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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 2019

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 2019 (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	2019 HK\$'000	2018 HK\$'000
Revenue	3	280,550	798,205
Cost of sales and services		<u>(226,336)</u>	<u>(691,195)</u>
Gross profit		54,214	107,010
Other income, gains and losses	5	4,758	714
Selling expenses		(3,589)	(1,087)
Administrative and other expenses		(39,323)	(39,542)
(Impairment)/reversal of impairment loss on factoring receivables		(23,634)	22
Finance costs	6	<u>(6,159)</u>	<u>(11,712)</u>

		Unaudited	
		Six months ended	
		30 September	
		2019	2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit before taxation		(13,733)	55,405
Income tax expenses	7	<u>(26,014)</u>	<u>(39,598)</u>
(Loss)/profit for the period	8	<u>(39,747)</u>	<u>15,807</u>
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently</i>			
<i>to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>(7,637)</u>	<u>(23,450)</u>
Total comprehensive income for the period		<u>(47,384)</u>	<u>(7,643)</u>
(Loss)/profit for the period attributable to:			
– Owners of the Company		(41,459)	2,670
– Non-controlling interests		<u>1,712</u>	<u>13,137</u>
		<u>(39,747)</u>	<u>15,807</u>
Total comprehensive income attributable to:			
– Owners of the Company		(47,538)	(19,026)
– Non-controlling interests		<u>154</u>	<u>11,383</u>
		<u>(47,384)</u>	<u>(7,643)</u>
(Loss)/earnings per share			
Basic and diluted (<i>HK cents</i>)	10	<u>(0.20)</u>	<u>0.01</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2019	31 March 2019
	<i>NOTES</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		189,905	199,872
Intangible assets	<i>11</i>	–	–
Interests in associates		–	–
Loan receivables	<i>12</i>	89,021	103,629
Deferred tax assets		32,069	40,884
Deposit	<i>13</i>	392,805	–
		<u>703,800</u>	<u>344,385</u>
CURRENT ASSETS			
Properties held for sale		1,620,838	1,862,565
Trade and other receivables	<i>14</i>	148,914	115,529
Factoring receivables	<i>15</i>	12,657	40,174
Loan receivables	<i>12</i>	42,057	36,384
Restricted bank deposits		3,964	6,479
Bank balances and cash		419,476	911,602
		<u>2,247,906</u>	<u>2,972,733</u>
CURRENT LIABILITIES			
Trade and other payables	<i>16</i>	352,742	870,257
Borrowings	<i>17</i>	531,837	569,943
Amount due to non-controlling interests		55,846	59,511
Amount due to ultimate holding company		1,769	1,775
Tax liabilities		41,092	31,154
Contract liabilities	<i>18</i>	876,014	646,202
Lease liabilities		4,296	–
		<u>1,863,596</u>	<u>2,178,842</u>

		30 September 2019	31 March 2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
NET CURRENT ASSETS		<u>384,310</u>	<u>793,891</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,088,110</u>	<u>1,138,276</u>
NON-CURRENT LIABILITIES			
Borrowings	<i>17</i>	33,567	35,974
Lease liabilities		<u>19</u>	<u>–</u>
		<u>33,586</u>	<u>35,974</u>
NET ASSETS		<u><u>1,054,524</u></u>	<u><u>1,102,302</u></u>
CAPITAL AND RESERVES			
Share capital		20,319	20,319
Reserves		<u>1,011,539</u>	<u>1,059,471</u>
Equity attributable to owners of the Company		1,031,858	1,079,790
Non-controlling interests		<u>22,666</u>	<u>22,512</u>
TOTAL EQUITY		<u><u>1,054,524</u></u>	<u><u>1,102,302</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.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018/2019 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 2019. This is the first set of Group’s financial statements in which Hong Kong Financial Reporting Standard 16 Leases (“HKFRS 16”) has been adopted. Details of any changes in accounting policies are set out in note 2. Except for the adoption of HKFRS 16, the adoption of the new and revised HKFRSs have no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

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 2018/2019 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 2018/2019 consolidated annual financial statements.

2. CHANGES IN HKFRSs

Adoption of new or amended HKFRSs — effective from 1 April 2019

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combination
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 Leases has been summarised below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any material impact in the Group's accounting policies.

(i) *Impact of the adoption of HKFRS 16*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the condensed consolidated statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on the condensed consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

	Right-of- use assets <i>HK\$'000</i> (unaudited)	Lease liabilities <i>HK\$'000</i> (unaudited)
Adjusted balance as at 1 April 2019	6,030	6,424
Additions	55	55
Depreciation	(2,118)	–
Interest expenses	–	268
Payments	–	(2,420)
Exchange adjustment	<u>(10)</u>	<u>(12)</u>
As at 30 September 2019	<u><u>3,957</u></u>	<u><u>4,315</u></u>

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 April 2019:

	<i>HK\$'000</i>
Weighted average incremental borrowings rate as at 1 April 2019	10%
Operating lease commitments disclosed as at 31 March 2019	9,140
<i>Less:</i> recognition exemption – short-term leases	(2,237)
<i>Less:</i> future interest expenses	<u>(479)</u>
Lease liabilities recognised as at 1 April 2019	<u><u>6,424</u></u>
Of which are:	
Current lease liabilities	4,363
Non-current lease liabilities	<u>2,061</u>
	<u><u>6,424</u></u>

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the condensed consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as lessor

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 does not have any financial impact on leases where the Group is the lessor.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 April 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

3. REVENUE

The principal activities of the Group are (1) property development; (2) hotel business; (3) property management business (4) international business settlement and (5) financing business. Further details are disclosed in note 4.

