

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the announcement.

# 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 2018

The board of directors (the “Board” or the “Directors”) 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 2018 (the “current year”), together with the comparative figures for the year ended 31 March 2017, as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

|                                   | <i>Notes</i> | <b>2018</b><br><b>HK\$'000</b> | 2017<br>HK\$'000<br>(restated) |
|-----------------------------------|--------------|--------------------------------|--------------------------------|
| Revenue                           | 3            | <b>543,333</b>                 | 537,064                        |
| Cost of sales and services        |              | <b>(498,265)</b>               | (492,761)                      |
| Gross profit                      |              | <b>45,068</b>                  | 44,303                         |
| Other income, gains and losses    | 4            | <b>37,466</b>                  | (8,645)                        |
| Selling expenses                  |              | <b>(14,227)</b>                | (17,184)                       |
| Administrative and other expenses |              | <b>(113,403)</b>               | (66,357)                       |
| Finance costs                     | 5            | <b>(15,992)</b>                | (33,206)                       |
| Loss before taxation              |              | <b>(61,088)</b>                | (81,089)                       |
| Income tax                        | 6            | <b>(4,082)</b>                 | (4,752)                        |
| Loss for the year                 | 7            | <b>(65,170)</b>                | (85,841)                       |

|   | <i>Notes</i> | <b>2018</b><br><b><i>HK\$'000</i></b> | 2017<br><i>HK\$'000</i><br>(restated) |
|---|--------------|---------------------------------------|---------------------------------------|
| <b>Other comprehensive income for the year</b>  |              |                                       |                                       |
| <b><i>Items that may be reclassified subsequently to profit or loss:</i></b>              |              |                                       |                                       |
| Exchange differences arising on translation of financial statements of foreign operations |              | <u>21,244</u>                         | <u>8,292</u>                          |
| <b>Total comprehensive income for the year</b>  |              | <b><u>(43,926)</u></b>                | <b><u>(77,549)</u></b>                |
| Loss for the year attributable to:  |              |                                       |                                       |
| – Owners of the Company   |              | (67,640)                              | (78,467)                              |
| – Non-controlling interests   |              | <u>2,470</u>                          | <u>(7,374)</u>                        |
|   |              | <b><u>(65,170)</u></b>                | <b><u>(85,841)</u></b>                |
| Total comprehensive income attributable to:   |              |                                       |                                       |
| – Owners of the Company   |              | (48,641)                              | (69,536)                              |
| – Non-controlling interests   |              | <u>4,715</u>                          | <u>(8,013)</u>                        |
|   |              | <b><u>(43,926)</u></b>                | <b><u>(77,549)</u></b>                |
| Loss per share  |              |                                       |                                       |
| Basic ( <i>HK cents</i> )   | 8            | <b><u>(0.33)</u></b>                  | <b><u>(0.40)</u></b>                  |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

|  | <i>Notes</i> | <b>2018</b><br><b>HK\$'000</b> | 2017<br>HK\$'000 |
|--|--------------|--------------------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                    |              |                                |                  |
| Property, plant and equipment                |              | <b>23,357</b>                  | 22,381           |
| Intangible assets                            | <i>9</i>     | <b>59,186</b>                  | 32,538           |
| Interests in associates                      |              | –                              | –                |
| Factoring receivables                        | <i>10</i>    | –                              | 68,254           |
| Finance lease receivables                    |              | –                              | 283              |
| Loan receivables                             | <i>11</i>    | <b>133,704</b>                 | –                |
| Deferred tax assets                          |              | <b>39,351</b>                  | 35,936           |
| Deposits for purchase of equipment           |              | –                              | 50,743           |
|  |              | <b>255,598</b>                 | 210,135          |
| <b>CURRENT ASSETS</b>                        |              |                                |                  |
| Land development expenditure                 | <i>12</i>    | –                              | 151,904          |
| Properties for sale                          | <i>13</i>    | <b>2,809,622</b>               | 2,349,883        |
| Trade and other receivables                  | <i>14</i>    | <b>154,799</b>                 | 91,868           |
| Factoring receivables                        | <i>10</i>    | <b>123,150</b>                 | 31,710           |
| Finance lease receivables                    |              | –                              | 122              |
| Loan receivables                             | <i>11</i>    | <b>18,571</b>                  | –                |
| Restricted bank deposits                     |              | <b>11,947</b>                  | 32,336           |
| Bank balances and cash                       |              | <b>1,167,633</b>               | 1,513,380        |
|  |              | <b>4,285,722</b>               | 4,171,203        |
| <b>CURRENT LIABILITIES</b>                   |              |                                |                  |
| Trade and other payables                     | <i>15</i>    | <b>934,063</b>                 | 475,735          |
| Deposits received for sale of properties     |              | <b>1,311,790</b>               | 1,211,182        |
| Borrowings                                   | <i>16</i>    | <b>813,590</b>                 | 885,699          |
| Amount due to non-controlling interests      |              | <b>61,508</b>                  | 54,639           |
| Amount due to an ultimate holding company    |              | <b>2,304</b>                   | 2,309            |
| Tax liabilities                              |              | <b>18,604</b>                  | 19,713           |
|  |              | <b>3,141,859</b>               | 2,649,277        |
| <b>NET CURRENT ASSETS</b>                    |              | <b>1,143,863</b>               | 1,521,926        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |              | <b>1,399,461</b>               | 1,732,061        |

