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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)

ANNOUNCEMENT OF RESULTS **FOR THE YEAR ENDED 31 MARCH 2017**

The board of directors (the “Board”) of International Business Settlement Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2017 (the “current year”), together with the comparative figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	522,452	176,996
Cost of sales and services		<u>(492,761)</u>	<u>(398,429)</u>
Gross profit (loss)		29,691	(221,433)
Other income, gains and losses	4	5,967	19,842
Selling expenses		(17,184)	(21,972)
Administrative expenses		(66,357)	(36,647)
Finance costs	5	<u>(33,206)</u>	<u>(27,276)</u>
Loss before taxation		(81,089)	(287,486)
Income tax (expense) credit	6	<u>(4,752)</u>	<u>69,552</u>

		2017	2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	7	(85,841)	(217,934)
Other comprehensive income (expense) for the year			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		<u>8,292</u>	<u>(651)</u>
Total comprehensive expense for the year		<u>(77,549)</u>	<u>(218,585)</u>
Loss for the year attributable to:			
– Owners of the Company		(78,467)	(161,159)
– Non-controlling interests		<u>(7,374)</u>	<u>(56,775)</u>
		<u>(85,841)</u>	<u>(217,934)</u>
Total comprehensive expense attributable to:			
– Owners of the Company		(69,536)	(158,121)
– Non-controlling interests		<u>(8,013)</u>	<u>(60,464)</u>
		<u>(77,549)</u>	<u>(218,585)</u>
Loss per share	8		
Basic (<i>HK cent</i>)		<u>(0.40)</u>	<u>(0.85)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

	<i>NOTES</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		22,381	3,739
Intangible assets	9	32,538	–
Interest in associates		–	–
Long-term receivables		68,254	102,579
Finance lease receivables		283	423
Deferred tax assets		35,936	44,392
Deposits for purchase of equipment		50,743	–
Land development expenditure		–	274,176
		<u>210,135</u>	<u>425,309</u>
CURRENT ASSETS			
Land development expenditure		151,904	–
Properties for sale	10	2,349,883	2,384,983
Trade and other receivables	11	123,578	187,890
Finance lease receivables		122	125
Restricted bank deposits		32,336	3,199
Bank balances and cash		1,513,380	36,567
		<u>4,171,203</u>	<u>2,612,764</u>
CURRENT LIABILITIES			
Trade and other payables	12	475,735	534,015
Deposits received for sale of properties		1,211,182	1,150,300
Borrowings – due within one year		885,699	114,229
Amount due to non-controlling interests		54,639	58,654
Amount due to ultimate holding company		2,309	2,296
Tax liabilities		19,713	33,084
		<u>2,649,277</u>	<u>1,892,578</u>
NET CURRENT ASSETS		<u>1,521,926</u>	<u>720,186</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,732,061</u>	<u>1,145,495</u>

	<i>NOTES</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Borrowings – due after one year		355,204	1,278,139
Deferred revenue		2,255	2,405
		<u>357,459</u>	<u>1,280,544</u>
NET ASSETS (LIABILITIES)		<u>1,374,602</u>	<u>(135,049)</u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	20,319	19,039
Reserves		1,342,361	(174,023)
Equity attributable to shareholders of the Company		1,362,680	(154,984)
Non-controlling interests		11,922	19,935
TOTAL EQUITY		<u>1,374,602</u>	<u>(135,049)</u>
(DEFICIENCY OF TOTAL EQUITY)		<u>1,374,602</u>	<u>(135,049)</u>

Notes:

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The immediate and ultimate holding company is Long Grand Limited, a company incorporated in the British Virgin Islands (the “BVI”), which is owned by Mr. Yam Yu and Mr. Yuen Leong (a director of the Company) of 70% and 30%, respectively. The address of the registered office and principal place of business of the Company is disclosed in the corporate information section of the annual report.

The functional currency of the Company is Renminbi (“RMB”) as the Group’s operation is mainly in the PRC. As the shares of the Company are listed in the Stock Exchange, for the convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollar (“HK\$”), the presentation currency for the consolidated financial statements.