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers <i>(note)</i>		
Sales of properties	270,830	791,916
Property management services	5,084	–
International business settlement services	1,120	25
	<u>277,034</u>	<u>791,941</u>
Revenue from other sources		
Financing service income	3,516	6,264
	<u>280,550</u>	<u>798,205</u>

Note: Disaggregation of revenue from contracts with customers

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	270,830	791,916
Services transferred over time	6,204	25
	<u>277,034</u>	<u>791,941</u>

4. 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, car parking spaces, including undertaking of primary land development activities, in the People's Republic of China ("PRC").
- Hotel business – Hotel development and provision of hotel management services in the PRC
- Property management business – Provision of property management services in the PRC
- International business settlement – Providing settlement and clearing services for commercial and individual customers with the Electronic Money Institution license.
- Financing business – Provision of finance through money lending services, finance leases, leasing, factoring and other related services.

Following the newly started up property management business segment in the current reporting period, the CODM considered that the property development segment, hotel business segment, property management business 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 five segments are not significant to the Group and presented as "Others" for reporting purpose.

(a) Segment revenue and results

Six months ended 30 September 2019 (unaudited)

	Property development <i>HK\$'000</i>	Hotel business <i>HK\$'000</i>	Property management business <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	270,830	–	5,084	1,120	3,516	–	280,550
Segment profit/(loss)	38,071	(5,058)	(2,411)	(12,532)	(24,489)	(385)	(6,804)
Unallocated corporate expenses							(10,981)
Bank interest income (<i>note 5</i>)							4,052
Loss before taxation							<u>(13,733)</u>

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	791,916	25	6,264	–	798,205
Segment profit/(loss)	78,051	(13,261)	2,016	(452)	66,354
Unallocated corporate expenses					(16,640)
Bank interest income (<i>note 5</i>)					5,691
Profit before taxation					55,405

Segment results represent the results from each segment without allocation of central administration costs including directors' emoluments and bank 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 2019 <i>HK\$'000</i> (unaudited)	31 March 2019 <i>HK\$'000</i> (audited)
ASSETS		
<i>Segment assets</i>		
Property development	1,713,516	1,997,302
Hotel business	197,342	211,492
Property management business	314	–
International business settlement	77,354	10,105
Financing business	144,010	182,458
Others	1,567	1,666
Total segment assets	2,134,103	2,403,023
<i>Unallocated assets</i>		
Bank balances and cash	419,476	911,602
Deposit (<i>note 13</i>)	392,805	–
Other corporate assets	5,322	2,493
Total unallocated assets	817,603	914,095
Consolidated total assets	2,951,706	3,317,118

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
LIABILITIES		
<i>Segment liabilities</i>		
Property development	(1,670,294)	(1,976,329)
Hotel business	(157,307)	(165,771)
Property management business	(2,660)	–
International business settlement	(56,268)	(62,442)
Financing business	(1,029)	(3,400)
Others	(800)	(655)
	<u>(1,888,358)</u>	<u>(2,208,597)</u>
Total segment liabilities		
Unallocated liabilities		
Other liabilities	(8,824)	(6,219)
	<u>(8,824)</u>	<u>(6,219)</u>
Total unallocated liabilities		
Consolidated total liabilities		
	<u>(1,897,182)</u>	<u>(2,214,816)</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.

(c) **Other segment information**

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets").

	Revenue from external customers (by customer location)		Specified non-current assets (by physical location)	
	Six months ended 30 September		30 September	31 March
	2019	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Hong Kong	–	–	139	161
PRC (domicile)	279,430	798,180	188,625	198,419
Others	1,120	25	1,141	1,292
	280,550	798,205	189,905	199,872

5. **OTHER INCOME, GAINS AND LOSSES**

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	4,052	5,691
Government grant	132	–
Referral fee income	–	2,620
Net exchange loss	(59)	(8,600)
Reversal of impairment loss on trade and other receivables	104	437
(Impairment)/reversal of impairment loss on loan receivables	(101)	331
Others	630	235
	4,758	714

6. FINANCE COSTS

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowings		
– Bank borrowings	23,674	25,448
– Other borrowings	5,869	9,603
Interest on lease liabilities	268	–
	<u>29,811</u>	<u>35,051</u>
<i>Less: amount capitalised in properties held for sale</i>	<u>(23,652)</u>	<u>(23,339)</u>
	<u>6,159</u>	<u>11,712</u>

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

7. INCOME TAX EXPENSES

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax in PRC		
Enterprise Income Tax (“EIT”)	9,307	21,497
Land Appreciation Tax (“LAT”)	10,373	15,214
	<u>19,680</u>	<u>36,711</u>
Deferred tax		
Charge for the period	6,334	2,887
	<u>26,014</u>	<u>39,598</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%.

