INTERNATIONAL BUSINESS SETTLEMENT HOLDINGS LIMITED
國際商業結算控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00147)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board of directors (the "Board" or the "Directors") of International Business Settlement Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2021 (the "period" or "reporting period"), together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Six months ended 30 September	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**259,170**	5,341
Cost of sales and services		**(218,257)**	(1,224)
Gross profit		**40,913**	4,117
Other income, gains and losses	*5*	**25,776**	4,937
Selling expenses		**(2,593)**	(8,257)
Administrative and other expenses		**(52,496)**	(48,774)
Impairment loss on property, plant and equipment		**–**	(7,902)
Impairment loss on loan receivables, net		**(1,389)**	(1,747)
Finance costs	*6*	**(1,883)**	(1,674)
Profit/(loss) before taxation		**8,328**	(59,300)
Income tax expenses	*7*	**(18,042)**	(72)
Loss for the period	*8*	**(9,714)**	(59,372)

	Notes	Unaudited Six months ended 30 September **2021** ***HK$'000***	 2020 *HK$'000*
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**8,710**	20,890
Total comprehensive income for the period		**(1,004)**	(38,482)
Loss for the period attributable to:			
– Owners of the Company		**(5,942)**	(50,289)
– Non-controlling interests		**(3,772)**	(9,083)
		(9,714)	(59,372)
Total comprehensive income attributable to:			
– Owners of the Company		**544**	(32,104)
– Non-controlling interests		**(1,548)**	(6,378)
		(1,004)	(38,482)
Loss per share			
Basic and diluted *(HK cents)*	*10*	**(0.03)**	(0.25)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2021**	31 March 2021
		HK$'000	*HK$'000*
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**469,232**	393,114
Intangible assets	*11*	**1,294**	1,355
Prepayment	*12*	**279,930**	278,057
Interests in associates	*21*	**–**	–
Deferred tax assets		**43,164**	38,592
		793,620	711,118
CURRENT ASSETS			
Loan receivables	*13*	**16,210**	17,632
Properties held for sale		**1,887,610**	1,976,719
Inventories		**1,153**	146
Trade and other receivables	*14*	**30,331**	24,819
Factoring receivables	*15*	**–**	–
Restricted bank deposits		**369**	351
Bank balances and cash		**584,197**	632,707
		2,519,870	2,652,374
CURRENT LIABILITIES			
Trade and other payables	*16*	**726,972**	714,161
Borrowings	*17*	**575,480**	636,369
Amount due to non-controlling interests		**83,460**	82,697
Amount due to ultimate holding company		**1,658**	1,666
Tax liabilities		**30,180**	29,830
Contract liabilities	*18*	**821,335**	891,651
Lease liabilities		**5,484**	6,272
		2,244,569	2,362,646

	Notes	30 September 2021 HK$'000 (unaudited)	31 March 2021 HK$'000 (audited)
NET CURRENT ASSETS		**275,301**	289,728
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,068,921**	1,000,846
NON-CURRENT LIABILITIES			
Borrowings	*17*	**226,491**	155,156
Lease liabilities		**1,933**	4,189
		228,424	159,345
NET ASSETS		**840,497**	841,501
CAPITAL AND RESERVES			
Share capital		**20,319**	20,319
Reserves		**754,559**	754,015
Equity attributable to owners of the Company		**774,878**	774,334
Non-controlling interests		**65,619**	67,167
TOTAL EQUITY		**840,497**	841,501

Notes:

1. BASIS OF PREPARATION

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

The condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2020/2021 consolidated annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2021. Details of any changes in accounting policies are set out in note 2. The adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") have no material effect on the condensed consolidated interim financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

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

The condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. The condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020/2021 consolidated annual financial statements. The condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with the HKFRSs and should be read in conjunction with the 2020/2021 consolidated annual financial statements.

The condensed consolidated financial statements for the six months ended 30 September 2021 have not been audited, but have been reviewed by the audit committee of the Company.

2. CHANGES IN HKFRSs

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

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The new or amended HKFRSs that are effective from 1 April 2021 did not have any significant impact on the Group's accounting policies.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16: Interest Rate Benchmark Reform – Phase 2

These address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to de-recognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

3. REVENUE

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

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers *(note)*		
Sales of properties	**254,505**	990
International business settlement services	**4,412**	3,919
Sales of contact lens	**232**	287
	259,149	5,196
Revenue from other sources		
Financing service income	**21**	145
	259,170	5,341

Note: Disaggregation of revenue from contracts with customers

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	**254,737**	1,277
Services transferred over time	**4,412**	3,919
	259,149	5,196

4. SEGMENT REPORTING

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

Property development	–	Developing and selling of commercial and residential properties, car parking spaces, including undertaking of primary land development activities, in the PRC.
Hotel business	–	Hotel development and provision of hotel management services in the PRC.
International business settlement	–	Providing settlement and clearing services for commercial and individual customers with the Electronic Money Institution license.
Financing business	–	Provision of finance through money lending services, finance leases, leasing, factoring and other related services.
Contact lens business	–	Manufacturing and sales of disposable contact lens in the PRC.

The CODM considered that the property development segment, hotel business segment, international business settlement segment, financing business segment and contact lens business segment are the main businesses lines and reportable operating segments of the Group.

(a) Segment revenue and results

Six months ended 30 September 2021 (unaudited)

	Property development *HK$'000*	**Hotel business** *HK$'000*	**International business settlement** *HK$'000*	**Financing business** *HK$'000*	**Contact lens business** *HK$'000*	**Total** *HK$'000*
REVENUE						
External sales and segment revenue	**254,505**	**–**	**4,412**	**21**	**232**	**259,170**
Segment profit/(loss)	**22,507**	**–**	**(7,899)**	**(2,673)**	**(16,900)**	**(4,965)**
Unallocated corporate expenses						**(9,987)**
Bank interest income						**575**
Gain on disposal of a subsidiary						**22,705**
Profit before taxation						**8,328**

Six months ended 30 September 2020 (unaudited)

	Property development *HK$'000*	Hotel business *HK$'000*	International business settlement *HK$'000*	Financing business *HK$'000*	Contact lens business *HK$'000*	Total *HK$'000*
REVENUE						
External sales and segment revenue	990	–	3,919	145	287	5,341
Segment loss	(18,754)	–	(21,600)	(3,051)	(11,309)	(54,714)
Unallocated corporate expenses						(7,410)
Bank interest income						2,824
Loss before taxation						(59,300)