|  | <i>Notes</i> | <b>2018</b><br><b><i>HK\$'000</i></b> | 2017<br><i>HK\$'000</i>        |
|--|--------------|---------------------------------------|--------------------------------|
| <b>NON-CURRENT LIABILITIES</b>               |              |                                       |                                |
| Borrowings                                   | <i>16</i>    | <b>68,785</b>                         | 355,204                        |
| Deferred revenue                             |              | <u>–</u>                              | <u>2,255</u>                   |
|  |              | <b><u>68,785</u></b>                  | <u>357,459</u>                 |
| <b>NET ASSETS</b>                            |              | <b><u><u>1,330,676</u></u></b>        | <b><u><u>1,374,602</u></u></b> |
| <b>CAPITAL AND RESERVES</b>                  |              |                                       |                                |
| Share capital                                |              | <b>20,319</b>                         | 20,319                         |
| Reserves                                     |              | <b><u>1,293,720</u></b>               | <u>1,342,361</u>               |
| Equity attributable to owners of the Company |              | <b>1,314,039</b>                      | 1,362,680                      |
| Non-controlling interests                    |              | <b><u>16,637</u></b>                  | <u>11,922</u>                  |
| <b>TOTAL EQUITY</b>                          |              | <b><u><u>1,330,676</u></u></b>        | <b><u><u>1,374,602</u></u></b> |

## 1. GENERAL

International Business Settlement Holdings Limited (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. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 2310, 23rd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the development of properties, provision of international business settlement services and provision of financing services. The properties development and financing services are mainly carried out in the People’s Republic of China (the “PRC”).

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of new/revised HKFRSs – effective 1 April 2017

|  |  |
|--|--|
| Amendments to HKAS 7                             | Disclosure Initiative  |
| Amendments to HKAS 12                            | Recognition of Deferred Tax Assets for Unrealised Losses             |
| Annual Improvements to HKFRSs<br>2014-2016 Cycle | Amendments to HKFRS 12, Disclosure of<br>Interests in Other Entities |

Except as explained below, the adoption of these new/revised HKFRSs has no material impact on the Group’s financial statements.

#### ***Amendments to HKAS 7 – Disclosure Initiative***

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for prior year.

**(b) New/revised HKFRSs that have been issued but are not yet effective**

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

|                                       |   |
|---------------------------------------|---|
| HKFRS 9                               | Financial Instruments <sup>1</sup>  |
| Amendments to HKFRS 9                 | Prepayment Features with Negative Compensation <sup>2</sup>   |
| HKFRS 15                              | Revenue from Contracts with Customers <sup>1</sup>  |
| Amendments to HKFRS 15                | Revenue from Contracts with Customers<br>(Clarifications to HKFRS 15) <sup>1</sup>                    |
| HKFRS 16                              | Leases <sup>2</sup>   |
| HK(IFRIC)-Int 23                      | Uncertainty over Income Tax Treatments <sup>2</sup>   |
| Amendments to HKFRS 10 and<br>HKAS 28 | Sale or Contribution of Assets between an Investor and<br>its Associate or Joint Venture <sup>3</sup> |

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2018*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2019*

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

**3. REVENUE AND SEGMENT INFORMATION**

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

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

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

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

**(a) Segment revenue and results**

**For the year ended 31 March 2018**

|                                    | <b>Property<br/>development<br/><i>HK\$'000</i></b> | <b>International<br/>business<br/>settlement<br/><i>HK\$'000</i></b> | <b>Financing<br/>business<br/><i>HK\$'000</i></b> | <b>Others<br/><i>HK\$'000</i></b> | <b>Total<br/><i>HK\$'000</i></b> |
|------------------------------------|---|--|---|-----------------------------------|----------------------------------|
| <b>REVENUE</b>                     |   |  |   |                                   |                                  |
| External sales and segment revenue | <u>531,663</u>                                      | <u>–</u>   | <u>11,670</u>                                     | <u>–</u>                          | <u>543,333</u>                   |
| Segment profit (loss)              | 4,253   | (56,986)   | 6,255   | (721)                             | (47,199)                         |
| Unallocated corporate expenses     |   |  |   |                                   | (22,233)                         |
| Interest income                    |   |  |   |                                   | <u>8,344</u>                     |
| Loss before taxation               |   |  |   |                                   | <u>(61,088)</u>                  |

**For the year ended 31 March 2017 (restated)**

|                                    | <b>Property<br/>development<br/><i>HK\$'000</i></b> | <b>International<br/>business<br/>settlement<br/><i>HK\$'000</i></b> | <b>Financing<br/>business<br/><i>HK\$'000</i></b> | <b>Others<br/><i>HK\$'000</i></b> | <b>Total<br/><i>HK\$'000</i></b> |
|------------------------------------|---|--|---|-----------------------------------|----------------------------------|
| <b>REVENUE</b>                     |   |  |   |                                   |                                  |
| External sales and segment revenue | <u>518,132</u>                                      | <u>4,320</u>   | <u>14,612</u>                                     | <u>–</u>                          | <u>537,064</u>                   |
| Segment (loss) profit              | (39,557)  | (26,207)   | 7,162   | (1,272)                           | (59,874)                         |
| Unallocated corporate expenses     |   |  |   |                                   | (25,468)                         |
| Interest income                    |   |  |   |                                   | <u>4,253</u>                     |
| Loss before taxation               |   |  |   |                                   | <u>(81,089)</u>                  |

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.