No deferred tax asset has been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams. The deductible temporary differences can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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 2019, the amount of prepaid LAT and EIT in respect of contract liabilities amounted to approximately HK\$2,465,000 (31 March 2019: HK\$8,920,000), which has been presented as deduction against the tax liabilities of the respective subsidiary in the condensed consolidated statement of financial position.

8. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Directors' emoluments	1,883	1,949
Other staff salaries, wages and allowances	14,906	15,671
Other staff retirement scheme contributions	734	1,728
	<u>17,523</u>	<u>19,348</u>
<i>Less: staff costs capitalised in properties held for sale</i>	<u>(743)</u>	<u>(1,028)</u>
Total staff costs	<u>16,780</u>	<u>18,320</u>
Depreciation expense		
– Property, plant and equipment	593	3,445
– Right-of-use asset	2,118	–
	<u>2,711</u>	<u>3,445</u>
Impairment/(reversal of impairment) loss on factoring receivables	23,634	(22)
Rental expenses in respect of rented premises	<u>3,094</u>	<u>4,387</u>

9. DIVIDEND

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 (2018: Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit and loss		
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	<u>(41,459)</u>	<u>2,670</u>
	Six months ended 30 September	
	2019	2018
Number of shares		
Weighted average number of shares for the purposes of basic (loss)/earnings per share	<u>20,319,072,320</u>	<u>20,319,072,320</u>

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

11. INTANGIBLE ASSETS

The Group entered into an agreement with 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”. During prior years, the sums paid and payable by the Group pursuant to the agreement was USD7,600,000 (equivalent to HK\$59,186,000). The platform is 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.

During previously financial year ended 31 March 2019, the Group recognised a full impairment loss in relation to settlement platform due to lack of substantive results arising from memorandums of cooperation and framework agreements, entered into in prior years, signed with a number of potential cooperative banks and financial institutions. Up to the date of this condensed consolidated interim financial statements, there are no revenue generated from this settlement platform.

12. LOAN RECEIVABLES

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Loan receivables	130,912	143,229
Interest receivables	6,829	3,820
	137,741	147,049
<i>Less: Loss allowance (note (b))</i>		
Stage 1	(150)	(211)
Stage 2	(6,513)	(6,825)
Stage 3	—	—
Carrying amount of loan receivables	131,078	140,013
Current portion included under current assets	(42,057)	(36,384)
Amounts due after one year included under non-current assets	89,021	103,629

As at 30 September 2019, all 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 5% to 13% (31 March 2019: 6% to 15%) per annum.

The Group's management considers that the fair values of loan receivables are not materially different from their net carrying amounts.

(a) Ageing analysis

Ageing analysis of loan receivables based on the loan drawdown date and before loss allowance at the end of reporting period is as follows:

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Over 1 year	<u><u>137,741</u></u>	<u><u>147,049</u></u>

Ageing analysis of loan receivables based on the contract due date and before loss allowance at the end of reporting period is as follows:

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Not past due	110,969	138,073
0 to 30 days	9,159	4,523
Over 90 days	<u><u>17,613</u></u>	<u><u>4,453</u></u>
	<u><u>137,741</u></u>	<u><u>147,049</u></u>

(b) **Movement in impairment losses**

Loss allowance for loan receivables during the period was recognised as follows:

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	Total
	ECL	ECL not	ECL credit-	
	HK\$'000	credit-	impaired	HK\$'000
	HK\$'000	impaired	impaired	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2019 (audited)	211	6,825	–	7,036
Impairment loss charged to profit or loss	(43)	(58)	–	(101)
Exchange adjustment	(18)	(254)	–	(272)
At 30 September 2019 (unaudited)	<u>150</u>	<u>6,513</u>	<u>–</u>	<u>6,663</u>

Based on the assessment of the management of the Group, a decrease of loss allowance of approximately HK\$101,000 was charged to profit or loss as an impairment.

Loan receivables bear no credit term. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up actions taken on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

13. DEPOSIT

On 19 July 2019, the Group entered into a subscription agreement with independent parties, pursuant to which the Group has conditionally agree to subscribe for 5 new ordinary shares of Bronzelink Holding Limited ("Bronzelink") for subscription price of USD50,000,000 (equivalent to approximately HK\$392,805,000). Upon completion, the Group will hold approximately 5.56% equity interests of Bronzelink, a company engaged in providing high capacity Ka-band satellite-enabled internet network services.

As of 30 September 2019, the Group has prepared a cashier's order of USD50,000,000 payable to Bronzelink in accordance with the terms and conditions of the subscription agreement. The cashier's order is now kept by the Company until the deal is concluded.