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

(b) Segment assets and liabilities

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
ASSETS		
Segment assets		
Property development	**1,947,948**	2,045,944
Hotel business	**197,830**	188,472
International business settlement	**49,594**	19,643
Financing business	**16,293**	17,689
Contact lens business	**514,504**	452,949
Total segment assets	**2,726,169**	2,724,697
Unallocated assets		
Bank balances and cash	**584,197**	632,707
Other assets	**3,124**	6,088
Total unallocated assets	**587,321**	638,795
Consolidated total assets	**3,313,490**	3,363,492
LIABILITIES		
Segment liabilities		
Property development	**(2,003,746)**	(2,098,072)
Hotel business	**(140,309)**	(139,118)
International business settlement	**(46,119)**	(45,822)
Financing business	**(33)**	(24)
Contact lens business	**(277,059)**	(230,884)
Total segment liabilities	**(2,467,266)**	(2,513,920)
Unallocated liabilities		
Other liabilities	**(5,727)**	(8,071)
Total unallocated liabilities	**(5,727)**	(8,071)
Consolidated total liabilities	**(2,472,993)**	(2,521,991)

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

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

- all liabilities are allocated to operating segments other than other payables not attributable to respective segments.

(c) Other segment information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, prepayment for acquisition of machinery, equipment and software, and deferred tax assets ("Specified non-current assets").

	Revenue from external customers (by customer location)		**Specified non-current assets (by physical location)**	
	Six months ended 30 September		**As at 30 September**	As at 31 March
	2021	2020	**2021**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Hong Kong	**–**	–	**1,909**	3,318
PRC (domicile)	**254,758**	1,422	**468,577**	391,117
Others	**4,412**	3,919	**40**	34
	259,170	5,341	**470,526**	394,469

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**575**	2,824
Government grant	**1,619**	726
Rental income	**595**	–
Net exchange gain/(loss)	**713**	(179)
(Impairment loss)/reversal of impairment loss on trade and other receivables, net	**(575)**	966
Gain on disposal of a subsidiary *(Note 21)*	**22,705**	–
Others	**144**	600
	25,776	4,937

6. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on		
– bank borrowings	**6,584**	4,914
– other borrowings	**31,525**	43,955
– lease liabilities	**476**	513
	38,585	49,382
Less: amount capitalised in properties held for sale	**(28,214)**	(40,112)
Less: amount capitalised in construction in progress under property, plant and equipment	**(8,488)**	(7,596)
	1,883	1,674

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

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax in PRC		
Enterprise Income Tax ("EIT")	**95**	–
Land Appreciation Tax ("LAT")	**22,180**	60
	22,275	60
Deferred tax	**(4,233)**	12
	18,042	72

No provision for Hong Kong Profits Tax has been made for both interim periods as the Group has no assessable profit arising in Hong Kong.

The PRC EIT is calculated based on the applicable tax rate on assessable profits, if applicable. The applicable EIT rate for the Group's PRC subsidiaries during both interim periods is 25%.

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

The Group is required to prepay LAT and EIT in accordance with the relevant PRC tax rules in respect of pre-sale of property development projects. As at 30 September 2021, No prepaid LAT and EIT in respect of contract liabilities (31 March 2021: HK$2,050,000), which has been presented as deduction against the tax liabilities of the respective subsidiary in the condensed consolidated statement of financial position.

8. LOSS FOR THE PERIOD

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

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Directors' emoluments	**1,389**	1,380
Other staff salaries, wages and allowances	**27,420**	15,246
Other staff retirement scheme contributions	**1,027**	744
	29,836	17,370
Less: staff costs capitalised in properties held for sale	**(335)**	(279)
Total staff costs	**29,501**	17,091
Amortisation of intangible assets	**72**	–
Depreciation charge		
– property, plant and equipment	**1,984**	774
– right-of-use asset	**2,757**	6,418
Cost of properties sold	**200,154**	532
Loss on written off of property, plant of equipment	**–**	22
Impairment loss on property, plant and equipment	**–**	7,902
Impairment loss on loan receivables, net	**1,389**	1,747
Short term or low value lease expenses	**343**	301

9. DIVIDEND

The Board has resolved not to declare any interim dividend for reporting period (2020: Nil).

10. LOSS PER SHARE

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

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit and loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(5,942)**	(50,289)

	Six months ended 30 September	
	2021	2020
Number of shares		
Weighted average number of shares for the purposes of basic loss per share	**20,319,072,320**	20,319,072,320

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

11. INTANGIBLE ASSETS

	Computer software HK$'000 (Note (a))	Settlement platform HK$'000 (Note (b))	Total HK$'000
Cost			
At 31 March 2021 (audited)	1,433	59,186	60,619
Exchange adjustments	12	–	12
At 30 September 2021 (unaudited)	1,445	59,186	60,631
Amortisation and impairment			
At 31 March 2021 (audited)	78	59,186	59,264
Charge for the period	72	–	72
Exchange adjustments	1	–	1
At 30 September 2021 (unaudited)	151	59,186	59,337
Net book value			
At 30 September 2021 (unaudited)	1,294	–	1,294
At 31 March 2021 (audited)	1,355	–	1,355

Notes:

(a) Computer software was acquired to assist factory's production and management. It's intellectual property rights which have finite useful life and are amortised on a straight-line basis over its estimated useful life of 10 years.

(b) The Group entered into an agreement with an independent software company to assist the Group in developing a settlement platform for connecting with the systems of the central banks and commercial banks of the countries along the "Belt and Road Initiative". During prior years, the sums paid and payable by the Group pursuant to the agreement was USD7,600,000 (equivalent to HK$59,186,000).

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

12. PREPAYMENT

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Prepayment for acquisition of:		
– Machinery and equipment *(Note (a))*	**235,456**	263,810
– Software *(Note (b))*	**44,474**	14,247
	279,930	278,057

Notes:

(a) The Group, as purchaser, entered into a series of machinery and equipment purchase agreements with independent providers. Pursuant to which the Group agreed to acquire contact lens production line in the PRC at total considerations of USD37,134,000 and RMB42,601,000 (together equivalent to approximately HK$359,384,000). Amount of USD31,979,000 and RMB33,471,000 (together equivalent to approximately HK$308,219,000) has been paid by the Group as at the end of the reporting period and of machineries equivalent to approximately HK$72,763,000 was ready for use and settled by prepaid amount. The remaining approximately HK$51,165,000 will be payable upon the completion of installation of machinery and equipment.

