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ZZ CAPITAL INTERNATIONAL LIMITED

中植資本國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08295)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of ZZ Capital International Limited 中植資本國際有限公司 (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- The Group recorded investment advisory and management income in the Second Quarter Fiscal 2017 at HK\$4.64 million (2016: HK\$1.60 million), and HK\$7.64 million (2016: HK\$188.45 million) during the Interim Period 2017, with the decline mostly from the IAM Agreement under which a performance fee of HK\$188.45 million was recorded upon disposal from the stock portfolio managed by ACCF during the six months ended 30 September 2016. Corporate advisory income reached HK\$12.66 million (2016: HK\$2.08 million) in the Second Quarter Fiscal 2017 and HK\$14.87 million for the Interim Period 2017 (2016: HK\$9.72 million).
- In the Second Quarter Fiscal 2017 and Interim Period 2017, there was a net exchange gain of HK\$0.83 million (2016: Nil) and HK\$1.51 million (2016: Nil) respectively.
- The Group's overall revenue and other income declined to HK\$24.72 million during the Interim Period 2017 (2016: HK\$198.88 million).
- Operating expenses for the three months and six months ended 30 September 2017 were HK\$59.38 million (2016: HK\$23.73 million) and HK\$104.28 million (2016: HK\$57.12 million) respectively. The increase in operating expenses for the Interim Period 2017 was mainly attributable to business expansion, represented by headcount and related staff cost increment of HK\$26.87 million, as well as the increase in rental expenses of HK\$21.19 million. Staff cost represented the largest expense component for the Second Quarter Fiscal 2017 and the Interim Period 2017.
- With income tax expense lowering to HK\$1.27 million (2016: HK\$18.85 million) for the Interim Period 2017, the resultant post-tax loss was HK\$80.83 million, compared to a post-tax profit of HK\$122.91 million for the corresponding six months period in 2016.
- As at 30 September 2017, the Group has a non-current deposit of US\$25 million (approximately HK\$195.65 million) placed in an escrow account according to terms and conditions set out in the Unit Purchase Agreement in relation to the acquisition of GKD Index Partners, LLC.
- Trade receivables as at 30 September 2017, after allowing for debt provisioning, increased to HK\$13.73 million (31 March 2017: HK\$8.27 million), with its majority related to the investment advisory and management fees due and receivables under the IAM Agreement.
- Other payables and accruals, compared to the last audited financial year of HK\$47.19 million at 31 March 2017, fell to HK\$21.44 million at 30 September 2017, as the bonus provision booked under other payables as at 31 March 2017 was subsequently settled in June 2017.
- The Group recorded total comprehensive loss of HK\$43.11 million (2016: HK\$19.80 million) for the Second Quarter Fiscal 2017, and HK\$82.21 million (2016: total comprehensive income of HK\$122.91 million) for the Interim Period 2017 respectively. Basic loss per share for the Interim Period 2017 was HK2.28 cents (2016: basic earnings per share of HK3.46 cents).
- Net assets value as at 30 September 2017 of HK\$890.03 million was 8.46% lower than net assets value of HK\$972.24 million as at 31 March 2017. Net assets value per share as at 30 September 2017 stood at HK25.07 cents (31 March 2017: HK27.38 cents).
- The Board does not recommend payment of an interim dividend for the Interim Period 2017 (2016: Nil).

The board (the “Board”) of directors (the “Directors”) of ZZ Capital International Limited 中植資本國際有限公司 (the “Company”) is pleased to present the condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months (the “Second Quarter Fiscal 2017”) and six months ended 30 September 2017 (the “Interim Period 2017”), together with the comparative unaudited figures for the corresponding periods in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2017