As at 30 September 2019 and the date hereof, the Group has not obtained all required approvals for the transaction, the payment of the above deposit was captured in "non-current assets". For details of transactions, please refer to the announcement of the Company dated 19 July 2019.

14. TRADE AND OTHER RECEIVABLES

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Trade receivables	282	6,651
Less: Loss allowance	(1)	(33)
	281	6,618
Other receivables and prepayments:		
Other deposits	6,278	6,647
Prepayments for construction works	61,148	71,967
Other tax prepayment	8,342	18,822
Other receivables	68,218	6,516
Other prepayments	4,647	4,959
Total trade and other receivables	148,914	115,529

Trade receivables for property sales, debts are due on the dates of delivery of properties but settlements are made by agreements on time allowed for collections. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up actions taken on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

The ageing analysis of trade receivables after loss allowance of the Group, presented based on the date of delivery of properties to the customers, at the end of the reporting period are as follows:

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
91 to 180 days	281	6,618

Movement in loss allowance of trade and other receivables of the Group during the periods are as follows:

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
At the beginning of the period	232	1,086
Impairment loss charged to profit or loss	-	15
Reversal of impairment loss previously recognised	(104)	(867)
Exchange adjustment	(11)	(2)
At the end of the period	117	232

The balances of other deposits and other receivables are neither past due nor impaired. The Group's management considers that the credit risk associated with these receivables is minimal but a general provision for impairment loss is provided for as in the aforesaid.

15. FACTORING RECEIVABLES

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Factoring receivables	121,914	132,062
Interest receivables	—	4,586
	<u>121,914</u>	<u>136,648</u>
<i>Less: Loss allowance (note (b))</i>		
Stage 1	—	(28)
Stage 2	—	—
Stage 3	<u>(109,257)</u>	<u>(96,446)</u>
Current portion included under current assets	<u>12,657</u>	<u>40,174</u>

As at 30 September 2019 and 31 March 2019, all factoring receivables were secured by accounts receivables of the debtors with interest rate of 6.5% (31 March 2019: 6.5%). The Group has recourse right on the debts in the event of default. However, the collaterals are not permitted to sell or re-pledge by the Group.

(a) Ageing analysis

Ageing analysis of factoring receivables based on the loan drawdown date and before loss allowance at the end of reporting period is as follows:

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
91 to 180 days	—	6,566
181 to 360 days	—	130,082
Over 360 days	<u>121,914</u>	<u>—</u>
	<u>121,914</u>	<u>136,648</u>

Ageing analysis of factoring receivables based on the contract due date and before loss allowance at the end of reporting period is as follows:

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Not past due	6,014	132,507
31 to 90 days	115,900	2,123
Over 90 days	<u>–</u>	<u>2,018</u>
	<u>121,914</u>	<u>136,648</u>

(b) Movement in impairment losses

Loss allowance for factoring receivables during the period was recognised as follows:

	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL not credit- impaired HK\$'000	Stage 3 Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
At 31 March 2019 (audited)	28	–	96,446	96,474
Written off of impairment loss	–	–	(4,456)	(4,456)
Impairment loss charged to profit or loss	(28)	–	23,662	23,634
Exchange adjustment	<u>–</u>	<u>–</u>	<u>(6,395)</u>	<u>(6,395)</u>
At 30 September 2019 (unaudited)	<u>–</u>	<u>–</u>	<u>109,257</u>	<u>109,257</u>

Factoring receivables bear no credit term. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up actions taken on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

16. TRADE AND OTHER PAYABLES

	30 September	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade payables (<i>note</i>)	11,732	15,487
Accrued construction costs to contractors	209,152	754,513
Interest payable	27,441	2,635
Amount due to third parties	730	782
Other payables	65,975	73,039
Other tax payables	37,712	23,801
	<u>352,742</u>	<u>870,257</u>

Note:

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	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
90 to 180 days	<u>11,732</u>	<u>15,487</u>

17. BORROWINGS

	30 September	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Bank borrowings, secured (<i>note (a)</i>)	400,638	430,772
Other borrowings, secured (<i>note (b)</i>)	157,112	165,771
Other borrowings, unsecured (<i>note (c)</i>)	7,654	9,374
	<u>565,404</u>	<u>605,917</u>

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Carrying amount of borrowings repayable:		
Within one year	531,837	569,943
More than one year, but not exceeding two years	<u>33,567</u>	<u>35,974</u>
	565,404	605,917
<i>Less:</i> amount shown under current liabilities	<u>(531,837)</u>	<u>(569,943)</u>
Amounts shown under non-current liabilities	<u>33,567</u>	<u>35,974</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 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Effective interest rates	<u>6% – 18%</u>	<u>6.5% – 18%</u>

Notes:

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

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Secured by:		
Properties held for sale	<u>616,535</u>	<u>660,742</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 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 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 2019, hotel rooms of HK\$40,848,000 (31 March 2019: HK\$43,777,000) are pledged as security for other borrowings.
- (c) As at 30 September 2019, the Group's other borrowings represent an unsecured borrowings of HK\$7,654,000 (31 March 2019: HK\$9,374,000) provided by a third party with interest at a fixed rate of 18% per annum and repayable in January 2020.

