existing basic business. The Group is also actively applying for licenses for electronic banking or licenses to be a payment company in Central Asia and other regions so as to expand its scope of business.

For our self-developed Next Generation Settlement Network (“NGSN”), the Group maintains continuous communication with a number of potential cooperation banks, which have also fully realised the value and opportunities brought by the NGSN solution. Meanwhile, both the banks and the Group are aware of the difficulties and challenges accompanying with the deployment and operation of NGSN. In addition to the complexity of the system, NGSN, as an inter-bank settlement system, is also confronted with the complexity and changes of various external factors, such as the world trade environment, changes in financial regulatory trend, and even changes in both domestic and overseas political and business environments. The Group expects NGSN to achieve its goal of providing an alternative settlement channel to the market as soon as possible upon all conditions are fulfilled, in order to provide support to banks and commercial customers in countries along the Belt and Road Initiative for their expansion.

As the business was newly operated, the revenue recorded during the period was relatively low. The revenue attributed to the segment was approximately HK\$25,000 (2017: Nil), and the loss was approximately HK\$13,261,000 (2017: HK\$14,864,000). The major expenses for the period were office rental expenses and staff costs.

Liuzhou Zhenghe

Zhenghe City is a mix-used complex project located at No. 102, Xinliu Avenue, Liudong New District, Liuzhou, Guangxi Zhuang Autonomous Region, the PRC, 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 480,000 square meters. Phase II will provide another stack of residential and commercial properties with a total gross floor area of approximately 561,000 square meters. Both Phase I and Phase II have commenced construction and are under development. The Group owns 100% interest in properties held for development and properties held for sale in both Phase I and Phase II.

(a) Detail area of the properties under development and completed properties are as follows:

	Site area	Approximate gross floor area	Saleable area remaining unsold
	<i>(sq.m)</i>	<i>(sq.m)</i>	<i>(Note 2) (sq.m)</i>
Phase I:			
Zone A	76,000	97,000	29,000
Zone B	94,000	128,000	28,000
Zone C	<u>61,000</u>	<u>255,000</u>	<u>151,000</u>
	<u>231,000</u>	<u>480,000</u>	<u>208,000</u>
Phase II:			
Zone D	71,000	191,000	59,000
Zone E	30,000	142,000	119,000
Zone F	<u>41,000</u>	<u>228,000</u>	<u>164,000</u>
	<u>142,000</u>	<u>561,000</u>	<u>342,000</u>
Total:	<u><u>373,000</u></u>	<u><u>1,041,000</u></u>	<u><u>550,000</u></u>

Note 1: The number of square meters (“sq.m”) are rounded to nearest thousand for illustrative purpose only.

Note 2: Representing the gross floor area under development and saleable gross floor area of completed properties that were unsold as at 30 September 2018.

(b) The progress of each phase in Zhenghe City are shown as follows:

	Property type	Status
Phase I:		
Zone A	Villas and high-rise apartment buildings with retail outlets and car parking spaces	The construction works were completed and most of the residential units were sold in the past financial years.
Zone B	Villas and high-rise apartment buildings with retail outlets and car parking spaces	The construction works were completed and most of the residential units were sold in the past financial years.
Zone C	Residential and commercial complexes and studio/office buildings with retail outlets and car parking spaces	<p>There are 7 blocks of residential and commercial complexes and 3 blocks of studio/office buildings in this zone.</p> <p>The construction works of 7 blocks of residential and commercial complexes were completed and most of the units were sold in the past financial years.</p> <p>The construction works of 2 of these 3 blocks of studio/office buildings were completed and acceptance certificates of completion were granted in reporting period. The properties were delivered to the customers and revenue was recognised in the reporting period.</p> <p>The construction works of the remaining 1 block is in progress. The pre-sale permits were granted and acceptance certificates of completion are expected to be granted in the first half of 2019.</p>