**(b) Segment assets and liabilities**

|                                   | <b>2018</b>                 | 2017                        |
|-----------------------------------|-----------------------------|-----------------------------|
|                                   | <b>HK\$'000</b>             | HK\$'000                    |
|                                   |                             | (restated)                  |
| <b>ASSETS</b>                     |                             |                             |
| <i>Segment assets</i>             |                             |                             |
| Property development              | <b>2,988,144</b>            | 2,655,601                   |
| International business settlement | <b>105,948</b>              | 54,745                      |
| Financing business                | <b>275,886</b>              | 151,733                     |
| Others                            | <b>965</b>                  | 857                         |
|                                   | <u>                    </u> | <u>                    </u> |
| Total segment assets              | <b>3,370,943</b>            | 2,862,936                   |
|                                   | <u>                    </u> | <u>                    </u> |
| Unallocated assets                |                             |                             |
| Bank balances and cash            | <b>1,167,633</b>            | 1,513,380                   |
| Other assets                      | <b>2,744</b>                | 5,022                       |
|                                   | <u>                    </u> | <u>                    </u> |
| Total unallocated assets          | <b>1,170,377</b>            | 1,518,402                   |
|                                   | <u>                    </u> | <u>                    </u> |
| Consolidated total assets         | <b>4,541,320</b>            | 4,381,338                   |
|                                   | <u>                    </u> | <u>                    </u> |
| <b>LIABILITIES</b>                |                             |                             |
| <i>Segment liabilities</i>        |                             |                             |
| Property development              | <b>(3,144,668)</b>          | (2,978,341)                 |
| International business settlement | <b>(59,274)</b>             | (17,083)                    |
| Financing business                | <b>(691)</b>                | (4,016)                     |
| Others                            | <b>(763)</b>                | (692)                       |
|                                   | <u>                    </u> | <u>                    </u> |
| Total segment liabilities         | <b>(3,205,396)</b>          | (3,000,132)                 |
|                                   | <u>                    </u> | <u>                    </u> |
| Unallocated liabilities           |                             |                             |
| Other liabilities                 | <b>(5,248)</b>              | (6,604)                     |
|                                   | <u>                    </u> | <u>                    </u> |
| Total unallocated liabilities     | <b>(5,248)</b>              | (6,604)                     |
|                                   | <u>                    </u> | <u>                    </u> |
| Consolidated total liabilities    | <b>(3,210,644)</b>          | (3,006,736)                 |
|                                   | <u>                    </u> | <u>                    </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**

**For the year ended 31 March 2018**

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

|  | Property<br>development<br><i>HK\$'000</i> | International<br>business<br>settlement<br><i>HK\$'000</i> | Financing<br>business<br><i>HK\$'000</i> | Reportable<br>segments'<br>total<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|--|--|---|---------------------------|--------------------------------|--------------------------|
| Additions to property,<br>plant and equipment                  | 227  | 5,796  | –  | 6,023   | –                         | 76                             | 6,099                    |
| Additions to intangible assets                                 | –  | 26,648   | –  | 26,648  | –                         | –                              | 26,648                   |
| Depreciation of property,<br>plant and equipment               | (130)                                      | (5,980)  | (161)                                    | (6,271)   | (3)                       | (806)                          | (7,080)                  |
| Reversal of impairment loss on land<br>development expenditure | 6,428                                      | –  | –  | 6,428   | –                         | –                              | 6,428                    |
| Reversal of impairment on trade and<br>other receivables       | 5,344                                      | –  | –  | 5,344   | –                         | –                              | 5,344                    |
| Government grant   | –  | –  | 2,427                                    | 2,427   | –                         | –                              | 2,427                    |
| Finance costs  | (15,992)                                   | –  | –  | (15,992)  | –                         | –                              | (15,992)                 |

**For the year ended 31 March 2017 (restated)**

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

|  | Property<br>development<br><i>HK\$'000</i> | International<br>business<br>settlement<br><i>HK\$'000</i> | Financing<br>business<br><i>HK\$'000</i> | Reportable<br>segments'<br>total<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|--|--|---|---------------------------|--------------------------------|--------------------------|
| Additions to property,<br>plant and equipment      | –  | 23,104   | –  | 23,104  | –                         | 48                             | 23,152                   |
| Additions to deposits for<br>purchase of equipment | –  | –  | 50,743                                   | 50,743  | –                         | –                              | 50,743                   |
| Addition to intangible assets                      | –  | 7,715  | –  | 7,715   | –                         | –                              | 7,715                    |
| Depreciation of property,<br>plant and equipment   | (111)                                      | (1,829)  | (153)                                    | (2,093)   | (8)                       | (1,666)                        | (3,767)                  |
| Impairment loss on land<br>development expenditure | (11,511)                                   | –  | –  | (11,511)  | –                         | –                              | (11,511)                 |
| Impairment on trade and other receivables          | (3,809)                                    | –  | –  | (3,809)   | –                         | –                              | (3,809)                  |
| Finance cost                                       | (33,206)                                   | –  | –  | (33,206)  | –                         | –                              | (33,206)                 |

### Information about geographical areas

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

### Information about major customers

The Group's customer base is diversified and none of the customers (2017: none) with whom transactions have exceeded 10% of the Group's revenue during the year ended 31 March 2018.

## 4. OTHER INCOME, GAINS AND LOSSES

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(restated) |
|---|-------------------------|---------------------------------------|
| Interest income   | 8,344                   | 4,253                                 |
| Government grant  | 2,427                   | –                                     |
| Net exchange gain   | 11,637                  | 2,066                                 |
| Reversal of impairment loss/(impairment loss) on land development expenditure | 6,428                   | (11,511)                              |
| Reversal of allowance/(allowance) for bad and doubtful debts                  | 5,344                   | (3,809)                               |
| Referral fee income   | 2,478                   | –                                     |
| Others  | 808                     | 356                                   |
|   | <u>37,466</u>           | <u>(8,645)</u>                        |

## 5. FINANCE COSTS

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interests on                                     |                         |                         |
| – bank borrowings                                | 83,555                  | 111,442                 |
| – other borrowings                               | 13,723                  | 31,579                  |
|  | <u>97,278</u>           | <u>143,021</u>          |
| Less: amounts capitalised in properties for sale | <u>(81,286)</u>         | <u>(109,815)</u>        |
|  | <u>15,992</u>           | <u>33,206</u>           |

Borrowing costs capitalised during the years ended 31 March 2018 and 2017 arose from borrowings specifically for the purpose of obtaining qualifying assets.