18. CONTRACT LIABILITIES

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, certain portion are received on or before the date of delivery of the properties to customers which is recorded as contract liabilities.

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Contract liabilities arising from property development business	<u>876,014</u>	<u>646,202</u>
		<i>HK\$'000</i>
At 1 April 2019		646,202
Revenue recognised for the balances included in the contract liabilities at the beginning of the period		(270,830)
Increase for the cash received for the balances where revenue is not yet recognised during the period		<u>500,642</u>
At 30 September 2019		<u>876,014</u>

As at 30 September 2019, the amount of sales deposits received expected to be recognised as revenue after one year is nil (31 March 2019: Nil).

19. COMMITMENTS

- (a) Capital commitments outstanding at 30 September 2019 not provided in the condensed consolidated interim financial statement

	30 September 2019 <i>HK\$'000</i> (unaudited)	31 March 2019 <i>HK\$'000</i> (audited)
Commitments contracted for:		
– construction for properties held for sale	91,285	141,523
– development of settlement platform	2,622	2,622
	93,907	144,145

- (b) At 31 March 2019, the total future minimum lease payment under non-cancellable operating leases in respect of rented premises were payable as follows (audited):

	<i>HK\$'000</i>
Within one year	6,483
In the second and fifth year inclusive	2,657
	9,140

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at 1 April 2019 (see note 2). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the condensed consolidated statement of financial position in accordance with the policies set out in note 2.

20. CONTINGENT LIABILITIES

	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>821,830</u>	<u>880,758</u>

Note:

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 to repay 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.

The management, with its assessment of the current and outlook of the market, perceives that the possibility of default in mortgage loans by home buyers is remote and, in the event of default, the liabilities caused to the Group will be minimal as the loss will be adequately mitigated by the proceeds recovered from the sales of the repossessed properties. Accordingly, no provision is made in the accounts for the guarantees.

21. SUBSEQUENT EVENTS

On 4 October 2019, Besting Capital Limited ("Besting Capital"), an indirectly wholly-owned subsidiary of the Company, entered into the cooperation agreement with Unicon Optical Co., Ltd. ("Unicon"), a company incorporated in Taiwan with limited liability and listed on the Emerging Stock Board of Taipei Exchange (台灣興櫃市場) (Stock code: 4150) pursuant to which Besting Capital and Unicon will jointly establish a company named Hong Kong Unicon Optical Co., Limited ("HK Unicon") for purpose of setting up a wholly-owned foreign enterprise for manufacturing and selling of contact lenses in PRC. According to the cooperation agreement, the registered capital of the HK Unicon shall be USD30 million, of which Besting Capital shall be contributing USD21 million (representing 70% of the equity interests in HK Unicon) and Unicon shall be contributing USD9 million (representing 30% of the equity interests in HK Unicon). On 25 October 2019, a wholly-owned foreign enterprise named 福建優你康光學有限公司 (Fujian Unicon Optical Co., Ltd) had been established by HK Unicon in Fuzhou.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall results

Key performance indicator (Financial Ratio)

		Six months ended	
		30 September	
	Notes	2019	2018
Revenue (HK\$'000)		280,550	798,205
Gross Profit margin (%)	(i)	19.32%	13.41%
(Loss)/profit for the period (HK\$'000)		(39,747)	15,807
(Loss)/earnings per share (HK cents)		(0.20)	0.01
		30 September	31 March
		2019	2019
Net asset value per share (HK cents)	(ii)	5.19	5.42

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 issued as at 30 September 2019 (31 March 2019: 20,319,072,320 ordinary shares).

For the reporting period, the Group recorded a revenue of approximately HK\$280,550,000, representing a significant decrease of approximately 64.9% when compared with the same period in 2018. The revenue for the reporting period is 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”). In the preceding financial year, the construction work 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 in Zhenghe City were completed and delivered to the customers and therefore recorded substantial revenue in the previous period. However, during the reporting period, no buildings were completed and delivered to the market, and revenue was only generated from the selling of the unsold units in studio/office buildings in Zone C and commercial complexes in Zone F. As a result, the revenue of the Group for the reporting period decreased significantly.

An overall gross profit of approximately HK\$54,214,000 (2018: HK\$107,010,000) and gross profit margin of 19.32% (2018: 13.41%) were recorded for the reporting period. The slight increase in gross profit margin was mainly due to the stores and apartment units sold during the period as compared to residential units sold in same period in 2018 has a relatively higher marking in selling.

A loss amounted to approximately HK\$39,747,000 was recorded for the reporting period whereas a profit of approximately HK\$15,807,000 was recorded for the same period in 2018. Such loss was mainly attributed to no newly completed buildings being delivered to the market during the period to generate adequate profit to cover the fixed costs of the Group and the impairment loss of approximately HK\$23,634,000 on factoring receivables in the financing segment was made as result of increasing expected loss after assessment on risk of default in respect of the relevant factoring receivables. The basic and diluted loss per share was approximately HK\$0.20 cents for the reporting period.