	Property type	Status
Phase II:		
Zone D1	Villas	The construction works of the villas were completed. 16 villas with a total saleable area of approximately 8,000 square meters are held for sale.
Zone D1	High-rise apartment buildings with retail outlets and car parking spaces	<p>There are 5 blocks of high-rise apartment buildings in this zone.</p> <p>The construction works of 2 blocks of these high-rise apartment buildings were completed and sold during the year ended 31 March 2018 (the “last financial year”).</p> <p>The construction works of the remaining 3 blocks are completed and acceptance certificates of completion were granted in reporting period. The properties were therefore delivered to the customers and revenue was recognised in the reporting period.</p>
Zone D2	Villas	The construction works of the villas were completed. 8 villas with a total saleable area of approximately 5,000 square meters are held for sale.
Zone E	Hotel and high-rise apartment buildings with retail outlets and car parking spaces	<p>The construction works of high-rise apartment buildings were completed and most of the units were sold in the last financial year.</p> <p>The hotel building is under construction and the pre-sale permit was granted. The acceptance certificate of completion is expected to be obtained in late 2018.</p>

Property type	Status
Zone F Residential and commercial complexes with car parking spaces	<p data-bbox="831 190 1517 271">There are 6 blocks of residential and commercial complexes in this zone.</p> <p data-bbox="831 333 1517 510">The construction works of 1 block of high-rise apartment buildings are completed and most of units in that block were sold in the last financial year.</p> <p data-bbox="831 573 1517 795">The acceptance certificates of completion of 2 blocks were obtained in reporting period. The properties were therefore delivered to the customers and revenue was recognised in the reporting period.</p> <p data-bbox="831 857 1517 1081">The construction work of the remaining 3 blocks of residential and commercial complexes are in progress and pre-sale permits were granted. The acceptance certificates of completion are expected to be obtained in the first half of 2020.</p>

During the period, an area of approximately 127,000 square meters (2017: 1,000 square meters) was sold and generated a segment turnover of approximately HK\$791,916,000 for the reporting period (2017: HK\$9,258,000). A segment profit of approximately HK\$78,051,000 was recorded for the reporting period (2017: segment loss of HK\$5,077,000). The high sales figures in the reporting period was mainly due to newly completed units in Zone C, Zone D1 and Zone F was delivered to customers during the period.

An external expert, Cushman & Wakefield Limited, was engaged to help to assess the fair value of the properties development project as at 30 September 2018. For those properties which had completed the construction work and were held for sale, a direct comparison method by making reference to comparable sales transactions as available in the relevant market was used. For those properties still under construction, the value was derived by using a 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 as the net realisable value is higher than carrying amount.

Liuzhou Zhenghe will continue to develop the Phase II of Zhenghe City and the Group is actively looking for other property development opportunities in Guangxi or other provinces in the PRC.

Financial services

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 (the “WFOE”) in the China (Shanghai) Pilot Free Trade Zone to carry out financing business in China. The scope of business includes finance leasing, leasing, purchasing of leased assets in 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 total capital injected to the WFOE was US\$35 million (approximately RMB225 million).

During the reporting period, this segment recorded approximately HK\$6,264,000 interest income (2017: HK\$5,506,000) and the segment profit was approximately HK\$2,016,000 (2017: HK\$4,478,000). The carrying amount of factoring receivables and loan receivable arising from financing segment were at HK\$119,601,000 and HK\$139,211,000 after deduct provision for credit loss allowance of HK\$2,441,000 and HK\$4,200,000 respectively for the period. A decrease in credit loss allowance of approximately HK\$353,000 was recorded for this segment for the period.

The Group adhered to a prudent risk management policy, with this segment continuously carrying out rigorous and regular review of credit risk over all the existing and new finance leasing clients. The Group will continue to adopt a careful and prudent credit risk management strategy and closely monitored recoverability to ensure prompt follow-up action is taken to receive any overdue debt.

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 approximately HK\$452,000 (2017: HK\$327,000). The Group’s management will continue to review the situation regularly and explore any possible solution 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 have been delayed and the test-run of the mining production is expected to commence in 2019. 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 material acquisitions and disposal of subsidiaries and associated companies during the reporting period.