On 22 September 2016, the Group acquired International Business Settlement Limited (“IBS HK”). Based on the platform, the Group 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, by building financial infrastructure connecting with the systems of the central banks and commercial banks of the countries along the “one belt and one road”. The acquisition was made to diversify the Group’s business. On the same day, the directors of the Company proposed to change the name of the Company in English from “Chaoyue Group Limited” to “International Business Settlement Holdings Limited” and the secondary name of the Company in Chinese from “超越集團有限公司” to “國際商業結算控股有限公司” as it will provide the Company with a better identification with the new business of arranging the next generation settlement network. The proposed change of name was approved in the special general meeting on 9 November 2016.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Application of amendments to HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group manages its business 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.

During the current year, the Group acquired IBS HK to start with the international business settlement segment as set out in note 1 and 14. The Group has identified the following reportable segment.

- | | |
|--|---|
| Property development | – Developing and selling of commercial and residential properties, including undertaking of primary land development activities, in the PRC. |
| International business settlement
("IBS service") | – 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 IBS HK is developing a multi-currency, internationalized and distributed global settlement platform, which aimed at realizing point-to-point, "7X24" (i.e. 24 hours a day, 7 days a week), multi-currency and real-time fund settlement and clearing for cross border trading business and individuals around the world. |

Following the start of international business settlement segment, the CODM considered that property development segment and international business settlement segment are the main businesses line and reportable operating segments of the Group. Operations other than these two segments are not significant to the Group and presented as "others" for reporting purpose.

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

Segment revenue and results

For the year ended 31 March 2017

	Property development	International business settlement	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE				
External sales and segment revenue	<u>518,132</u>	<u>4,320</u>	<u>–</u>	522,452
Segment loss	(39,557)	(26,207)	(1,272)	(67,036)
Unallocated corporate expenses				(32,826)
Interest income				<u>18,773</u>
Loss before taxation				<u><u>(81,089)</u></u>

For the year ended 31 March 2016

	Property development <i>HK\$'000</i>	Others <i>HK\$'000</i> <i>(Restated)</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE				
External sales	174,715	2,281	–	176,996
Inter-segment sales	<u>–</u>	<u>867</u>	<u>(867)</u>	<u>–</u>
Segment revenue	<u>174,715</u>	<u>3,148</u>	<u>(867)</u>	176,996
Segment loss	(280,527)	(345)	–	(280,872)
Unallocated income				601
Unallocated corporate expenses				(25,020)
Interest income				<u>17,805</u>
Loss before taxation				<u>(287,486)</u>

Note: Inter-segment services are charged at prevailing market rates.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. 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 chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> <i>(Restated)</i>
ASSETS		
<i>Segment assets</i>		
Property development	2,655,601	2,859,572
International business settlement	<u>54,745</u>	<u>–</u>
Reportable segments total	2,710,346	2,859,572
Others	<u>857</u>	<u>605</u>
Total segment assets	<u>2,711,203</u>	<u>2,860,177</u>
Unallocated assets		
Long term receivables	68,254	102,579
Bank balances and cash	1,513,380	36,567
Other assets	<u>88,501</u>	<u>38,750</u>
Total unallocated assets	<u>1,670,135</u>	<u>177,896</u>
Consolidated total assets	<u>4,381,338</u>	<u>3,038,073</u>
LIABILITIES		
<i>Segment liabilities</i>		
Property development	(2,978,341)	(3,144,740)
International business settlement	<u>(17,083)</u>	<u>–</u>
Reportable segments total	(2,995,424)	(3,144,740)
Others	<u>(692)</u>	<u>–</u>
Total segment liabilities	<u>(2,996,116)</u>	<u>(3,144,740)</u>
Unallocated liabilities		
Other liabilities	<u>(10,620)</u>	<u>(28,382)</u>
Total unallocated liabilities	<u>(10,620)</u>	<u>(28,382)</u>
Consolidated total liabilities	<u>(3,006,736)</u>	<u>(3,173,122)</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, long-term receivables 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.