(b) As at 30 September 2021, the Group paid deposit totalling HK$44,474,000 (31 March 2021: HK$14,247,000) to software developers to develop the Next Generation Settlement Network (the "NGSN") in International Business Settlement segment.

13. LOAN RECEIVABLES

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Loan receivables	**140,858**	139,843
Interest receivables	**7,341**	7,278
	148,199	147,121
Less: Loss allowance *(note (b))*		
Stage 1	**(26)**	(35)
Stage 2	**–**	–
Stage 3	**(131,963)**	(129,454)
Carrying amount of loan receivables	**16,210**	17,632
Current portion included under current assets	**(16,210)**	(17,632)
Amounts due after one year included under non-current assets	**–**	–

As at 30 September 2021 and 31 March 2021, all loan receivables were secured by collaterals.

The customers are obliged to settle the amounts according to the terms set out in relevant contracts. Interest rates are offered based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends. The Group's loan principals charged interests at contract rate ranging from approximately 6% to 15% (31 March 2021: 6% to 15%) per annum.

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

(a) Ageing analysis

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

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Over 1 year	**148,199**	147,121

(b) Movement in impairment losses

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

	Stage 1 12-month ECL *HK$'000*	Stage 2 Lifetime ECL not credit-impaired *HK$'000*	Stage 3 Lifetime ECL credit-impaired *HK$'000*	Total *HK$'000*
At 31 March 2021 (audited)	35	–	129,454	129,489
Impairment loss charged to profit or loss	(10)	–	1,399	1,389
Exchange adjustments	1	–	1,110	1,111
At 30 September 2021 (unaudited)	26	–	131,963	131,989

For the period ended 30 September 2021, an increase of loss allowance of approximately HK$1,389,000 was charged to profit or loss as an impairment.

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

14. TRADE AND OTHER RECEIVABLES

	30 September 2021 ***HK$'000*** **(unaudited)**	31 March 2021 *HK$'000* (audited)
Trade receivables	**–**	1,387
Less: Loss allowance	**–**	(82)
	–	1,305
Other receivables and prepayments:		
Other deposits	**7,398**	7,365
Other tax prepayment	**8,228**	5,993
Other receivables	**11,668**	6,856
Other prepayments	**3,037**	3,300
	30,331	24,819

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

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

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
91 to 180 days	**–**	1,305

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

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At the beginning of the period	**1,346**	2,045
Impairment loss charged to profit or loss	**657**	78
Reversal of impairment loss previously recognised	**(82)**	(771)
Exchange adjustments	**–**	(6)
At the end of the period	**1,921**	1,346

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

15. FACTORING RECEIVABLES

	30 September 2021 HK$'000 (unaudited)	31 March 2021 HK$'000 (audited)
Factoring receivables	**70,079**	69,484
Interest receivables	**2,516**	2,495
	72,595	71,979
Less: Loss allowance *(note (b))*		
Stage 1	**–**	–
Stage 2	**–**	–
Stage 3	**(72,595)**	(71,979)
Current portion included under current assets	**–**	–

As at 30 September 2021 and 31 March 2021, all factoring receivables were secured by accounts receivables of the debtors with interest rate of 6.5% (31 March 2021: 6.5%). The Group has recourse right on the debts in the event of default. However, the collaterals are not permitted to sell or re-pledge by the Group.

(a) Ageing analysis

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

	30 September 2021 HK$'000 (unaudited)	31 March 2021 HK$'000 (audited)
Over one year	**72,595**	71,979

(b) Movement in impairment losses

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

	Stage 1 12-month ECL *HK$'000*	Stage 2 Lifetime ECL not credit-impaired *HK$'000*	Stage 3 Lifetime ECL credit-impaired *HK$'000*	Total *HK$'000*
At 31 March 2021 (audited)	–	–	71,979	71,979
Exchange adjustments	–	–	616	616
At 30 September 2021 (unaudited)	–	–	72,595	72,595

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

16. TRADE AND OTHER PAYABLES

	30 September 2021 ***HK$'000*** **(unaudited)**	31 March 2021 *HK$'000* (audited)
Trade payables *(note (a))*	**216**	1,870
Accrued construction costs to contractors	**351,282**	376,495
Interest payable	**106,310**	91,698
Amount due to third parties	**10**	10
Other payables *(note (b))*	**110,181**	122,492
Other tax payables	**158,973**	121,596
	726,972	714,161

Notes:

(a) The following is an aged analysis of the Group's trade payables, presented based on the date of materials received, at the end of the reporting period:

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 90 days	**–**	363
91 to 180 days	**216**	1,507
	216	1,870

(b) In 2020, IBM (China) Co., Ltd. ("IBM (China)"), a company who provide computer software engineering services to the Group to develop the platform for NGSN in International Business Settlement segment, filed an arbitral claim against a wholly owned subsidiary of the Group (namely, International Business Settlement Limited, the "Subsidiary") for payment of outstanding service fees of USD2,983,000 (approximately HK$23,226,000) plus interest due to late payments and related legal fee. The disputes was caused by disagreement of acceptance of works between IBM (China) and the Group over the phase completion on NGSN platform.

On 23 November 2021, the Company received a petition (the "Petition") from IBM (China) in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the "High Court") under Companies Winding-up Proceedings No. 427 of 2021 that the Subsidiary may be wound up by the High Court on the ground that the Subsidiary is insolvent and unable to pay its debt. The Petition is scheduled to be heard before the High Court on 19 January 2022.

Having reviewed claims and taking into account legal advice received, the directors of the Company are of the view that the litigations have would not have material adverse effect on the Group's financial position for the period end. All the above significant payable amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2021.

17. BORROWINGS

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Bank borrowings, secured *(note (a))*	**203,755**	198,180
Other borrowings, secured *(note (a))*	**140,308**	139,118
Other borrowings, unsecured *(note (b))*	**457,908**	454,227
	801,971	791,525
Carrying amount of borrowings repayable:		
Within one year	**575,480**	636,369
More than one year, but not exceeding two years	**60,412**	61,098
More than two years, but not exceeding five years	**166,079**	94,058
	801,971	791,525
Less: amount shown under current liabilities	**(575,480)**	(636,369)
Amounts shown under non-current liabilities	**226,491**	155,156

All borrowings were denominated in RMB during both periods.