Financial review

Finance position, liquidity and gearing

As at 30 September 2018, the total assets and liabilities of the Group were at approximately HK\$3,498,039,000 (31 March 2018: HK\$4,541,320,000) and approximately HK\$2,181,066,000 (31 March 2018: HK\$3,210,644,000), respectively. The Group recorded a total equity of approximately HK\$1,316,973,000 as at 30 September 2018 (31 March 2018: HK\$1,330,676,000).

The Group recorded net current assets of approximately HK\$1,089,902,000 as at 30 September 2018 (31 March 2018: HK\$1,143,863,000). The bank balances and cash as at 30 September 2018 was approximately HK\$971,351,000 (31 March 2018: HK\$1,167,633,000), of which most were denominated in Hong Kong dollars, US dollars, Euro and Renminbi.

The Group's current ratio (defined as current assets divided by current liabilities) was 1.50 (31 March 2018: 1.36).

As at 30 September 2018, the Group had total borrowing amounted to approximately HK\$681,654,000 (31 March 2018: HK\$962,141,000) which were denominated in Renminbi. The breakdowns are as follows:

- (i) bank and other borrowings amounted to approximately HK\$608,462,000 (31 March 2018: HK\$882,375,000) with effective interest rates in the ranges of 3% to 24%; and
- (ii) interest free loans due to third parties, an ultimate holding company and non-controlling interests amounted to approximately HK\$13,610,000 (31 March 2018: HK\$15,954,000), approximately HK\$1,775,000 (31 March 2018: HK\$2,304,000) and approximately HK\$57,807,000 (31 March 2018: HK\$61,508,000) respectively.

The gearing ratio, as a ratio of total borrowings to total equity, as at 30 September 2018 was 0.52 (31 March 2018: 0.72).

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 in December 2016. 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 2018, 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 2018, certain properties for sale with carrying amount of approximately HK\$754,381,000 (31 March 2018: HK\$827,943,000) 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 any 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 granting the relevant mortgage loans and ends after the buyer obtains the individual property ownership certificate. As at 30 September 2018, the guarantee given to banks for the above-mentioned mortgage facilities amounted to approximately HK\$581,029,000 (31 March 2018: HK\$747,359,000).

Foreign exchange exposure

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for period (2017: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2018, the Group had approximately 163 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 period.

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 period except for certain deviations as specified and explained below with considered reasons for such deviations.

- (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. However, the Company did not officially appoint a Chairman or a CEO during the period. The responsibilities of the Chairman and daily management of the Group's business is handled by the executive Directors collectively and supported by a team of senior management, which is in turn supported by staff with relevant expertise and experience.

The Board considers that this arrangement allows for 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 should attend the annual general meeting. The Company does not at present have any officer with the title Chairman. However, one of the Directors presents at the annual general meeting held on 13 September 2018 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. As the Company did not officially appoint a Chairman or a CEO, the company secretary reported to the executive Directors during the period.

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

During the period, Mr. Shao Ping resigned as an independent non-executive Director with effect from 4 June 2018, and ceased to be, among others, a member of the Audit Committee. As a result, the Audit Committee currently comprises three independent non-executive Directors, namely Mr. Yap Yung (chairman), Mr. Zhang Guangsheng and Mr. Chan Siu Tat, all of whom possess extensive experience in financial and general management. The primary duties of the Audit Committee are to manage the relationship between the Company and its external auditor and monitor the audit scope and the process, to review and supervise the financial reporting process, internal control system and risk management and to provide advice and comments to the Board.

The Group's unaudited interim financial information for the period has been reviewed by the Audit Committee. Based on this review and discussions with the management, the Audit Committee was satisfied that the unaudited interim financial information was prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the period.

REVIEW OF INTERIM RESULTS

At the request of the Audit Committee, the auditors of the Company, BDO Limited, had carried out a review of the unaudited interim financial information for the period in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, our auditor confirmed that nothing had come to their attention that caused them to believe that the interim financial information was not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange at 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, 26 November 2018

* *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 and Mr. Chan Siu Tat as independent non-executive directors.