Other segment information

For the year ended 31 March 2017

Amounts included in the measure of segment profit or loss or segment assets:

	Property development <i>HK\$'000</i>	International business settlement <i>HK\$'000</i>	Reportable segments' total <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Addition to property, plant and equipment	-	23,104	23,104	-	48	23,152
Addition to deposits for purchase of equipment	-	-	-	-	50,743	50,743
Addition to intangible asset	-	7,715	7,715	-	-	7,715
Depreciation of property, plant and equipment	(111)	(1,829)	(1,940)	(8)	(1,819)	(3,767)
Impairment on trade and other receivables	(3,809)	-	(3,809)	-	-	(3,809)
Impairment on land development expenditure	(11,511)	-	(11,511)	-	-	(11,511)

For the year ended 31 March 2016

Amounts included in the measure of segment profit or loss or segment assets:

	Property development <i>HK\$'000</i>	Others <i>HK\$'000</i> <i>(Restated)</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Addition to property, plant and equipment	75	5	2,344	2,424
Gain on disposal of property, plant and equipment	533	-	-	533
Depreciation of property, plant and equipment	(456)	(1)	(1,321)	(1,778)
Impairment on properties for sale (included in cost of sales and services)	(154,524)	-	-	(154,524)

4. OTHER INCOME, GAINS AND LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest income	18,773	17,805
Investment income	–	1
Financial lease income	92	67
Net exchange gain	2,066	1,162
Impairment loss on land development expenditure	(11,511)	–
Allowance for bad and doubtful debts (<i>note 11</i>)	(3,809)	–
Gain on disposal of property, plant and equipment	–	533
Others	356	274
	<u>5,967</u>	<u>19,842</u>

5. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years		
– Bank borrowings	111,442	32,103
– Other borrowings	31,579	123,054
	<u>143,021</u>	<u>155,157</u>
Less: amounts capitalised in properties for sale	<u>(109,815)</u>	<u>(127,881)</u>
	<u>33,206</u>	<u>27,276</u>

6. INCOME TAX

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax in the PRC		
PRC Enterprise Income Tax (“EIT”)	2,098	2,568
PRC Land Appreciation Tax (“LAT”)	(3,170)	13,882
Over-provision of LAT in prior years	<u>–</u>	<u>(16,060)</u>
	(1,072)	390
Deferred tax	<u>5,824</u>	<u>(69,942)</u>
Taxation expense (credit)	<u>4,752</u>	<u>(69,552)</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from 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 the year ended 31 March 2017 is 25% (2016: 25%).

The domestic income tax rate represents the tax rate in the jurisdiction where the operation of the Group is substantially based.

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Directors' emoluments	3,322	2,178
Other staff salaries, wages and allowances	25,012	14,797
Other staff retirement scheme contributions	<u>1,839</u>	<u>653</u>
	30,173	17,628
Less: staff costs capitalised in properties for sale	<u>(2,462)</u>	<u>(1,697)</u>
Total staff costs	<u><u>27,711</u></u>	<u><u>15,931</u></u>
Cost of inventories recognised as expenses	479,297	243,905
Auditor's remuneration	1,800	1,550
Depreciation of property, plant and equipment	3,767	1,778
Impairment losses on properties for sale (included in cost of sales and services)	–	154,524
Research and development expense not capitalised	10,725	–
Rental expenses in respect of rented premises	<u>5,781</u>	<u>6,296</u>

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the shareholders of the Company is based on the following data:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year attributable to shareholders of the Company for the purposes of basic loss per share	<u><u>(78,467)</u></u>	<u><u>(161,159)</u></u>
Weighted average number of shares for the purposes of basic loss per share	<u><u>19,389,757,252</u></u>	<u><u>19,039,072,320</u></u>

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

9. INTANGIBLE ASSETS

	<i>HK\$'000</i>
Transferred from deposits during the year (<i>note 14</i>)	24,823
Additions	<u>7,715</u>
As at 31 March 2017	<u><u>32,538</u></u>

10. PROPERTIES FOR SALE

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Completed properties for sale	433,434	295,499
Properties under development for sale	<u>1,916,449</u>	<u>2,089,484</u>
	<u>2,349,883</u>	<u>2,384,983</u>
Carrying amount of properties under development for sale expected to be completed:		
– Within one year	883,496	402,747
– After one year	<u>1,032,953</u>	<u>1,686,737</u>
	<u>1,916,449</u>	<u>2,089,484</u>

As at 31 March 2017, certain properties for sale with carrying amount of approximately HK\$969,206,000 (2016: HK\$681,951,000) were pledged to secure certain bank borrowings granted to the Group.

11. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	5,078	5,493
Less: allowance for bad and doubtful debts	<u>(4,852)</u>	<u>(1,202)</u>
	226	4,291
Other receivables and prepayments		
Other deposits	11,938	12,581
Prepayments for construction work	39,150	81,776
Other tax prepayment	26	19,881
Other receivables	40,585	32,757
Other prepayments	1,207	4,142
Receivables for platform fee	3,383	–
Amounts due from a third party	<u>27,063</u>	<u>32,462</u>
Total trade and other receivables	<u><u>123,578</u></u>	<u><u>187,890</u></u>

The following is an aged analysis of trade receivables of the Group presented based on the date of delivery of properties to the customers and the date the consultancy services provided:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
91-180 days	–	301
181-365 days	–	3,715
1-2 years	<u>226</u>	<u>275</u>
	<u><u>226</u></u>	<u><u>4,291</u></u>

12. TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	13,712	27,922
Accrued construction cost to contractors	355,239	443,944
Interest payable	40,492	18,867
Amounts due to third parties	27,144	37,361
Other payables	5,793	2,512
Other tax payables	11,479	3,409
Bill payables	16,914	–
Receipt in advance from customers	4,962	–
	<u>475,735</u>	<u>534,015</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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-90 days	13,712	16,747
91-180 days	–	10,901
181-365 days	–	123
Over 365 days	–	151
	<u>13,712</u>	<u>27,922</u>

13. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary Shares of HK\$0.001 each		
At 1 April 2015, 31 March 2016 and 2017	498,000,000,000	498,000
Non-voting convertible preference shares of HK\$0.001 each		
At 1 April 2015, 31 March 2016 and 2017	<u>2,000,000,000</u>	<u>2,000</u>
	<u><u>500,000,000,000</u></u>	<u><u>500,000</u></u>
Issued and fully paid:		
Ordinary Shares of HK\$0.001 each		
At 1 April 2015 and 31 March 2016	19,039,072,320	19,039
Placing of new shares (note)	<u>1,280,000,000</u>	<u>1,280</u>
At 31 March 2017	<u><u>20,319,072,320</u></u>	<u><u>20,319</u></u>

Note:

On 22 December 2016, a placement of 1,280,000,000 new shares at par value of HK\$0.001 each was completed. The placing price was HK\$1.25 per share. The difference between the placing price and the par value of the issued shares of HK\$1,585,920,000, after deducting of the related cost amounting to HK\$12,800,000, was recognised in the share premium account.

14. ACQUISITION OF SUBSIDIARIES

On 22 September 2016, the Group acquired IBS HK for a cash consideration of HK\$25,000,000. Based on the platform, the Group 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, by building financial infrastructure based on such platform and connecting with the systems of the central banks and commercial banks of the countries along the “one belt and one road”, so as to diversify the Group’s business.

In the opinion of the directors of the Company, the acquisition of IBS HK does not constitute a business combination but an acquisition of assets and liabilities through acquisition of a subsidiary. The effect of the acquisition was summarised as follows:

HK\$'000

Consideration transferred:

Cash	25,000
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Acquisition-related costs were insignificant and were recognised as an expense for the current year.