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

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Effective interest rates	**3% – 18%**	3% – 18%

Notes:

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

	Carrying amounts of assets pledged of		
	Bank borrowings	**Other borrowings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
		Note (i)	
At 30 September 2021 (unaudited)			
Property, plant and equipment	**186,674**	**72,210**	**258,884**
At 31 March 2021 (audited)			
Property, plant and equipment	179,465	68,800	248,265
Properties held for sale	146,246	–	146,246
	325,711	68,800	394,511

(i) As at 30 September 2021, hotel rooms of HK$72,210,000 (31 March 2021: HK$68,800,000) are pledged as security for one of the Group's other borrowings of HK$140,308,000 (31 March 2021: HK$139,118,000) at a fixed rate of 6.5% per annum.

(b) As at 30 September 2021, the Group's unsecured other borrowings represent:

(i) Unsecured borrowings of HK$8,337,000 (31 March 2021: HK$8,266,000) provided by independent third parties with interest at a fixed rate of 18% per annum.

(ii) Unsecured borrowings of HK$24,165,000 (31 March 2021: HK$23,944,000) provided by related party of non-controlling owner of the Company's subsidiary with interest at a fixed rate of 3% per annum; and

(iii) Unsecured borrowings of HK$425,406,000 (31 March 2021: HK$422,017,000) provided by 廣西正和實業集團有限公司 (Guangxi Zhenghe Industrial Co., Ltd*), the former related party of Liuzhou Zhenghe with interest at a fixed rate of 12% per annum.

* *The English name is for identification purpose only*

18. CONTRACT LIABILITIES

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

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contract liabilities arising from property development business	**821,335**	891,651

	HK$'000
At 1 April 2021	891,651
Revenue recognised for the balances included in the contract liabilities at the beginning of the period	(152,497)
Increase for the cash received for the balances where revenue is not yet recognised during the period	74,712
Exchange adjustments	7,469
At 30 September 2021	821,335

As at 30 September 2021, the amount of sales deposits received expected to be recognised as revenue after one year is nil (31 March 2021: Nil).

19. COMMITMENTS

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Commitments contracted for acquisition of property, plant and equipment	**51,165**	93,390

20. CONTINGENT LIABILITIES

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**512,978**	489,776

Note:

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchaser to banks, the Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

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

21. INTERESTS IN ASSOCIATES/DISPOSAL OF A SUBSIDIARY

During the period ended 30 September 2021, the Group entered into agreement with one of the non-controlling interest, Vintage Gold Management Limited, to dispose of its interest in a 90% indirectly owned subsidiary, Eagle Mountain Holdings Limited, which was an investment controlling interest in associates, Fastmind Investments Limited and Acme Day Limited ("Mining Group"). The Mining Group was fully impaired as at 31 March 2015 and no further share of profit or loss of the associates is recognised by the Group afterwards.

The cash consideration is USD3,000,000 (equivalent to approximately HK$23,400,000). The disposal was completed in May 2021 and the Group recognised a gain on disposal of a subsidiary of approximately HK$22,705,000.

Net assets of Eagle Mountain Holdings Limited at the date of disposal are as follows:

	HK$'000
Cost of interest in associates	56,648
Impairment	(56,648)
Net assets disposed	–
Cash consideration received	23,400
Less: Net assets disposed	–
Less: Amount due from subsidiary waived	(695)
Gain on disposal of a subsidiary	22,705

An analysis of net cash inflow of bank balances and cash in respect of disposal of a subsidiary is as follows:

	HK$'000
Cash consideration received	23,400
Net cash inflow of bank balances and cash	23,400

22. EVENTS AFTER THE REPORTING PERIOD

Save and except the petition against the Subsidiary received by the Company on 23 November 2021 (as disclosed under the section headed "Review of operations and prospect"), there are no significant subsequent events occurring after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall results

Key performance indicator (Financial Ratio)

	Notes	**Six months ended 30 September 2021**	2020
Revenue *(HK$'000)*		**259,170**	5,341
Gross Profit margin *(%)*	*(i)*	**15.79%**	77.08%
Loss for the period *(HK$'000)*		**(9,714)**	(59,372)
Loss per share *(HK cents)*		**(0.03)**	(0.25)

		30 September 2021	31 March 2021
Net asset value per share *(HK cents)*	*(ii)*	**4.14**	4.14

Notes:

(i) Gross profit margin is calculated as gross profit divided by revenue and multiplying the resulting value by 100%.

(ii) Net asset value per share is calculated based on the number of 20,319,072,320 ordinary shares issued as at 30 September 2021 (31 March 2021: 20,319,072,320 ordinary shares).

For the reporting period, the Group recorded a revenue of approximately HK$259,170,000, representing a significant growth over 40 times when compared with the same period in 2020. The revenue for the reporting period is mainly generated from the property development segment in 正和城 ("Zhenghe City") of 柳州正和樺桂置業集團有限公司 (Liuzhou Zhenghe Huagui Real Estate Group Company Limited*) ("Liuzhou Zhenghe") while the revenue for the same period in 2020 was mainly generated from the settlement business. The Group's business was heavily impacted by the global COVID-19 pandemic (the "Pandemic") in the corresponding period of last year. In the current reporting period, with the gradual easing of the Pandemic, the construction works and sales office resumed to normal operation. The significant increase of revenue for the reporting period was mainly result of the sales of car parking spaces and completed units and retail shops held for sale in Liuzhou Zhenghe.

An overall gross profit of approximately HK$40,913,000 (2020: HK$4,117,000) and gross profit margin of 15.79% (2020: 77.08%) were recorded for the reporting period. The relatively high gross profit margin recorded in the last reporting period was mainly due to higher gross profit margin contributed by the international business settlement segment.

The Group continued to incur losses of approximately HK$9,714,000 for the current period (2020: HK$59,372,000). In the current reporting period, disposal of our equity interest in the gold mine in the Kyrgyz Republic generated a gain of approximately HK$22,705,000 which helped in reducing the overall loss of the Group. Although the sales of properties improved a lot as a result of easing of Pandemic, as the business settlement platform and contact lens business are still under development, no contributions were made from these two business segments. As a result, the Group was still loss making in the current reporting period. The basic and diluted loss per share was approximately HK$0.03 cents for the reporting period (2020: HK$0.25 cents).