## 6. INCOME TAX

|  | <b>2018</b>     | 2017            |
|--|-----------------|-----------------|
|  | <b>HK\$'000</b> | <b>HK\$'000</b> |
| Current tax in HK                      | <b>10</b>       | –               |
| Current tax in PRC                     |                 |                 |
| PRC Enterprise Income Tax (“EIT”)      | <b>4,863</b>    | 2,098           |
| Overprovision in respect of prior year | <b>(895)</b>    | –               |
|  | <b>3,978</b>    | 2,098           |
| <br>                                   |                 |                 |
| PRC Land Appreciation Tax (“LAT”)      | <b>204</b>      | (3,170)         |
|  | <b>4,182</b>    | (1,072)         |
| Deferred tax                           | <b>(100)</b>    | 5,824           |
| <br>                                   |                 |                 |
| Taxation expense                       | <b>4,082</b>    | 4,752           |

The provision for the Hong Kong Profits Tax of the subsidiaries established in HK is calculated at 16.5% of the estimated taxable profit for the year ended 31 March 2018 (2017: No provision for Hong Kong Profits Tax has been made as the income of the Group neither arises in nor is derived from HK).

The PRC EIT is calculated 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 2018 is 25% (2017: 25%).

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

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 31 March 2018, the amount of prepaid LAT and EIT in respect of deposits received for sales of properties amounted to approximately HK\$14,765,000 (2017: HK\$11,571,000), which has been presented as deduction against the tax liabilities of the respective subsidiary in the consolidated statement of financial position.

## 7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Directors' emoluments                                | 4,188                   | 3,322                   |
| Other staff salaries, wages and allowances           | 36,550                  | 25,012                  |
| Other staff retirement scheme contributions          | 4,092                   | 1,839                   |
|  | <u>44,830</u>           | <u>30,173</u>           |
| Less: staff costs capitalised in properties for sale | <u>(1,890)</u>          | <u>(2,462)</u>          |
| Total staff costs                                    | <u><u>42,940</u></u>    | <u><u>27,711</u></u>    |
| Cost of inventories recognised as expenses           | 494,350                 | 479,297                 |
| Auditor's remuneration                               | 2,400                   | 1,800                   |
| Depreciation of property, plant and equipment        | 7,080                   | 3,767                   |
| Research and development expenses not capitalised    | 10,522                  | 10,725                  |
| Rental expenses in respect of rented premises        | <u>16,190</u>           | <u>5,781</u>            |

## 8. LOSS PER SHARE

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

|   | 2018<br><i>HK\$'000</i>      | 2017<br><i>HK\$'000</i>      |
|---|------------------------------|------------------------------|
| Loss for the year attributable to owners of the Company<br>for the purposes of basic loss per share | <u><u>(67,640)</u></u>       | <u><u>(78,467)</u></u>       |
|   | <b>2018</b>                  | <b>2017</b>                  |
| Weighted average number of shares for the purposes of basic loss per share                          | <u><u>20,319,072,320</u></u> | <u><u>19,389,757,252</u></u> |

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

## 9. INTANGIBLE ASSETS

The movements in intangible assets during the year is summarised as follows:

|  | <i>HK\$'000</i>      |
|--|----------------------|
| Intangible assets acquired recognised at the date of acquisition | 24,823               |
| Additions  | <u>7,715</u>         |
| As at 31 March 2017 and 1 April 2017                             | 32,538               |
| Additions  | <u>26,648</u>        |
| As at 31 March 2018  | <u><u>59,186</u></u> |

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

## 10. FACTORING RECEIVABLES

|  | <b>2018</b>             | 2017                 |
|--|-------------------------|----------------------|
|  | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i>      |
| Carrying amount of factoring receivables                     | <b>123,150</b>          | 99,964               |
| Less: amounts due within one year shown under current assets | <u><b>(123,150)</b></u> | <u>(31,710)</u>      |
|  | <u><u><b>–</b></u></u>  | <u><u>68,254</u></u> |

## 11. LOAN RECEIVABLES

|   | <b>2018</b>                  | 2017            |
|---|------------------------------|-----------------|
|   | <b><i>HK\$'000</i></b>       | <i>HK\$'000</i> |
| Loan receivable   | <b>152,275</b>               | –               |
| Current portion included in current assets                | <u><b>(18,571)</b></u>       | <u>–</u>        |
| Amounts due after one year included in non-current assets | <u><u><b>133,704</b></u></u> | <u><u>–</u></u> |

As at 31 March 2018, loan receivables were secured by collaterals.

The customers are obliged to settle the amounts according to the terms set out in relevant contracts. Interest rates are offered based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends. The Group's loan principals charged interests at contract rate ranging approximately 1.5% per annum (2017: nil).