HK\$'000

Assets acquired and liabilities recognised at the date of acquisition:

Deposits paid for the development of settlement platform	24,823
Bank balances and cash	351
Other payables	(174)
	25,000

HK\$'000

Net cash outflow on acquisition of a subsidiary:

Consideration paid in cash	(25,000)
Bank balances and cash acquired	351
	(24,649)

15. OTHER COMMITMENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Commitments contracted for but not provided in the consolidated financial statements in respect of:		
– construction for properties for sale	916,197	1,435,770
– development of settlement platform	44,292	–
– purchase of equipment	50,743	–
	<u>1,011,232</u>	<u>1,435,770</u>

16. CONTINGENT LIABILITIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>481,828</u>	<u>569,921</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 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.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 March 2017 (2016: Nil).

OVERALL RESULTS

For the current year, the Group recorded a turnover of approximately HK\$522,452,000, representing an increase of 1.95 times against approximately HK\$176,996,000 for the year ended 31 March 2016. Such significant increment was mainly due to deliver of properties for sale in Zone C of 柳州正和華桂置業集團有限公司 (Liuzhou Zhenghe Huagui Real Estate Group Company Limited*) (“Liuzhou Zhenghe”) to customers during the year.

A gross profit of approximately HK\$29,691,000 was recorded for the current year whereas a gross loss of approximately HK\$221,433,000 was recorded for the year ended 31 March 2016. The gross loss recorded on the previous year was mainly attributed to (1) an impairment loss on properties held for sale amounted to approximately HK\$154,524,000 was made; and (2) extra costs amounted to approximately HK\$56,777,000 was incurred to construct roads to connect Zone A and Zone B of Zhenghe City (正和城) to enhance the traffic to these zones and the whole Zhenghe City.

A loss for approximately HK\$85,841,000 was recorded for the current year, representing a significant decrease of 60.61% from approximately HK\$217,934,000 for the year ended 31 March 2016. The basic and diluted loss per share for the current year was HK0.40 cent which represented a decrease of 52.94% from HK0.85 cent for the year ended 31 March 2016. The decrease in loss of the Group in the current year was mainly due to the above-mentioned impairment loss and extra costs recorded in Liuzhou Zhenghe in previous year.

REVIEW OF OPERATIONS AND PROSPECT

International Business Settlement

During the current year, the Group has focused its core technological efforts on its self-developed Next Generation Settlement Network (“NGSN”), the development and testing of which has been completed. The NGSN core system platform has been placed in its data center and put on-line. The deployment of settlement circles in five regions including Europe, Central Asia, South Asia, Middle East and Africa was fully launched. The Company set up wholly-owned subsidiaries in Lithuania, Kazakhstan and Kyrgyzstan. Local key financial institutions in Russia, Thailand, Djibouti, Indonesia and other countries were selected as the regional strategic partners of the Group to assist the implementation of settlement business of NGSN in respective regions. In May 2017, the Group has entered into a strategic cooperation protocol with China Unicom Global Limited to help the Group accelerate the deployment of settlement circles in overseas.

Through institutional members connected to the platform, NGSN has commenced the provision of service packages, which includes international settlement services and big data model investigation services in relation to corporate transactions to various small, medium and large trading enterprise customers. As of the end of March 2017, the platform has provided such enterprises with information services of more than RMB100 billion in aggregate of cross-border trades. Based on its accumulation of large amounts of foreign trade settlement information relating to such enterprises, the platform has utilized block chain technology and big data collection technology to build an enterprise big data investigation model which could dynamically assess fund settlement information conducted through the NGSN and accurately estimate the cash flow gap and solvency of such enterprises, to establish an enterprise credit system for such enterprises which would be recognized by the financial industry. Through a pan-financial service platform based on the NGSN, a connection between the financial service companies and such enterprises has been made and the investigation services have been provided.

In light of the unexpected delay in the progress of connection with domestic banks in the PRC, the overall project was slightly delayed. At the current stage, we have established technological connections with top banks in the PRC, and have commenced testing of technological connections to bank customers in Southeast Asia and Europe. Upon the completion of technological tests, the bank customers would be connected to us. The Company will commence its cross-border settlement business as soon as practicable based on the development of its business and technological connection. The Company has obtained Electronic Money Institution License in Europe in March 2017 and thus its related digital banking business will be implemented soon.