Review of operations and prospect

International Business Settlement

During the reporting period, with the electronic money institution license ("EMI License") obtained in Lithuania, the Group connected a number of commercial and individual customers in both European and Chinese markets, and provided fund settlement services for commercial and individual customers on a small scale. As of September 2021, nearly 210 European customers opened digital banking accounts through the Group's digital banking set up via network in Lithuania, which provided credit, remittance and settlement services to them, with transaction amount in aggregate reaching EUR930 million. The average payment size has also increased due to company's strategy to focus on profitable corporate clients, especially global SMEs that are looking for a banking provider to support their international operations. As of 30 September 2021, the funds placed by customers in the Group's electronic money institution set up in Lithuania amounted to almost EUR14 million.

Since the development of electronic money institution is not yet fully matured and currently only basic services are available thereunder, its contribution to the Group is thus relatively low. For the period ended 30 September 2021, the revenue of this segment was approximately HK$4,412,000 (2020: HK$3,919,000), and the total loss for the period was HK$7,899,000 (2020: HK$21,600,000). The major expenses in this segment for the period were staff costs and rental expenses.

Although there showed a slight increase in revenue for the current period, the Group is now facing a potential risk in view of the political uncertainty between China and Lithuania. Currently, there is no actual adverse impact noted. The Company will closely monitor the development and will take proper actions to minimize the impact to our operation.

In respect of the Group's self-developed Next Generation Settlement Network (the "NGSN"), full impairment was made by the Group for the NGSN platform during the financial year ended 31 March 2019 under the impact arising from the world trade environment, changes in financial regulatory trend and changes in political environment. There was a dispute on disagreement of acceptance of works over the phase completion on the NGSN with the software developer and received a winding up petition against International Business Settlement Limited (a subsidiary of the Group) from the software developer on 23 November 2021. The directors of the Company are of the view that the petition has no significant impact on the Group's financial position for the period ended as all the above significant payable amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2021. Please see the announcement of the Company dated 25 November 2021 for more details.

The Group has faith on the idea and concept of NGSN, which provides a speedy financial clearing channels for countries along the "Belt and Road" in Asia, Europe, Africa and other regions, while providing convenient financial services for multilateral trade. The Company acknowledges that the development of NGSN faces continues to be challenging and we will continue to work through the challenges. In mid-2019, the Group has reorganized the management team with a view to further develop the NGSN, and employed experts and technical staff to support the development, seeking alternative model to develop the platform. New software developers were engaged to develop the NGSN.

However, the global business and economic activities have been severely adversely affected by the COVID-19 Pandemic since early 2020, directly hindering the development of NGSN. Since then, the momentum of the progress has slowed down in view of the travel restrictions, social distancing and quarantine measures implemented across the world.

Although facing such challenges, the Group continues to maintain communication with all our existing partners, so that when business activities return to normal after the Pandemic, the Company will be ready to reach more in-depth and comprehensive cooperation agreements with potential cooperative banks and financial institutions, and continues to be committed to attracting more banks and enterprises to join NGSN, so as to bring its advantages into full play, accelerate monetary circulation and improve economic circulation efficiency, with a view to accelerate market liquidity, boost market confidence and enable sustainable development.

Liuzhou Zhenghe (property development and hotel business segment)

Zhenghe City is a mix-used complex project located at No. 102, Xinliu Avenue, Liudong New District, Liuzhou, Guangxi Zhuang Autonomous Region, the PRC, which offers a wide range of properties, including villas, townhouses, commercial buildings, office buildings, hotels and high-rise apartments developed by Liuzhou Zhenghe.

Zhenghe City comprises two phases with Phase I providing a stack of residential and commercial properties with gross floor area of approximately 485,000 square meters. Phase II will provide another stack of residential and commercial properties with a total gross floor area of approximately 513,000 square meters. Both Phase I and Phase II have commenced construction and are under development. The Group owned 100% interest in properties held for development and properties held for sale in both Phase I and Phase II.

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

	Site area *(sq.m)*	Approximate gross floor area *(sq.m)*	Saleable area remaining unsold *(note 2)* *(sq.m)*	Completed area of properties held for self-operating/own use *(sq.m)*
Phase I:				
Zone A	76,000	97,000	20,000	–
Zone B	94,000	130,000	10,000	–
Zone C	61,000	258,000	115,000	–
	231,000	485,000	145,000	–
Phase II:				
Zone D	71,000	191,000	44,000	–
Zone E	30,000	140,000	85,000	31,000
Zone F	41,000	182,000	111,000	–
	142,000	513,000	240,000	31,000
Total:	373,000	998,000	385,000	31,000

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

Note 2: Representing the gross floor area under development and saleable gross floor area of completed properties that were unsold as at 30 September 2021.

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

	Property type	Status
Phase I:		
Zone A	Villas and high-rise apartment buildings with retail outlets, farmers market and car parking spaces	The construction works were completed and most of the residential units were sold in the past financial years. Farmers market attached with a total saleable area of approximately 16,000 square meters are held for sale. Previously, approximately 8,000 square meters car parking spaces in this zone were held for self-operating to generate stable recurring income and thus classify as the Group's property, plant and equipment. During the reporting period, approximately 4,000 square meters of car parking spaces were sold to the customers and expected that the remaining approximately 4,000 square meters car parking spaces will be sold. Thus car parking spaces in Zone A were transfer to property held for sale.
Zone B	Villas and high-rise apartment buildings with retail outlets and car parking spaces	The construction works were completed and most of the residential units were sold in the past financial years. Car parking spaces and retail outlets with a total saleable area of approximately 19,000 square meters were sold to the customers and revenue was recognized during the period.

	Property type	Status
Zone C	Residential and commercial complexes and studio/office buildings with retail outlets and car parking spaces	There are 7 blocks of residential and commercial complexes and 3 blocks of studio/office buildings in this zone. The construction works of 7 blocks of residential and commercial complexes and 2 of 3 blocks of studio/office buildings in this zone were completed and most of the units were sold in the past financial years. The construction works of the remaining 1 block of studio/office building is in progress. The pre-sale permits were granted and acceptance certificates of completion are expected to be granted in first half of 2022. Car parking spaces with a total saleable area of approximately 56,000 square meters are held for sale.
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 were sold to the customers and revenue was recognised in the past financial years.

	Property type	Status
Zone D1	High-rise apartment buildings with retail outlets and car parking spaces	There are 5 blocks of high-rise apartment buildings in this zone. The construction works of these 5 blocks of high-rise apartment buildings were completed and most of the units were sold in the past financial years. Car parking spaces and few remaining retail shops with a total saleable area of approximately 44,000 square meters in this zone are held for sale.
Zone D2	Villas	The construction works of 36 villas are completed and were sold in the past financial years.
Zone E	Hotel and high-rise apartment buildings with retail outlets and car parking spaces	The construction works of high-rise apartment buildings were completed and most of the units were sold in the past financial years. Retail outlets and car parking spaces attached to this apartment building with a saleable area of approximately 30,000 and 55,000 square meters respectively are held for sale. The construction works of the hotel building were completed and the pre-sale permit was granted. The acceptance certificates of completion are expected to be obtained in first half of 2022. The Group plan to operate the hotel under franchising arrangement instead of held for sale. Constructing area of approximately 31,000 square meters of the hotel building are included in property, plant, and equipment.