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

A maturity profile of the loan receivables based on the maturity date at the end of reporting period is as follow:

|                 | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-----------------|--------------------------------|-------------------------|
| Within one year | <b>18,571</b>                  | –                       |
| 2 to 5 years    | <b>89,887</b>                  | –                       |
| Over 5 years    | <b>43,817</b>                  | –                       |
|                 | <u><b>152,275</b></u>          | <u>–</u>                |

The ageing analysis of loan receivables based on the loan drawdown date at the end of reporting period is as follows:

|                 | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-----------------|--------------------------------|-------------------------|
| 0 to 30 days    | <b>3,694</b>                   | –                       |
| 181 to 360 days | <b>148,581</b>                 | –                       |
|                 | <u><b>152,275</b></u>          | <u>–</u>                |

As at 31 March 2018, all of the loan receivables were neither past due nor impaired. These balances related to customers that have good repayment record with the Group. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## **12. LAND DEVELOPMENT EXPENDITURE**

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

### 13. PROPERTIES FOR SALE

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Completed properties for sale   | 669,225                 | 433,434                 |
| Properties under development for sale   | <u>2,140,397</u>        | <u>1,916,449</u>        |
|   | <u><b>2,809,622</b></u> | <u><b>2,349,883</b></u> |
| Carrying amount of properties under development<br>for sale expected to be completed: |                         |                         |
| – Within one year   | 741,002                 | 883,496                 |
| – After one year  | <u>1,399,395</u>        | <u>1,032,953</u>        |
|   | <u><b>2,140,397</b></u> | <u><b>1,916,449</b></u> |

As at 31 March 2018, certain properties for sale with carrying amount of approximately HK\$827,943,000 (2017: HK\$969,207,000) were pledged to secure certain bank borrowings granted to the Group.

During the year ended 31 March 2018 and 2017, there is no impairment recognised, as there was no further decrease in net realisable value.

### 14. TRADE AND OTHER RECEIVABLES

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables                          | 3,648                   | 5,078                   |
| Less: allowance for bad and doubtful debts | <u>–</u>                | <u>(4,852)</u>          |
|  | <b>3,648</b>            | 226                     |
| Other receivables and prepayments          |                         |                         |
| Other deposits                             | 14,978                  | 11,938                  |
| Prepayments for construction work          | 46,919                  | 39,150                  |
| Other tax prepayment                       | 35,954                  | 26                      |
| Other receivables                          | 21,281                  | 8,875                   |
| Other prepayments                          | 7,389                   | 1,207                   |
| Receivables for platform fee               | –                       | 3,383                   |
| Amounts due from a third party             | <u>24,630</u>           | <u>27,063</u>           |
| Total trade and other receivables          | <u><b>154,799</b></u>   | <u><b>91,868</b></u>    |

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

|             | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-------------|--------------------------------|-------------------------|
| 91-180 days | <b>3,648</b>                   | –                       |
| 1-2 years   | –                              | 226                     |
|             | <u><b>3,648</b></u>            | <u>226</u>              |

#### 15. TRADE AND OTHER PAYABLES

|  | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Trade payables                           | <b>8,680</b>                   | 13,712                  |
| Accrued construction cost to contractors | <b>803,459</b>                 | 355,239                 |
| Interest payable                         | <b>15,867</b>                  | 40,492                  |
| Amounts due to third parties             | <b>15,954</b>                  | 27,144                  |
| Other payables                           | <b>57,490</b>                  | 5,793                   |
| Other tax payables                       | <b>16,166</b>                  | 11,479                  |
| Bill payables                            | –                              | 16,914                  |
| Receipt in advance from customers        | <u><b>16,447</b></u>           | <u>4,962</u>            |
|  | <u><b>934,063</b></u>          | <u>475,735</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:

|           | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-----------|--------------------------------|-------------------------|
| 0-90 days | <u><b>8,680</b></u>            | <u>13,712</u>           |



## 16. BORROWINGS

|   | <b>2018</b>      | 2017            |
|---|------------------|-----------------|
|   | <b>HK\$'000</b>  | <b>HK\$'000</b> |
| Bank borrowings, secured                          | <b>724,922</b>   | 902,613         |
| Other borrowings, unsecured                       | <b>157,453</b>   | 338,290         |
|   | <b>882,375</b>   | 1,240,903       |
| Carrying amount of borrowing repayable:           |                  |                 |
| Within one year                                   | <b>813,590</b>   | 885,699         |
| More than one year, but not exceeding two years   | <b>68,785</b>    | 39,467          |
| More than two years, but not exceeding five years | <b>–</b>         | 315,737         |
|   | <b>882,375</b>   | 1,240,903       |
| Less: Amounts shown under current liabilities     | <b>(813,590)</b> | (885,699)       |
|   | <b>68,785</b>    | 355,204         |

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

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

|                         | <b>2018</b>     | 2017     |
|-------------------------|-----------------|----------|
| Effective interest rate | <b>3% – 24%</b> | 6% – 24% |

As at 31 March 2018, the Group's other borrowing represent (i) an unsecured borrowing of HK\$123,150,000 (2017: HK\$315,737,000) provided by a third party with interest at a fixed rate of 5% (2017: 6%) per annum and repayable in July 2018; (ii) an unsecured borrowing of HK\$23,836,000 (2017: HK\$22,553,000) provided by another third party with interest at a fixed rate of 24% (2017: 24%) per annum and repayable in May 2018; and (iii) unsecured borrowings of HK\$10,467,000 (2017: nil) provided by another third parties with interest at a fixed rate of 18% per annum and repayable in January 2019.

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

|                     | <b>2018</b>     | 2017     |
|---------------------|-----------------|----------|
|                     | <b>HK\$'000</b> | HK\$'000 |
| Secured by:         |                 |          |
| Properties for sale | <b>827,943</b>  | 969,207  |

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

## 17. CAPITAL COMMITMENTS

|  | <b>2018</b>     | 2017      |
|--|-----------------|-----------|
|  | <b>HK\$'000</b> | HK\$'000  |
| Commitments contracted for:            |                 |           |
| – construction for properties for sale | <b>242,186</b>  | 916,197   |
| – development of settlement platform   | <b>14,872</b>   | 44,292    |
| – purchase of equipment                | –               | 50,743    |
|  | <b>257,058</b>  | 1,011,232 |

## 18. CONTINGENT LIABILITIES

|   | <b>2018</b>     | 2017     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties | <b>747,359</b>  | 481,828  |

*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.