For the current year, this segment recorded a service income of approximately HK\$4,320,000, which is based on the existing service capability of the NGSN network, and received membership fees and fees relating to settlement data and information services on behalf of our direct customers and agents. The segment loss for the year was HK\$26,207,000. The major expenses for the current year were research and development expenses and salaries.

Looking forward, the Group will further accelerate the international layout for NGSN, and achieve key breakthroughs in three aspects namely global business expansion, service model innovation and cross-border system layout.

Global business expansion: To further invite central banks, commercial banks, non-banking financial institutions of the countries along the “one belt and one road” to join the NGSN network, and to invest in relevant financial service institutions in the countries along the “one belt and one road” to speed up the landing of settlement and clearing services of NGSN. With the rapid global expansion of the next generation settlement and clearing network platform, the Group will have a growing customer base and market share. Leveraging on the continuous accumulation of big data for financial services and the ongoing leadership in core technology, and based on its cross-border settlement and clearing services, the Group will launch more related financial products and services based on the big data credit information system.

Service model innovation: To provide cross-border fund settlement and clearing services for financial enterprise customers of NGSN, to provide a package of partially customized of cross-border financial services for cross-border enterprise groups, and to provide big data credit information and internet financial innovation services for small and medium-sized foreign trade enterprises. The Group will also cooperate with various central banks and financial institutions to establish an pan-financial service platform ecosystem focused on NGSN, the next generation settlement and clearing platform to provide extensive cross-border fund settlement and clearing services, big data credit information and innovative financial services to three major categories of platform members for their cross-border funds along the “one belt and one road” and globally.

Cross-border system layout: To expand and upgrade the existing core system platform of NGSN based on the flow of 2017 to achieve the overall layout with multiple centers, while utilizing the proceeds from former private placement, to speed up the system platform layout of respective areas world-wide, and especially the regions along the “one belt and one road”. The regional sub-system platform in five major regional settlement circles deployed in Europe, Central Asia, South Asia, Middle East and Africa shall also be deployed gradually in the near future, and then the platform can accommodate simultaneous access by more than 10,000 members, supporting multi-currency, 7x24 cross-border funds remittance, settlement and clearing services. The annual transaction flow of the settlement and clearing services supported by the platform amounted to RMB one hundred trillion.

Liuzhou Zhenghe

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

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

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

	Property type	Status
Zone C	Residential and commercial complexes and studio/office buildings	<p>Construction work of 7 blocks of residential and commercial complexes were completed during the year and the acceptance certificate of completion were granted in December 2016. Revenue recognised in the current year is mainly resulted from the sales of the units in this zone.</p> <p>3 blocks of studio/office buildings are under construction. The pre-sale permits were granted and the acceptance certificate of completion are expected to be granted in first half of 2018.</p>
Phase II:		
Zone D1	Villas	Construction work completed. 16 villas with a total saleable area of 8,008 square meters are held for sale.
Zone D1	High-rise apartment buildings	5 blocks of high-rise apartment buildings are under construction. The pre-sale permits were granted and the acceptance certificate of completion is expected to be granted in late 2017.
Zone D2	Villas	Construction work completed. 8 villas with a total saleable area of 4,684 square meters are held for sale.
Zone E	Hotel and serviced apartment	A hotel building and a block of serviced apartment are under construction. The pre-sale permit for the serviced apartment was granted and the acceptance certificate of completion is expected to be obtained in late 2017.

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

During the year ended 31 March 2017, an area of approximately 91,400 square meters was sold and generated a segment turnover of approximately HK\$518,132,000 for the current year (2016: HK\$174,715,000). The significant increment in the turnover is mainly due to the revenue recognised from the sales of properties in Zone C. The segment loss recorded for the current year was HK\$39,557,000 (2016: HK\$280,527,000). The significant loss in the previous year was mainly due to the impairment loss and the extra costs incurred for the infrastructure.