	Property type	Status
Zone F	Residential and commercial complexes with retail outlets and car parking spaces	There are 6 blocks of residential and commercial complexes in this zone. The construction works of 3 blocks of residential and commercial complexes were completed and most of the units together with the attached retail outlets were sold in the past financial years. The construction works of the remaining 3 blocks of residential and commercial complexes are in progress and pre-sale permits were granted. The acceptance certificates of completion are expected to be obtained in first half of 2022.

(i) For property development segment in Liuzhou Zhenghe, an area of approximately 33,000 square meters (2020: 140 square meters) was sold and generated a segment revenue of approximately HK$254,505,000 for the reporting period (2020: HK$990,000). A segment profit of approximately HK$22,507,000 was recorded for the reporting period (2020: segment loss of HK$18,754,000). During the current reporting period, with the gradual easing of the COVID-19 Pandemic, the construction works and sales office resumed to normal operation. The increase of revenue for the current reporting period was mainly resulted from the sales of car parking spaces and completed units and retail shops held for sale.

An external expert was engaged to help to assess the fair value of the properties development project as at 30 September 2021. For those properties which had completed the construction work and were held for sale, a market comparison method by making reference to comparable sales transactions as available in the relevant market was used. For those properties still under construction, the value was derived by using a market comparison method with the assumption that the construction works of the properties would have been completed at the date of valuation and have taken into account the construction costs expected and costs that will be expended to complete the development. No impairment loss is required for the period ended 30 September 2021 as the net realisable value is higher than carrying amount.

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

(ii) The hotel business is located in Zone E1 of Zhenghe City with gross floor area of approximately 31,000 square meters. In 2018, the Group entered into a franchising agreement with a well-known international hotel franchisee to operate the hotel under the franchising requested standards. The construction works of the hotel building were completed but acceptance certificate of completion not yet obtained and no revenue will be generated until commencement of operation of the hotel. Based on the latest estimation, the commencement of operation of the hotel is expected to be in 2022.

Contact Lens Business

Fujian Unicon Optical Co., Ltd ("Fujian Unicon"), jointly established by the Group and Taiwan Unicon Optical Co., Ltd. ("TW Unicon", a company incorporated in Taiwan with limited liability and listed on the Emerging Stock Board of Taipei Exchange(台灣興櫃市場)(Stock code: 4150)) acquired a land parcel with a site area of 80 mu (equivalent to approximately 53,000 square meters) in Mawei District, Fuzhou for the construction of the plant in January 2020. The plant construction and civil engineering works were completed in last financial year. As at 30 September 2021, the construction of GMP clean room and electrical engineering has been completed.

Regarding the procurement of production equipment, amounted to approximately HK$308,219,000 (2020: HK$263,810,000) machineries and equipment has been paid by the Group as at the end of the reporting period. The first batch of 3 production lines with 34 sets of equipment has arrived. Costs of approximately HK$72,763,000 of machineries are ready for use after the completion of the acceptance and capitalized as fixed assets as at the end of reporting period. The remaining 4 production lines are scheduled to be in place by end of 2021, and strive to form full production capacity by June 2022.

According to the Catalogue for Class III Medical Devices Exempt from Clinical Trials, issued by the China Food and Drug Administration(國家食品藥品監督管理總局), Fujian Unicon is exempt from clinical trials for its soft contact lens by ways of comparison. As at 30 September 2021, Fujian Unicon has obtained three types of Medical Device Registration for soft contact lens, and obtained Medical Device Production Permit in October 2021. Therefore, Fujian Unicon already has the license requirements for production. By then the 2021 monthly production capacity will reach around 6 million pieces and will increase further after remaining Medical Device Registration obtained in next year.

In response to Fujian Unicon's preparations for production, the Company's personnel recruitment, ancillary equipment procurement, production materials and consumables storage, and production software implementation are all proceeding in an orderly manner in conjunction with the production.

At present, the company has obtained original equipment manufacturing (OEM) orders from PRC customers and will start production in November 2021. At the same time, the company start to reach more in-depth and comprehensive co-operation proposals with potential customers for details of expected orders in 2022 to establish 2022 production plan and staffing.

In addition, as for the new products, Fujian Unicon has obtained the authorization for six major product categories with the latest technologies in the market from TW Unicon, and conducted document verification on the development progress of these six major product categories and the establishment of documentation and experimental data required for future product verification, so as to prepare in advance for the document and data required by the PRC drug administration and examining authority. The registration certificates of products are expected to be obtained in 2023 and the application for invention patents of relevant products is under progress at the same time.

Fujian Unicon has successfully obtained the domestic medical device sales permit in 2020 and commenced export business of contact lenses. During the period, this segment recorded a low sales revenue of HK$232,000 (2020: HK$287,000). It's expected that the sales will grow up when the plant has commenced production in future.

This segment recorded a loss of HK$16,900,000 during reporting period (2020: HK$11,309,000). The major expenses in this segment were staff costs, sample research and development expenses and registration fees incurred for obtaining the products registration certificates.

Financing Business

A wholly foreign owned enterprise (the "WFOE") in the China (Shanghai) Pilot Free Trade Zone was established by the Group to carry out financing business in China with a total registered capital of USD35 million (approximately RMB225 million). The scope of business of the WFOE includes finance leasing, leasing, purchasing of leased assets in domestic and foreign markets, disposal of residual value and maintenance of leased assets, provision of consultation and guarantees for lease transactions and engaging in commercial factoring business.

Starting from 2018, the financial services business was affected significantly in view of the challenging business environment in China. In the factoring business, our clients experienced a severe adversity in this tough business environment in China and have failed to pay interest payment since 2018, the debts were matured and past due in 2019 with no progress for recover of any amount in arrears from these receivables. In the past financial year, after assessment of the recoverability of the debt, including the borrowers not responding to our demand notice of repayment, no further updated financial information were provided by the borrowers, and also the Company notice that some borrowers were deregistered or in the process of deregistration through public searches of corporate status. In light of the above indicators, the factoring receivables have been fully impaired by the Company during the financial year ended 31 March 2020. During the preceding financial year, three out of six borrowers were deregistered and after seeking for legal advice and assessing the quality of collaterals, the Group balanced between the resources required to further pursue for recovery and the possibility of actual recovery, it is decided that nothing can be recovered by the Company. As such, amounted to HK$63,110,000 receivables from these three deregistered borrowers were derecognised in the preceding financial year.