## 19. COMPARATIVE FIGURES

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

## FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 March 2018 (2017: nil).

## OVERALL RESULTS

### Key performance indicator (Financial Ratio)

|                                      | Notes | Year ended 31 March |                    | Change<br>+/(-) % |
|--------------------------------------|-------|---------------------|--------------------|-------------------|
|                                      |       | 2018                | 2017<br>(restated) |                   |
| Revenue (HK\$'000)                   |       | 543,333             | 537,064            | +1.17%            |
| Gross Profit margin (%)              | (i)   | 8.29%               | 8.25%              | +0.04%            |
| Loss for the year (HK\$'000)         |       | 65,170              | 85,841             | -24.08%           |
| Loss per share (HK cents)            |       | 0.33                | 0.40               | -17.50%           |
| Net asset value per share (HK cents) | (ii)  | 6.55                | 6.77               | -3.25%            |

Notes:

- (i) Gross profit margin is calculated as gross profit divided by revenue.
- (ii) Net asset value per share is calculated based on the number of ordinary shares issued as at the relevant financial year end date.

For the current year, the Group recorded a turnover of approximately HK\$543,333,000, representing a slight increase of approximately 1.17% when compared with the same period of last year. The turnover for the current year is mainly attributable to the sale of properties in 柳州正和華桂置業集團有限公司 (Liuzhou Zhenghe Huagui Real Estate Group Company Limited\*) (“Liuzhou Zhenghe”) and the interest income from the Group’s financing business.

A gross profit of approximately HK\$45,068,000 (2017: HK\$44,303,000) and gross profit ratio of 8.29% (2017: 8.25%) were recorded for the current year.

A loss of approximately HK\$65,170,000 was recorded for the current year, representing a decrease of 24.08% from approximately HK\$85,841,000 for the year ended 31 March 2017. The basic and diluted loss per share for the current year was approximately HK0.33 cents which represented a decrease of approximately 17.50% from approximately HK0.40 cents for the year ended 31 March 2017.

## **REVIEW OF OPERATIONS AND PROSPECT**

### **International Business Settlement**

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

The Group has been actively expanding its bank customer connections and services for the NSGN. Currently, several large-scale banks (including domestic and international banks) are planning to connect to the network. Further, the Group maintains continuous communication with more than 20 domestic and international small, medium-sized and large banks. Through our discussions in relation to the potential cooperative opportunities with banks, the banks have realized the value and opportunities brought by the NGSN resolution and have discovered the potential of the NGSN to facilitate the implementation of the “one belt and one road” strategy led by China. However, intended banks are subject to coordination and approval by their internal systems. The Group expects to implement its the NGSN operating strategy to its customers as soon as possible upon all the conditions are fulfilled.

Apart from bank customer connection, providing settlement services for commercial customers is also an essential part and component of the NGSN. Nevertheless, connecting bank customers is not the ultimate goal of the NGSN as it mainly aims to provide support and services for the commercial activities of the end customers.

In respect of services for commercial customers, the Group has made preliminary progress during the current year. Currently, the Group has obtained the European EMI license (Electronic Money Institution), which allows the Groups to provide its commercial customers with preliminary commercial settlement services.

In February 2018, the Group officially launched the electronic bank of its European node (Lithuania), which is able to provide business settlement and clearing services based on the International Bank Account Number (IBAN) to global business customers. In respect of account opening, it is now able to open international bank accounts, provide international bank account numbers, support multi-currency services and provide currency exchange services to business customers. Simultaneously, targeting international customers, especially domestic business customers, it is capable of providing remote account opening, including remote information authentication, remote information submission, etc., which affords enormous convenience to business customers, enabling them to complete the whole process from information submission, identity authentication to account opening without leaving home. In respect of receiving or making international payments, the Group's European link can also provide fast and convenient collection and remittance services to businesses and individuals. In particular, the business clearance in the European Economic Area (EEA) can achieve more efficient and convenient business settlement and clearing services by capitalizing on the local clearing system of the Single Euro Payments Area (SEPA).

Regardless of whether the Group's customer is a European customer, an international customer, or a Chinese customer and regardless of whether the customer is a traditional trading company, a production enterprise, or a new service enterprise, upon the completion of the remote account opening, they will immediately be able to use the IBS account to receive or make payment as well as capital transactions of enterprises, achieving efficient and convenient business settlement and clearing via the IBS account.

As a financial institution, the Group's European node considers anti-money laundering and counter-terrorist financing policies to be its primary concern and responsibility and is committed to complying with the other laws and regulations of financial regulators. In addition, as an enterprise operating in the European region, it should also value and observe some common European laws and regulations, such as the General Data Protection Regulation (GDPR). The Group understands and is aware that compliance with the relevant rules and regulators is fundamentally important and serves as a pre-requisite for business settlement and clearing businesses. At the corporate governance level, the Group has now established a risk and compliance management system, set up a risk management committee, appointed a dedicated chief compliance expert and engaged an external independent and professional law firm. Likewise, at the daily operations level, the Group has established KYC (Know your customer), KYB (Know your business), customer due diligence (Due Diligence) and other daily business processes and plans to organize continuous related training. In short, the Group will ensure that it effectively fulfills its obligations and assumes related responsibilities and also strives to establish endorsement from customers and protect the goodwill of the Company.