An external expert, DTZ Cushman & Wakefield Limited, was engaged to help to assess the fair value of the properties development project as at 31 March 2017. For those properties which had completed the construction work and held for sale, direct comparison method by making reference to comparable sales transactions as available in the relevant market is used. For those properties still under construction, the value is derived from by using direct comparison method with the assumption that the construction works of the properties would have been completed at the date of valuation and have taken into account the construction costs expected and costs that will be expended to complete the development. No impairment loss is required for the year ended 31 March 2017 as the net realisable value is higher than carrying amount.

During the year, Liuzhou Zhenghe was informed by Liuzhou Dongcheng Investment & Development Co., Ltd. (“Dongcheng Investment”) that terms stated in the previous primary land development agreement between the two parties should be re-negotiated and the primary land development work will not be proceeded until conclusion reached. Dongcheng Investment agrees to repay the land development cost previously incurred by Liuzhou Zhenghe within one year. The parcel of land adjacent to Zhenghe City has been put for auction in late 2016 and Liuzhou Zhenghe did not secure that parcel of land.

Liuzhou Zhenghe will continue to develop the Phase II of Zhenghe City. With its team of experienced expertise in property development, Liuzhou Zhenghe will actively seek other property development opportunity in Guangxi or other provinces in the PRC.

Other operations

- ***Provision of consultancy services***

It was a tough year for United Fujian. The consultancy services provided to the three regular clients were not renewed. The turnover for this segment for the year was HK\$Nil (2016: HK\$1,735,000) and the segment loss was HK\$1,272,000 (2016: HK\$750,000). The management will review the situation regularly and explore the possible solution for improvement.

- ***Trading of goods and operation of e-commerce platforms***

During the current year, the Group had not conducted any trading of goods and operation of e-commerce platforms activities. The turnover and segment gain for year ended 31 March 2016 was HK\$546,000 and HK\$405,000 respectively. The Group will adopt a prudent approach in trading activities and will explore opportunity to generate returns for the shareholders.

- ***Gold Mine***

The 27% effective equity interest in the gold mine in the Republic of Kyrgyz was fully impaired in previous year. The construction of mining plants and other infrastructure are in progress. Mining is expected to be commenced in late 2017. During this year, the Company’s shareholding in the gold mine had been pledged to secure a bank loan borrowed by the mining company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisitions and disposal of subsidiaries and associated companies during the current year.

FINANCIAL REVIEW

Finance position, liquidity and gearing

At 31 March 2017, the total assets and liabilities of the Group stood at HK\$4,381,338,000 (31 March 2016: HK\$3,038,073,000) and HK\$3,006,736,000 (31 March 2016: HK\$3,173,122,000) respectively. The Group recorded a total equity of HK\$1,374,602,000 as at 31 March 2017 (31 March 2016: deficiency of total equity of HK\$135,049,000).

The Group recorded net current assets of HK\$1,521,926,000 as at 31 March 2017 (31 March 2016: HK\$720,186,000). The bank balances and cash as at 31 March 2017 was HK\$1,513,380,000 (31 March 2016: HK\$36,567,000), of which most were denominated in Hong Kong dollars, US dollars and Renminbi.

The change from deficiency of total equity as at 31 March 2016 to total equity at 31 March 2017 and the increment in net current assets and the bank balances as at 31 March 2017 is mainly due to the fund raised amounted to HK\$1,587,200,000 through placement of shares in December 2016.

As at 31 March 2017, the Group had total borrowings amounted to HK\$1,324,995,000 (2016: HK\$1,490,679,000). The breakdowns are as follows:

- (i) bank borrowings and other borrowings amounted to HK\$1,240,903,000 (2016: HK\$1,392,368,000) which were denominated in Renminbi with effective interest rates in the ranges of 6.00% to 24%; and
- (ii) interest free loan due to third parties, ultimate holding company and non-controlling interests amounted to HK\$27,144,000 (2016: HK\$37,361,000), HK\$2,309,000 (2016: HK\$2,296,000) and HK\$54,639,000 (2016: HK\$58,654,000) respectively;

The gearing ratio, as a ratio of total borrowings to total equity, as at 31 March 2017 was 0.96. No gearing can be calculated as at 31 March 2016 as the Group recorded a deficiency of total equity of HK\$135,049,000 as at 31 March 2016.