In respect of the loan receivables (of which a plantation in Shanghai was pledged as security of repayment of the loan amount) from finance leasing of the Group which agreements were entered into in 2017. The borrower started to miss payments since December 2018 due to lack of cashflow caused by the adverse business environment in China which leaded to significant drop in purchase orders for the borrower's greeneries products from customers (which include property developers, property management companies). As economic situation in China slowed down in 2018, and, particularly, the property sector, some of the customers of the plantation began to either delayed in payment or significantly reduced their purchases. In combination with the outbreak of COVID-19 since January 2020, economy in China (and worldwide) has slowed down further. The Company believes that the recoverability of the pledged assets in connection with the finance leasing business would be adversely impacted. As such, accumulated impairment loss of HK$125,656,000 on loan receivables was made in the past financial years.

During the reporting period, there had been no progress of repayment from receivable and the adverse impact brought by economic downturn still exist. In order to safeguard the interest of the Company, the Company visit the plantation site and perform stock take for collaterals to make sure the collaterals are in good condition.

In last financial year, according to the PRC independent qualified valuer, Zhongnan Assets Appraisal and Real Estate Appraisal (Guangzhou) Co., Ltd* ("中南資產評估與房地產估價(廣州)有限公司"), engaged by the Group, the fair value of the plantation collaterals was approximately RMB109,259,000 as at 31 March 2021. As the Company does not have the expertise in running and operating the plantation, the Company does not plan to take possession of the plantation. During the reporting period, the Company continue making an active effort to discuss with the borrower the settlement schedule of the receivables and has been issuing notices of repayment to the borrower each month after due date of the receivables. The Company has also engaged PRC legal advisers to issue demand letters of repayment to the borrowers. However, the Company has not received any settlement from the borrower. The Company has obtained the selling record of the plantation of the borrower and noted that the total sales for the period ended 30 September 2021 was around one million renminbi only. The Company will continue to monitor the situation and, if necessary, take possible legal action to recover the loan.

An independent qualified valuer, also engaged by the Group to assess the recoverability of loan receivable. After assessment, further impairment loss of HK$1,389,000 on loan receivable was made in reporting period after considering the credit risk of the borrowers and realizable value of collaterals.

The Company adopted the model of expected credit loss ("ECL") under HKFRS 9 Financial Instrument ("HKFRS 9") in determining the amount of the impairments of loan receivables ("Impairments"). HKFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition summarized below:

a. Stage 1: As soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (i.e. without adjustment for expected credit losses).

b. Stage 2: If the credit risk increases significantly and the resulting credit quality is not considered to be low credit risk, full lifetime expected credit losses are recognized. Lifetime expected credit losses are only recognized if the credit risk increases significantly from when the entity originates or purchases the financial instrument. The calculation of interest revenue on financial assets remains the same as for stage 1.

c. Stage 3: If the credit risk of a financial asset increases to the point that it is considered credit impaired, interest revenue is calculated based on the amortized cost (i.e. the gross carrying amount adjusted for the loss allowance). Financial assets in this stage will generally be individually assessed. Lifetime expected credit losses are still recognized on these financial assets.

As the borrowers failed to pay any of the receivables due a year ago and without any future repayment schedule, the ECL was measured on a lifetime basis (Stage 3).

The Company has engaged Valtech Valuation Advisory Limited to issue valuation report on the Impairments. The model of ECL under HKFRS 9 was used by the valuer as the valuation methodology. The formula of calculating the ECL is as follows:

ECL = EAD x PD x LGD x Discount Factor

"EAD" being exposure at default;
"PD" being probability of default;
"LGD" being loss given default; and
"Discount Factor" being factor to discount the expected credit loss to present value.

Key assumption applied for the valuation includes categorising the loan receivables as Stage 3. As the borrowers failed to pay any of the receivables as at the valuation date and without any future repayment schedule, PD is set to be 100%. Based on the financial information of the borrower provided and follow up action carried out by the Company, credit assessment has been performed and specific recovery has been applied. As such, LGD of approximately 91% has been assigned. The Discount Factor is approximately 0.98.

The Board is of the view that the further impairment loss of HK$1,389,000 on loan receivables for current period is fair and reasonable.

This segment recorded approximately HK$21,000 interest income (2020: HK$145,000) as revenue and the segment loss was approximately HK$2,673,000 (2020: HK$3,051,000) for the reporting period.

The carrying amount of loan receivables arising from financing segment were at HK$16,210,000 after deducting accumulated allowance of impairment loss of HK$131,989,000 for the reporting period. The carrying amount of factoring receivables were at nil after deducting derecognition of HK$63,110,000 and accumulated allowance of impairment of HK$72,595,000 for the reporting period.

The Group did not make any new loan during the reporting period. The Group adhered to a prudent risk management policy, with this segment continuously carrying out rigorous and regular review of credit risk over all the existing and new finance leasing clients. The Group will continue to adopt a careful and prudent credit risk management strategy and closely monitored recoverability to ensure prompt follow-up action is taken to receive any overdue debt.

Other operation – gold mine

On 14 May 2021, Pride Delight Limited (the "Vendor"), an indirect wholly-owned subsidiary of the Company, and Vintage Gold Management Limited (the "Purchaser"), a connected person of the Company at the subsidiary level as it holds 10% equity interest in the Eagle Mountain Holdings Limited (the "Target Company"), entered into disposal agreement. Pursuant to agreement the Vendor agreed to sell and the Purchaser agreed to purchase the sale shares, representing 90% of the issued share capital of the Target Company, for a consideration of USD3,000,000 (equivalent to approximately HK$23,400,000). As a result, our 27% effective equity interest in the gold mine in the Kyrgyz Republic was disposal to the Purchaser.