Review of operations and prospect

International Business Settlement

In last financial year, in view of challenges faced with the operational side to reach consensus on the actual operation mode and details of the business cooperation with potential banks and financial institutions to generated future benefits to the Group and the external factors, such as the world trade environment, changes in financial regulatory trend and changes in political environment which had triggered financial regulators in various countries to hesitate when co-operating with the Group to develop the Next Generation Settlement Network (“NGSN”) platform, as the development of the platform is to provide an alternative settlement and clearing services other than SWIFT between China and other countries, with reference to the assessment of a professional valuer, the NGSN was fully impaired.

Although the development of the NGSN faced a lot of challenges, the Company is not ready to give up on it. The Board considers that all its effort and money spent in the past few years will be in vain if NGSN was terminated, therefore the Board decided to continue with the development of the NGSN and targets in the European region first with by leveraging its relationship in Lithuania. The Group currently holds an Electronic Money Institution (“EMI”) License in Lithuania and the management team in Lithuania has established a good relationship with the Central Bank of Lithuania. With such communication channel, the Company targets to develop the European market for NGSN in the coming years.

In the reporting period, the Group restructured the management team to develop the NGSN and employed additional expertise and technical staff to support the development. The Company continues to maintain communication with all our existing partners, aiming to reach more in-depth and comprehensive cooperation agreements with potential cooperative banks and financial institutions as soon as possible so that the NGSN can be put into operation as soon as possible to provide fund settlement and clearing services to cross border trading business and individuals around the world. It is expected that the development of NGSN will continue to face different operational and technological challenges, however, with the assistance of external technological expertise and the management team, the Company hopes that NGSN can provide settlement services in 2021.

With the EMI License in Lithuania, the Group has connected the commercial and individual customers in European market and China together and provides fund settlement and clearing services for commercial and individual customers in a small scale.

As of September 2019, nearly 130 European customers opened e-banking accounts through the Group's e-banking set up via network in Lithuania, which provided deposit, remittance and settlement services to them, with monthly deposits in aggregate of approximately EUR3 million and transaction amount in aggregate of more than EUR80 million.

The Group obtained approval from the central bank of Lithuania for expanding the services scope under the EMI License to conduct issue credit card, card collection and other business in April 2019, the Group has conducted negotiation with certain international payment services provider, such as UnionPay, Alipay and WeChat, with a view to cooperating with them in respect of collection business in Euro upon the completion of expansion of EMI License. Besides, the Group also keeps an eye on Special Bank License and hopes to upgrade EMI License to Special Bank License, with an aim of providing commercial customers with more financial services.

For the application of licenses for electronic banking or licenses for payment company in Central Asia, the progress is not as smooth as expected and hiccups encountered. The Group will try its best to resolve the difficulties faced and expand our network to achieving synergetic development with the business in European and domestic market.

The revenue attributed to this segment was contributed from the EMI License business which was at the initial stage and generated relatively low revenue of approximately HK\$1,120,000 (2018: HK\$25,000), and the loss was approximately HK\$12,532,000 (2018: HK\$13,261,000). The major expenses for the period were staff costs.

Liuzhou Zhenghe (property development, hotel business and property management business segment)

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 511,000 square meters. Both Phase I and Phase II have commenced construction and are under development. The Group owned 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 (sq.m)	Approximate gross floor area (sq.m)	Saleable area remaining unsold (note 2) (sq.m)	Completed area of properties held for self- operating/ own use (sq.m)
Phase I:				
Zone A	76,000	97,000	21,000	8,000
Zone B	94,000	128,000	26,000	–
Zone C	61,000	255,000	129,000	–
	<u>231,000</u>	<u>480,000</u>	<u>176,000</u>	<u>8,000</u>
Phase II:				
Zone D	71,000	191,000	48,000	–
Zone E	30,000	142,000	87,000	31,000
Zone F	41,000	178,000	110,000	–
	<u>142,000</u>	<u>511,000</u>	<u>245,000</u>	<u>31,000</u>
Total:	<u><u>373,000</u></u>	<u><u>991,000</u></u>	<u><u>421,000</u></u>	<u><u>39,000</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 2019.