Issue of new shares and use of proceeds

On 24 November 2016, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best effort basis, up to 1,280,000,000 new ordinary shares of the Company at a price of HK\$1.25 per ordinary share. The placing was completed on 22 December 2016 and the placees and their respective shares subscribed are as follows:

- (i) China Cinda (HK) Asset Management Co., Ltd. (640,000,000 shares);
- (ii) Chongqing Strategic Industry Co., Limited (320,000,000 shares); and
- (iii) Chongqing Yufu (HongKong) Limited (320,000,000 shares).

The net proceeds were approximately HK\$1,587,200,000 and are intended to be applied mainly towards the Group's business development of the platform for the next generation settlement network which will cover Europe, Central Asia, South-Asia, the Middle East and Africa, etc. The Company intends to apply: (i) approximately 70% of net proceeds on the hardware and software of the settlement platform, and (ii) approximately 20% of net proceeds for research and development; and the rest will be applied as general working capital of the Group.

Up to 31 March 2017, the Company utilized portion of the proceeds from the placing of new ordinary shares. Approximately HK\$23,724,000 was used on the hardware and software of the settlement platform and approximately HK\$7,280,000 was used for research and development. The Company intended to use the unutilised proceeds as originally intended.

Share capital

On 22 December 2016, the Company completed the placing of 1,280,000,000 new ordinary shares of the Company at the placing price of HK\$1.25 per ordinary share.

As at 31 March 2017, the Company had 20,319,072,320 shares of ordinary shares in issue and the total equity of the Group was approximately HK\$1,374,602,000.

Foreign exchange exposure

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

EMPLOYMENT AND REMUNERATION POLICIES

At 31 March 2017, the Group had approximately 120 employees. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include performance bonus, medical insurance, mandatory provident fund scheme, local municipal government retirement scheme and education subsidy to encourage continuous professional development of staff.

MODEL CODE FOR DIRECTOR'S DEALING IN SECURITIES

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

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 year ended 31 March 2017.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”) throughout the year ended 31 March 2017 except for the deviation from the code provision A.2.1.

In accordance with the code provision A.2.1, the role of Chairman and Chief Executive Officer (“CEO”) should not be performed by the same individual. On 23 September 2016, Mr. Luo Feng was appointed as the chairman of the Board. However, the position of CEO was not appointed and Mr. Luo Feng served the role of CEO as well at the moment. The Board believes that vesting the roles of both chairman and CEO in the same person has the benefit of ensuring consistent leadership with the Company and enable more effective and efficient overall strategic planning for the Company. The Board considers that the balance of power and authority of the present arrangement will not be impaired and this structure will enable the Company to make the implement decisions promptly and efficiently. Depending on the future development of the business of the Group, the Board will review the existing structure and consider the issue of nominating appropriate candidate to take up the role of CEO.

AUDIT COMMITTEE

The Audit Committee of the Company comprised of five independent non-executive Directors, namely, Mr. Yap Yung (the Chairman), Dr. Lam Man Kit, Dominic, Mr. Zhang Guangsheng, Mr. Chan Siu Tat and Mr. Shao Ping. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 March 2017 and discussed with the management the accounting principle and practice adopted by the Group, risk management and internal controls and financial reporting matters of the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March, 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND DISPATCH OF ANNUAL REPORT

The final results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at (www.hkex.com.hk) and the Company at (www.ibsettlement.com). The 2016/2017 annual 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 express our gratitude to the shareholders of the Company and business associates for their continued support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions throughout the year.

By Order of the Board

International Business Settlement Holdings Limited

Luo Feng

Chairman

Hong Kong, 30 June 2017

As at the date of this announcement, the Board of Directors comprises Mr. Luo Feng (Chairman), Mr. Yuen Leong and Ms. Luan Li as executive directors; and Dr. Lam Man Kit, Dominic, Mr. Yap Yung, Mr. Zhang Guangsheng, Mr. Chan Siu Tat and Mr. Shao Ping as independent non-executive directors.