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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)

SUPPLEMENTAL ANNOUNCEMENT AND CHANGE IN USE OF UN-UTILISED PROCEEDS

Reference is made to the annual report of International Business Settlement Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the financial year ended 31 March 2018 (“**2018 Annual Report**”) and the announcement of the Company dated 22 December 2016. Unless otherwise stated herein, capitalised terms in this announcement shall have the same meaning as defined in the 2018 Annual Report.

During the financial year ended 31 March 2018, two executive directors who were key members of the senior management team leading the development of the platform of the “next generation settlement network” (the “**NGSN**”) left the Group.

In the second half of 2018, with the un-timely departure of the two executive directors, the Group began to face tough challenges in the development of NGSN. Co-operation with various jurisdictions was behind originally expected timetable and was progressing very slowly. It was expected that the timetable for the development of NGSN will be substantially delayed. The Group targets to complete and launch NGSN in or around mid-2021.

The un-utilised proceeds from the Placing was approximately HK\$1,505.4 million as at 31 March 2017, being the preceding financial year before the 2018 Annual Report. While continuing its effort with NGSN, the Company then began to look for alternative source of income for the Group to make up for the delay in timetable of NGSN which would ultimately result in delay in revenue to be generated from NGSN. To safeguard the interests of the Company and its shareholders, in July 2017, the Group started to apply part of the proceeds from the Placing in the Group’s financing business to diversify the source of income of the Group and maximize the return to the Group and its shareholders.

In addition, to lessen the Group's liabilities and interest expenses and to support the property development segment that is generating profit to the Group, the Group decided to repay a third-party loan in property development segment in July 2017. The Group believed that it was a more efficient use of proceeds from Placing and that due to the delay in timetable of development of NGSN, the net proceeds from the property development segment can be applied to the development of NGSN as and when the development of NGSN required funding.

The Company would like to clarify the breakdown of the use of proceeds from the Placing as disclosed in the 2018 Annual Report. As at 31 March 2018, the un-utilised proceeds from the Placing is approximately HK\$1,070.6 million. During the year ended 31 March 2018, approximately HK\$117.7 million (representing approximately 7.4% of the proceeds of Placing) has been applied towards the Group's financing business, approximately HK\$240.8 million (representing approximately 15.2% of the proceeds of Placing) has been applied to repay loan related to the property development business. The accumulated balance of proceeds used as general working capital of the Group up to 31 March 2018 is approximately HK\$99.4 million (representing approximately 6.3% of the proceeds of Placing).

As at 31 March 2019, the un-utilised proceeds from the Placing is approximately HK\$900.4 million. During the year ended 31 March 2019, approximately HK\$126.0 million (representing approximately 7.9% of the proceeds of Placing) has been applied to repay loan related to the property development business and approximately HK\$44.2 million (representing approximately 2.8% of the proceeds of Placing) has been used towards general working capital of the Group.

INTENDED USE OF UN-UTILISED PROCEEDS

During the year ended 31 March 2019, the development of NGSN is still progressing slower than expected. It was extremely difficult to reach consensus on actual operation mode and detailed business cooperation plan with various banks and financial institutions, bearing in mind NGSN was originally designed to set up along countries along "One Belt One Road", countries in which the financial system are relatively not well developed. Together with the complexity and changes of various external factors, such as the world trade environment, changes in financial regulatory trend, and also changes in both domestic and overseas political and business environment, substantial delay in the timetable of NGSN cannot be avoided.

As disclosed in the results announcement of the Group for the financial year ended 31 March 2019, due to the lack of substantive results of memorandum of cooperation and framework agreements previously entered into with a number of potential cooperative banks and financial institutions, the future benefits that the NGSN can bring to the Group is expected to be adversely affected. Despite that, the Group is continuing its dialogue with cooperative banks and financial institutions to develop NGSN and at the same time diversifying its source of income to make up for the delay in timetable of NGSN. The Group believed it would be in the interests of the Company and its shareholders to re-allocate the intended use of the un-utilised proceeds from the Placing to segments where revenue can be generated sooner.

As at 31 March 2019, the un-utilised proceeds of the Placing is approximately HK\$900.4 million. It is submitted that the current expected timeframe and detailed breakdown for the un-utilised proceeds is as follows:

- (a) Approximately HK\$109.5 million is to be applied to the hardware and software for the NGSN platform by March 2022;
- (b) Approximately HK\$23.3 million is to be applied to the research and development on the technical side of the NGSN by March 2022;
- (c) Approximately HK\$30.0 million is to be applied to further expand the settlement and clearing services for commercial and individual customers through Electronic Money Institution (“EMI”) license by March 2022;
- (d) Approximately HK\$20.0 million is to be applied to set up subsidiaries in Mid-Asia for the application of EMI license or payment licenses to provide settlement or payment services for commercial and individual customers by March 2022;
- (e) Approximately HK\$150.0 million is to be applied to general working capital of the Group for the coming three years, HK\$50.0 million each financial year; and
- (f) Approximately HK\$567.6 million, which is the balancing figures, is to be applied for potential investment opportunity in the Fintech industry.

The following table sets forth a breakdown of use of proceeds up to 31 March 2019 and the reallocation of the proceeds:

	Net proceeds	Proceeds utilised for the year ended			Reallocation of	Un-utilised
	from the Placing in Dec 2016 <i>HK\$ million</i>	31 March 2017 <i>HK\$ million</i>	31 March 2018 <i>HK\$ million</i>	31 March 2019 <i>HK\$ million</i>	the proceeds <i>HK\$ million</i>	proceeds as at 31 March 2019 <i>HK\$ million</i>
Development of the Next Generation Settlement Network:						
(i) Hardware and software	1,111.0	(23.7)	(25.3)	–	(952.5)	109.5
(ii) Research and development	317.5	(7.3)	(2.4)	–	(284.5)	23.3
Expand the settlement and clearing services through EMI license	–	–	–	–	30.0	30.0
Set up subsidiaries in Mid-Asia for application of payment licenses	–	–	–	–	20.0	20.0
General working capital	158.7	(50.8)	(48.6)	(44.2)	134.9	150.0
Potential investment opportunity in the Fintech industry	–	–	–	–	567.6*	567.6*
Use in financing business	–	–	(117.7)	–	117.7	–
Repayment of loan related to the property development business	–	–	(240.8)	(126.0)	366.8	–
	<u>1,587.2</u>	<u>(81.8)</u>	<u>(434.8)</u>	<u>(170.2)</u>	<u>–</u>	<u>900.4</u>

* *The Group is currently exploring potential investment opportunities in the Fintech sector, including but not limited to Fintech-related upstream and downstream services, and infrastructure projects in connection with Fintech, etc.. As at the date of this announcement, the Group is conducting due diligence exercise on certain potential Fintech related investment opportunities and is at an advanced stage of negotiation on the commercial terms thereto. Other than confidentiality agreement for purpose of due diligence, the Group has not entered into any definitive legally binding agreement in respect of such potential investment. The un-utilised proceeds allocated to such potential investment opportunities are expected to be utilised by the end of the year 2019. Should the Group proceed with any of the potential investments and enter into any definitive agreement in relation thereto, the Group will make announcement(s) in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as and when appropriate.*

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

Hong Kong, 10 July 2019

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.