Based on the basic settlement business and under the premise of ensuring operations, the Group also plans to expand its business and service scope, including (but not limited to) providing e-commerce payments, providing WeChat and Alipay online or offline payment services for overseas e-commerce and physical shopping malls, expanding the business of payment processing services for VISA, Master and other card organizations, recommending or providing clients with investment services such as deposits in Europe, wealth management and insurance as well as issuing prepaid cards jointly with VISA and Master.

To this end, the Group also plans to upgrade its European EMI license to a Special Bank license so as to provide more financial services to commercial customers based on its basic business. Meanwhile, we will actively apply for licenses for electronic banking or licenses to be a payment company in Central Asia and other regions as well as the cooperation qualifications for VISA, Master and UnionPay. Furthermore, while improving the current e-banking core system, KYC and other systems (customer information certification), we will explore more partnership opportunities and improve the corporate ecology. We are considering to set up offices in domestic free trade zones, free ports and bonded zones, etc., but also to actively deploying the Group's services over the countries along the "one belt and one road", so as to expand its scope.

In conclusion, the Group will continue to expand its products and services, diversify its service scope and upgrade its licenses, on the basis of its prudent operations and according to the blueprint of NGS, so as to serve more customers and further create value for its shareholders.

During the current year, no revenue was recorded in this segment (2017: HK\$4,320,000). Segment loss of approximately HK\$56,986,000 (2017: HK\$26,207,000) was recorded. The major expenses for the year were office rental expenses, research and development expenses and staff costs. The relatively large loss recorded in the current year was mainly due to this segment being acquired in September 2016, which reflects the full-year effect in the current year.

### **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 480,000 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 560,000 square meters. Both Phase I and Phase II have commenced construction and are under development. The progress of each phase as at 31 March 2018 are as follows:

|          | <b>Property type</b>   | <b>Status</b>  |
|----------|--|--|
| Phase I: |  |  |
| Zone A   | Villas and high-rise apartment buildings                         | The construction works were completed and most of the properties were sold.  |
| Zone B   | Villas and high-rise apartment buildings                         | The construction works were completed and most of the properties were sold.  |
| Zone C   | Residential and commercial complexes and studio/office buildings | <p>There are 7 blocks of residential and commercial complexes and 3 blocks of studio/office buildings in this zone.</p> <p>The construction works of 7 blocks of residential and commercial complexes were completed and most the properties were sold.</p> <p>The construction works of 3 blocks of studio/office buildings are in progress. The pre-sale permits were granted and the acceptance certificates of completion are expected to be granted in the second half of 2018.</p> |

|           | <b>Property type</b>                    | <b>Status</b>   |
|-----------|---|---|
| Phase II: |   |   |
| Zone D1   | Villas                                  | The construction works of the villas were completed. 16 villas with a total saleable area of approximately 8,000 square meters are held for sale.   |
| Zone D1   | High-rise apartment buildings           | <p>There are 5 blocks of high-rise apartment buildings in this zone.</p> <p>The construction works of 2 of these 5 blocks were completed and acceptance certificates of completion were granted. The properties were delivered to the customers and revenue was recognised in the current year.</p> <p>The construction works of the remaining 3 blocks are in progress. The pre-sale permits were granted and acceptance certificates of completion are expected to be granted in the second half of 2018.</p> |
| Zone D2   | Villas                                  | The construction works of the villas were completed. 8 villas with a total saleable area of approximately 5,000 square meters are held for sale.  |
| Zone E    | Hotel and high-rise apartment buildings | <p>The construction works of the high-rise apartment buildings were completed and the acceptance certificate of completion was granted. The properties were delivered to the customers and revenue was recognised in the current year.</p> <p>The hotel building is under construction and the pre-sale permit was granted. The acceptance certificate of completion is expected to be obtained in late 2018.</p>   |



|        | <b>Property type</b>                 | <b>Status</b>  |
|--------|--------------------------------------|--|
| Zone F | Residential and commercial complexes | <p data-bbox="756 185 1522 275">There are 6 blocks of residential and commercial complexes in this zone.</p> <p data-bbox="756 331 1522 566">The construction works of 1 block of residential and commercial complexes was completed and the acceptance certificate of completion was granted. The properties were delivered to the customers and revenue recognised in the current year.</p> <p data-bbox="756 622 1522 938">The construction work of the other 5 blocks of residential and commercial complexes are in progress and pre-sale permits were granted. The acceptance certificates of completion of 2 of these 5 blocks are expected to be obtained in the second half of 2018 and the remaining 3 blocks are expected to be granted in the second half of 2019.</p> |

During the year ended 31 March 2018, an area of approximately 90,148 square meters (2017: 91,400 square meters) was sold and generated a segment turnover of approximately HK\$531,663,000 for the current year (2017: HK\$518,132,000). The turnover for the current year is mainly due to revenue recognised from the sales of properties in Zone D, Zone E and Zone F. A segment profit of HK\$4,253,000 (2017: segment loss of HK\$39,557,000) was recorded for the current year.

An external expert, Cushman & Wakefield Limited, was engaged to help to assess the fair value of the properties development project as at 31 March 2018. For those properties which had completed the construction work and were held for sale, a direct comparison method by making reference to comparable sales transactions as available in the relevant market was used. For those properties still under construction, the value was derived by using a direct comparison method with the assumption that the construction works of the properties would have been completed at the date of valuation and have taken into account the construction costs expected and costs that will be expended to complete the development. No impairment loss is required for the year ended 31 March 2018 as the net realisable value is higher than carrying amount.