(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. Approximately 8,000 square meters car parking spaces in this zone were held for self-operating to generate stable recurring income. Hence classify as the Group's property, plant and equipment.
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 and 2 of 3 blocks of studio/office buildings in this zone were completed and most of the units were sold in the past financial years.</p> <p>The construction works of the remaining 1 block of studio/office building is in progress. The pre-sale permits were granted and acceptance certificates of completion are expected to be granted in the first half of 2020.</p>

	Property type	Status
Phase II:		
Zone D1	Villas	The construction works of the villas were completed. 10 villas with area of approximately 5,000 square meters were sold to the customers and revenue was recognised in the reporting period. Remaining 6 villas with a total saleable area of approximately 3,000 square meters are held for sale.
Zone D1	High-rise apartment buildings with retail outlets and car parking spaces	There are 5 blocks of high-rise apartment buildings in this zone. The construction works of these 5 blocks of high-rise apartment buildings were completed and most of the units were sold in the past financial years. Car parking spaces with a total saleable area of approximately 43,000 square meters are held for sale.
Zone D2	Villas	The construction works of the villas were completed. 8 villas with a total saleable area of approximately 5,000 square meters were sold to the customers and revenue was recognised in the reporting period.
Zone E	Hotel and high-rise apartment buildings with retail outlets and car parking spaces	The construction works of high-rise apartment buildings were completed and most of the units were sold in the last financial year. Retail outlets attached to this apartment building with a total saleable area of approximately 33,000 square meters are held for sale.

Property type**Status**

		<p>The hotel building was under construction and the pre-sale permit was granted. The acceptance certificate of completion is expected to be obtained in late 2019 or early 2020. In last financial year, the Group changed its intention to operate the hotel under franchising arrangement instead of held for sale. Constructing area of approximately 31,000 square meters of the hotel building are included in property, plant and equipment.</p>
Zone F	Residential and commercial complexes with retail outlets and car parking spaces	<p>There are 6 blocks of residential and commercial complexes in this zone.</p> <p>The construction works of 3 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 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. Retail outlets attached to 1 block of building with area of approximately 3,000 square meters was sold to customers and revenue was recognised in the period.</p>

- (i) For property development segment in Liuzhou Zhenghe, an area of approximately 25,000 square meters (2018: 127,000 square meters) was sold and generated a segment revenue of approximately HK\$270,830,000 for the reporting period (2018: HK\$791,916,000). A segment profit of approximately HK\$38,071,000 was recorded for the reporting period (2018: HK\$78,051,000). The low sales figures in the reporting period was mainly due to no buildings were completed and delivered to the customers during the period. Therefore, revenue for the period was contributed by the sale of previously constructed unsold units only.

An external expert was engaged to help to assess the fair value of the properties development project as at 30 September 2019. For those properties which had completed the construction work and were held for sale, a market 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 market 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 2019 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.

- (ii) The hotel business is located in Zone E1 of Zhenghe City with gross floor area of approximately 31,000 square meters. In last financial year, the Group entered into a franchising agreement with a well-known international hotel franchisee to operate the hotel under the franchising requested standards. The construction and renovation works of the hotel building are still in progress and no revenue will be generated until commencement of operation of the hotel in 2021 and the segment loss was HK\$5,058,000 mainly represented interest on other borrowing for finance the hotel construction (2018: Nil).
- (iii) In order to increase the income stream, the Group started to provide property management services to the residents or lessees in Zhenghe City. During the reporting period, the revenue generated from property management business was HK\$5,084,000 (2018: Nil) and the segment loss was HK\$2,411,000 (2018: Nil).

Financial services

A wholly foreign owned enterprise (the “WFOE”) in the China (Shanghai) Pilot Free Trade Zone was established by the Group to carry out financing business in China with a total registered capital of USD35 million (approximately RMB225 million). The scope of business of the WFOE 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.

Starting from last year, the financial services business was affected significantly in view of the challenging business environment in China. Our clients in the factoring business experienced a severe blow in this tough business environment in China and have failed to pay all installments of interest payment since last financial year. After assessment of the recoverability of the debt, a significantly impairment and expected credit loss of HK\$93,909,000 were provided for these receivables in last financial year.

During the reporting period the principal amount of factoring receivables matured in July 2019, there had been no progress for recover of any amount in arrears from these receivables, after considering the credit risk of the borrowers and realizable value of the collaterals, a further impairment loss of HK\$23,634,000 on factoring receivables was made in the reporting period.

This segment recorded approximately HK\$3,516,000 interest income (2018: HK\$6,264,000) as revenue and the segment loss was approximately HK\$24,489,000 (2018: segment profit of HK\$2,016,000) for the reporting period. The substantial segment loss was mainly due to the aforesaid impairment loss of HK\$23,634,000 being made for the factoring receivables after credit evaluations.

The carrying amount of factoring receivables and loan receivables arising from financing segment were at HK\$12,657,000 and HK\$131,078,000 after deducting accumulated allowance of impairment loss of HK\$109,257,000 and HK\$6,663,000 respectively for the reporting period.

The Group did not make any new loan during the reporting 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, 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\$385,000 (2018: HK\$452,000). 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 the previous year. The construction of mining plants and other infrastructure is in progress and test-run of the mining production has commenced. 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND SUBSEQUENCE EVENTS

- (a) On 19 July 2019, the Group entered into a subscription agreement with independent parties pursuant to which the Group has conditionally agree to subscribe for 5 new ordinary shares, which represent approximately 5.56% of the issued share capital, of Bronzelink Holding Limited ("Bronzelink") for subscription price of USD50,000,000 (equivalent to approximately HK\$392,805,000). Bronzelink is an investment holding company which hold 75% of Global-IP Cayman which is principally engaged in providing high capacity Ka-band satellite-enabled internet network services, exclusively dedicated to the emerging markets in Sub-Saharan Africa. After the completion, Bronzelink shall also procure granting an exclusive right to the Group to sell or to sub-license not less than 50Gbps bandwidth which is around 1/3 of the total bandwidth available from the satellite to the Group and, in connection with such sale or sublicense, entitle the Group to a payment in the amount of not less than 5% of the gross selling price payable by each of the customers of such 50Gbps bandwidth.