A gain of approximately HK$22,705,000 arise from the disposal. The equity transfer was completed on 20 May 2021. Further details of the disposal are set out in the Company's announcement dated 14 May 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in note 21 to the condensed financial statements and above paragraph headed “Other operation – gold mine”, there was no material acquisitions and disposal of subsidiaries and associated companies by the Group during the reporting period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

For the six months ended 30 September 2021, the Group did not hold any significant investment and has not executed any agreement in respect of material acquisitions, investments or capital asset and did not have any other future plans relating to material acquisitions, investments or capital asset as at reporting date. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

EVENTS AFTER THE REPORTING PERIOD

Save and except the petition against the Subsidiary received by the Company on 23 November 2021 (as disclosed under the section headed “Review of operations and prospect”), there are no significant subsequent events occurring after the reporting period.

FINANCIAL REVIEW

Finance position, liquidity and gearing

As at 30 September 2021, the total assets and liabilities of the Group were at approximately HK$3,313,490,000 (31 March 2021: HK$3,363,492,000) and approximately HK$2,472,993,000 (31 March 2021: HK$2,521,991,000) respectively. The Group recorded a total equity of approximately HK$840,497,000 as at 30 September 2021 (31 March 2021: HK$841,501,000).

The Group recorded net current assets of approximately HK$275,301,000 as at 30 September 2021 (31 March 2021: HK$289,728,000). The bank balances and cash as at 30 September 2021 was approximately HK$584,197,000 (31 March 2021: HK$632,707,000), of which most were denominated in US dollars, Hong Kong dollars and Renminbi.

The Group’s current ratio (defined as current assets divided by current liabilities) was 1.12 (31 March 2021: 1.12).

As at 30 September 2021, the Group had total borrowing amounted to approximately HK$887,099,000 (31 March 2021: HK$875,898,000) which were denominated in Renminbi. The breakdowns are as follows:

(i) Secured bank and other borrowings amounted to approximately HK$344,063,000 (31 March 2021: HK$337,298,000) with effective interest rates in the ranges of 4.8% to 6.5%;

(ii) Unsecured other borrowings amounted to approximately HK$457,908,000 (31 March 2021: HK$454,227,000) with fixed interest rate ranges from 3% to 18%;

(iii) Interest free loan due to third parties, non-controlling interests and ultimate holding company amounted to approximately HK$10,000 (31 March 2021: HK$10,000), approximately HK$59,295,000 (31 March 2021: HK$58,737,000) and approximately HK$1,658,000 (31 March 2021: HK$1,666,000) respectively; and

(iv) Interest bearing loan from non-controlling interests amounted to approximately HK$24,165,000 (31 March 2021: HK$23,960,000) with floating interest rate.

As at 30 September 2021, committed borrowing facilities available to the Group but not drawn amounted to approximately HK$98,307,000 (31 March 2021: HK$168,288,000).

The gearing ratio, as a ratio of total borrowings to total equity, as at 30 September 2021 was 1.06 (31 March 2021: 1.04).

Financial resources

During the period, the Group's operations continued to be mainly financed by internal resources, borrowings as well as proceeds raised from equity financing exercise in December 2016. The management believes that the Group will generate its liquidity from business operations and will consider making use of further equity financing when necessary.

Capital structure

As at 30 September 2021, the total issued share capital of the Company was HK$20,319,072 which is divided into 20,319,072,320 shares of ordinary shares of the Company.

Charges on assets

As at 30 September 2021, certain property, plant and equipment with carrying amount of approximately HK$258,884,000 (31 March 2021: certain property, plant and equipment with carrying amount of approximately HK$248,265,000 and certain properties held for sale with carrying amount of HK$146,246,000 respectively), were pledged to secure certain bank and other borrowings granted to the Group.

Contingent liabilities

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is any default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchaser to banks, the Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of granting the relevant mortgage loans and ends after the buyer obtains the individual property ownership certificate. As at 30 September 2021, the guarantee given to banks for the above-mentioned mortgage facilities amounted to approximately HK$512,978,000 (31 March 2021: HK$489,776,000).

Foreign exchange exposure

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

INTERIM DIVIDEND

The Board has resolved not to declare any dividend for period ended 30 September 2021 (2020: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2021, the Group had approximately 210 employees. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include performance bonus, medical insurance, mandatory provident fund scheme, local municipal government retirement scheme and education subsidy to encourage continuous professional development of staff.

MODEL CODE FOR DIRECTOR'S DEALING IN SECURITIES

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

PURCHASE, SALES OR REDEMPTION OF THE COMPANY' S SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's securities during the reporting period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout period except for certain deviations as specified and explained below with considered reasons for such deviations.

(a) In accordance with the code provision A.2.1, the role of Chairman and Chief Executive Officer ("CEO") should not be performed by the same individual. However, the Company did not officially appoint a Chairman or a CEO during the period. The responsibilities of the Chairman and daily management of the Group's business is handled by the executive Directors collectively and supported by a team of senior management, which is in turn supported by staff with relevant expertise and experience.

    The Board considers that this arrangement allows for contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the shareholders of the Company as a whole. Depending on the future development of the business of the Company, the Board will review the existing structure and consider the issue of nominating appropriate candidate to fill up the role of Chairman and CEO.

(b) Code provision E.1.2 stipulates that the Chairman should attend the annual general meeting. The Company does not at present have any officer with the title Chairman. However, one of the Directors presents at the annual general meeting held on 30 August 2021 was elected as chairman thereof to ensure an effective communication with the shareholders thereat.

(c) Code provision F.1.3 stipulates that the company secretary should report to the Chairman and/or the CEO. As the Company did not officially appoint a Chairman or a CEO, the company secretary reported to the executive Directors during the period.

Save as those mentioned above, in the opinion of the Directors, the Company complied with the code provisions of the CG Code during the period.

AUDIT COMMITTEE

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), Ms. Chen Lanran and Mr. Wong Kin Ping, all of whom possess extensive experience in financial and general management. The primary duties of the Audit Committee are to manage the relationship between the Company and its external auditor and monitor the audit scope and the process, to review and supervise the financial reporting process, internal control system and risk management and to provide advice and comments to the Board.

The Group's unaudited interim financial information for the six months ended 30 September 2021 has been reviewed by the Audit Committee. Based on this review and discussions with the management, the Audit Committee was satisfied that the unaudited interim financial information of the Group was prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the current reporting period with adequate disclosures.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.ibsettlement.com respectively. The interim report containing all information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the period.

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

Hong Kong, 26 November 2021

* *The English name is for identification purpose only*

As at the date of this announcement, the Board comprises Mr. Yuen Leong and Mr. Chan Siu Tat as executive directors; and Mr. Yap Yung, Ms. Chen Lanran and Mr. Wong Kin Ping as independent non-executive directors.