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

## **Financial services**

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

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

During the current year, this segment recorded approximately HK\$11,670,000 interest income (2017: HK\$14,612,000) and the segment profit approximately was HK\$6,255,000 (2017: HK\$7,162,000).

## **Other operations**

Other operations of the Group include the provision of consultancy services, trading of goods and operation of e-commerce platforms and an investment in a gold mine. No turnover was generated from these other operations during the current year and the loss incurred was approximately HK\$721,000 (2017: HK\$1,272,000). The Group’s management will continue review the situation regularly and explore any possible solution to generate returns for the shareholders.

The 27% effective equity interest in the gold mine in the Republic of Kyrgyz was fully impaired in previous year. The progress of the construction of mining plants and other infrastructure have been delayed and the test-run of the mining production is expected to commence in 2019. The Company’s shareholding in the gold mine had been pledged to secure a bank loan borrowed by the mining company to finance its operation.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

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

## FINANCIAL REVIEW

### Finance position, liquidity and gearing

As at 31 March 2018, the total assets and liabilities of the Group were at approximately HK\$4,541,320,000 (31 March 2017: HK\$4,381,338,000) and approximately HK\$3,210,644,000 (31 March 2017: HK\$3,006,736,000) respectively. The Group recorded a total equity of approximately HK\$1,330,676,000 as at 31 March 2018 (31 March 2017: HK\$1,374,602,000).

The Group recorded net current assets of approximately HK\$1,143,863,000 as at 31 March 2018 (31 March 2017: HK\$1,521,926,000). The bank balances and cash as at 31 March 2018 was approximately HK\$1,167,633,000 (31 March 2017: HK\$1,513,380,000), of which most were denominated in Hong Kong dollars, US dollars, Euro and Renminbi.

The Group's current ratio (defined as current assets divided by current liabilities) was 1.36 (31 March 2017: 1.57).

As at 31 March 2018, the Group had total borrowing amounted to approximately HK\$962,141,000 (31 March 2017: HK\$1,324,995,000) which were denominated in Renminbi. The breakdowns are as follows:

- (i) bank and other borrowings amounted to approximately HK\$882,375,000 (31 March 2017: HK\$1,240,903,000) with effective interest rates in the ranges of 3.00% to 24.00%; and
- (ii) interest free loan due to third parties, ultimate holding company and non-controlling interests amounted to approximately HK\$15,954,000 (31 March 2017: HK\$27,144,000), approximately HK\$2,304,000 (31 March 2017: HK\$2,309,000) and approximately HK\$61,508,000 (31 March 2017: HK\$54,639,000) respectively.

The gearing ratio, as a ratio of total borrowings to total equity, as at 31 March 2018 was 0.72 (31 March 2017: 0.96).

### Financial resources

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

## **Share capital**

As at 31 March 2018, the Company had 20,319,072,320 shares of ordinary shares in issue and the total equity of the Group was approximately HK\$1,330,676,000.

## **Charges on assets**

As at 31 March 2018, certain properties for sale with carrying amount of approximately HK\$827,943,000 (31 March 2017: HK\$969,207,000) were pledged to secure certain bank borrowings granted to the Group.

## **Contingent liabilities**

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is 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 31 March 2018, the guarantee given to banks for the above-mentioned mortgage facilities amounted to approximately HK\$747,359,000 (31 March 2017: HK\$481,828,000).

## **Foreign exchange exposure**

As part of the Group's assets and liabilities are denominated in Renminbi, US dollars, Euro 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**

As at 31 March 2018, the Group had approximately 147 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 current 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 2018.

## **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 2018 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. Mr. Luo Feng was the Chairman of the Company, who also served the role of CEO, before 22 September 2017. On 22 September 2017, Mr. Luo Feng was not re-elected as the Director of the Company after his retirement and the Company did not officially appoint a Chairman or a CEO since then. 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) Under Code Provision A.2.7 of the Code, the chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. Since the retirement of Mr. Luo Feng as the Chairman and the executive Director of the Company on 22 September 2017, the Company has not appointed a new Chairman and no meeting was held between the Chairman and the non-executive Directors (including independent non-executive Directors) without the executive Directors present during the year ended 31 March 2018.
- (c) Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Luo Feng did not attend the annual general meeting held on 22 September 2017. However, one of the Directors present at the annual general meeting held on 22 September 2017 was elected as chairman thereof to ensure an effective communication with the shareholders thereat.
- (d) Code provision F.1.3 stipulates that the company secretary should report to the Chairman and/or the CEO. Following the retirement of Mr. Luo Feng as the Chairman on 22 September 2017, the company secretary reported to the executive Directors since 22 September 2017 as the Company has no Chairman or CEO.
- (e) In respect of the Code Provision A.6.7, Mr. Shao Ping, an independent non-executive director of the Company who resigned on 4 June 2018, was unable to attend the annual general meeting held on 22 September 2017 due to his other business engagements.

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

## **AUDIT COMMITTEE**

As at the date of this announcement, the Audit Committee of the Company comprised of three independent non-executive Directors, namely, Mr. Yap Yung (the chairman), Mr. Zhang Guangsheng and Mr. Chan Siu Tat. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 March 2018 and discussed with the management the accounting principles and practices adopted by the Group, risk management and internal controls and financial reporting matters of the Group.

## **SCOPE OF WORK OF MESSRS. BDO LIMITED**

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 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. BDO 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. BDO on the preliminary announcement.

## **PUBLICATION OF FINAL RESULTS AND DISPATCH OF ANNUAL REPORT**

This final results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company at ([www.ibsettlement.com](http://www.ibsettlement.com)). The 2017/2018 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**

**Yuen Leong**

*Executive Director*

Hong Kong, 20 June 2018

\* *The English name is for identification purpose only*

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