Due diligence work is in progress and completion is conditional upon satisfaction of certain conditions precedent including but not limit to Global-IP Cayman having renewed the agreement the manufacturer of the satellite, Boeing Satellite Systems International, Inc., and our due diligence work having been completed and satisfied. The USD50,000,000 subscription money payable to Bronzelink in accordance with the terms and conditions of the subscription agreement is now kept by the Company until the deal is completed. For details of transactions, please refer to the announcement of the Company dated 19 July 2019.

- (b) On 4 October 2019, Besting Capital Limited (“Besting Capital”), an indirectly wholly-owned subsidiary of the Company, entered into the cooperation agreement with Unicon Optical Co., Ltd. (“Unicon”), a company incorporated in Taiwan with limited liability and listed on the Emerging Stock Board of Taipei Exchange (台灣興櫃市場) (Stock code: 4150) pursuant to which Besting Capital and Unicon will jointly establish a company named Hong Kong Unicon Optical Co., Limited (“HK Unicon”) for purpose of setting up a wholly-owned foreign enterprise for manufacturing and selling of contact lenses in PRC. According to the cooperation agreement, the registered capital of the HK Unicon shall be USD30 million, of which Besting Capital shall be contributing USD21 million (representing 70% of the equity interests in HK Unicon) and Unicon shall be contributing USD9 million (representing 30% of the equity interests in HK Unicon). On 25 October 2019, a wholly-owned foreign enterprise named 福建優你康光學有限公司 (Fujian Unicon Optical Co., Ltd) had been established by HK Unicon in Fuzhou. For details of transactions, please refer to the announcement of the Company dated 4 October 2019.

FINANCIAL REVIEW

Finance position, liquidity and gearing

As at 30 September 2019, the total assets and liabilities of the Group were at approximately HK\$2,951,706,000 (31 March 2019: HK\$3,317,118,000) and approximately HK\$1,897,182,000 (31 March 2019: HK\$2,214,816,000), respectively. The Group recorded a total equity of approximately HK\$1,054,524,000 as at 30 September 2019 (31 March 2019: HK\$1,102,302,000).

The Group recorded net current assets of approximately HK\$384,310,000 as at 30 September 2019 (31 March 2019: HK\$793,891,000). The bank balances and cash as at 30 September 2019 was approximately HK\$419,476,000 (31 March 2019: HK\$911,602,000), of which most were denominated in Hong Kong dollars, Renminbi, Euro and US dollars.

The Group’s current ratio (defined as current assets divided by current liabilities) was 1.21 (31 March 2019: 1.36).

As at 30 September 2019, the Group had total borrowing amounted to approximately HK\$623,749,000 (31 March 2019: HK\$667,985,000) which were denominated in Renminbi. The breakdowns are as follows:

- (i) Secured bank and other borrowings amounted to approximately HK\$557,750,000 (31 March 2019: HK\$596,543,000) with effective interest rates in the ranges of 6% to 12%;
- (ii) Unsecured other borrowings amounted to approximately HK\$7,654,000 (31 March 2019: HK\$9,374,000) with fixed interest rate of 18%; and

(iii) Interest free loan due to third parties, non-controlling interests and ultimate holding company amounted to approximately HK\$730,000 (31 March 2019: HK\$782,000), approximately HK\$55,846,000 (31 March 2019: HK\$59,511,000) and approximately HK\$1,769,000 (31 March 2019: HK\$1,775,000) respectively.

The gearing ratio, as a ratio of total borrowings to total equity, as at 30 September 2019 was 0.59 (31 March 2019: 0.61).

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 2019, 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 2019, certain properties held for sale with carrying amount of approximately HK\$616,535,000 (31 March 2019: HK\$660,742,000) and certain property, plant and equipment with carrying amount of approximately HK\$40,848,000 (31 March 2019: HK\$43,777,000) respectively, were pledged to secure certain bank and other 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 2019, the guarantee given to banks for the above-mentioned mortgage facilities amounted to approximately HK\$821,830,000 (31 March 2019: HK\$880,758,000).

Foreign exchange exposure

As part of the Group' 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 (2018: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2019, the Group had approximately 130 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 the reporting 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 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 12 September 2019 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, Ms. Chen Lanran appointed as an independent non-executive Director with effect from 1 August 2019. Mr. Zhang Guangsheng retired as an independent non-executive Director with effect from 12 September 2019, 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. Chan Siu Tat and Ms. Chen Lanran, 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, 25 November 2019

* *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. Chan Siu Tat and Ms. Chen Lanran as independent non-executive directors.