		Three months ended 30 September		Six months ended 30 September	
		2017	2016	2017	2016
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	5	17,305	3,680	22,509	198,171
Net investment income/(loss)	5	21	(1)	17	(17)
Interest income	5	169	411	685	723
Other income and gains	5	835	1	1,509	1
Revenue and other income		18,330	4,091	24,720	198,878
Operating expenses		(59,376)	(23,733)	(104,279)	(57,119)
(Loss)/Profit before tax	7	(41,046)	(19,642)	(79,559)	141,759
Income tax expense	8	(1,275)	(160)	(1,275)	(18,845)
(Loss)/Profit for the period		(42,321)	(19,802)	(80,834)	122,914
Other comprehensive loss:					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		(787)	—	(1,376)	—
Total comprehensive (loss)/income for the period		(43,108)	(19,802)	(82,210)	122,914
(Loss)/Earnings per share attributable to owners of the Company	9				
— Basic (HK cents)		(1.19)	(0.56)	(2.28)	3.46
— Diluted (HK cents)		(1.19)	(0.56)	(2.28)	3.46

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
	Notes		
Non-current assets			
Equipment	11	11,277	1,992
Deposits	19	233,885	36,083
Available-for-sale (“AFS”) investment	20	14,694	—
Total non-current assets		259,856	38,075
Current assets			
Other assets and receivables		8,452	7,946
Investments at fair value through profit or loss (“FVTPL”)		132	115
Prepaid tax		378	1,238
Trade receivables	12	13,726	8,266
Cash held on behalf of clients	13	217	217
Cash and bank balances	14	629,144	964,281
Total current assets		652,049	982,063
Current liabilities			
Trade payables	15	403	403
Other payables and accruals	16	21,443	47,194
Amount due to an intermediate holding company	18(a)	—	272
Tax payable		26	26
Total current liabilities		21,872	47,895
Net current assets		630,177	934,168
Net assets		890,033	972,243
Equity			
Equity attributable to owners of the Company			
Issued capital	17	35,505	35,505
Reserves		854,528	936,738
Total equity		890,033	972,243

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company					Total HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2017	35,505	706,245	9,000	—	221,493	972,243
Loss for the period	—	—	—	—	(80,834)	(80,834)
Other comprehensive loss for the period	—	—	—	(1,376)	—	(1,376)
Total comprehensive loss for the period	—	—	—	(1,376)	(80,834)	(82,210)
At 30 September 2017 (Unaudited)	35,505	706,245	9,000	(1,376)	140,659	890,033
At 1 April 2016	35,505	706,245	9,000	—	142,311	893,061
Profit for the period and total comprehensive income for the period	—	—	—	—	122,914	122,914
At 30 September 2016 (Unaudited)	35,505	706,245	9,000	—	265,225	1,015,975

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		<u>(115,559)</u>	<u>25,846</u>
INVESTING ACTIVITIES			
Purchase of equipments		(9,924)	(335)
Purchase of an AFS investment		(14,694)	—
Interests received		685	718
Deposit for acquisition of a subsidiary		(195,645)	—
Increase/(decrease) in non-pledged time deposits more than three months when acquired	14	<u>38,902</u>	<u>(167,927)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(180,676)</u>	<u>(167,544)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(296,235)	(141,698)
CASH AND CASH EQUIVALENTS AT 1 APRIL		<u>889,942</u>	<u>669,788</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		<u><u>593,707</u></u>	<u><u>528,090</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	535,374	328,091
Time deposits	14	<u>93,770</u>	<u>485,994</u>
Cash and bank balances as stated in the condensed consolidated statement of financial position		629,144	814,085
Time deposits with original maturity of more than three months when acquired	14	<u>(35,437)</u>	<u>(285,995)</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flow		<u><u>593,707</u></u>	<u><u>528,090</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 5 January 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investments holding. The subsidiaries are principally engaged in the provision of corporate advisory services and related activities, investment advisory and management, as well as alternative investments globally.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2017 (the “Interim Financial Statements”) have been prepared in accordance with the Hong Kong Accounting Standards 34 (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The functional currency of the Company, which is also the presentation currency of the Group’s Interim Financial Statements, is Hong Kong dollars (“HK\$”).

3. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

- (a) On 23 May 2017, ZZCI Holdings (I) Limited, being a direct wholly-owned subsidiary of the Company, entered into an agreement as the buyer with ZZ Capital Holdings No.1 Company Limited as the seller, being a fellow subsidiary of the Company, pursuant to which the buyer agreed to purchase and the seller agreed to sell 0.673% equity interest in SSC Holdco Limited at a consideration of US\$1,880,000 (approximately HK\$14,694,000). The shares acquired as a result of the above transaction were recognised as an AFS investment. Details are set out in Note 20 and details of the above transaction were disclosed in the announcement of the Company dated 23 May 2017.
- (b) On 14 July 2017, ZZCI Index Partners LLC, an indirect wholly-owned subsidiary of the Company, entered into a unit purchase agreement (“Unit Purchase Agreement”) as the buyer with Mr. Gabriel Hammond, Mr. Daniel Hammond and Mr. Kenny Feng as the sellers, the sellers’ representative and GKD Index Partners, LLC, pursuant to which the buyer has conditionally agreed to acquire and the sellers have conditionally agreed to sell the equity interest in GKD Index Partners, LLC, subject to the terms and conditions therein.

Details of above transaction were disclosed in the announcement of the Company dated 14 July 2017. A deposit of US\$25,000,000 (approximately HK\$195,645,000) has been placed in an escrow account, as set out in Note 19.

The above transaction constitutes a very substantial acquisition of the Company under Chapter 20 of the GEM Listing Rules. Such acquisition is therefore subject to the reporting, announcement and shareholders’ approval requirements under the GEM Listing Rules. An extraordinary general meeting of the Company will be convened for the purpose of considering and, if thought fit, approving, among other things, the unit purchase agreement and the transactions contemplated thereunder. As enhanced disclosure comparable to the standard for listing documents for new listing applicants is required in the circular, the Company is currently unable to estimate with certainty the date of dispatch of the circular.

4. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and interpretations that are first effective or available for early adoption for the current accounting period of the Company. The adoption of these new and revised HKFRSs has no material effect on the Interim Financial Statements, and there have otherwise been no significant changes to the accounting policies applied in the Interim Financial Statements.

Except as described below, the principal accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the preparation of the Group’s audited annual financial statements for the year ended 31 March 2017 (the “Annual Financial Statements”). However, the Interim Financial Statements do not include all of the information required for annual financial statements and they should be read in conjunction with the Annual Financial Statements.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss (“FVTPL”). The Group designated an investment in an unlisted entity securities as AFS financial assets on initial recognition.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

5. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Corporate advisory income	12,664	2,078	14,873	9,718
Investment advisory and management income	4,641	1,602	7,636	188,453
	<u>17,305</u>	<u>3,680</u>	<u>22,509</u>	<u>198,171</u>
Net investment income/(loss)				
Net fair value gain/(loss) on financial assets measured at fair value through profit or loss	21	(5)	17	(21)
Dividend income	—	4	—	4
	<u>21</u>	<u>(1)</u>	<u>17</u>	<u>(17)</u>
Interest income				
— Bank deposits	169	411	685	723
	<u>169</u>	<u>411</u>	<u>685</u>	<u>723</u>
Other income and gains				
Exchange gain, net	835	1	1,509	1
	<u>835</u>	<u>1</u>	<u>1,509</u>	<u>1</u>
Revenue and other income	<u>18,330</u>	<u>4,091</u>	<u>24,720</u>	<u>198,878</u>

6. OPERATING SEGMENT INFORMATION

The Group's principal businesses are the provision of corporate advisory services and related activities, investment advisory and management, as well as alternative investments globally. The executive directors have been identified as the chief operating decision-maker ("CODM"), responsible for making strategic decisions, allocating resources and assessing performance of the operating segments. The CODM, taking into account the maturity of the Group's various businesses, its operations and related resources allocation, considers the Group to have one key reportable segment during the period. The reportable segment identified is the provision of corporate advisory services and investment advisory and management ("Corporate advisory and IAM"). "Others" segment consists of other corporate activities and shared services to support the Group's globalisation. Information provided to the CODM is measured in a manner consistent with that in the Interim Financial Statements. The CODM expects as the Group's business continues to evolve, the appropriateness of operating segments and reportable segments will need to be reviewed in due course.

For the six months ended 30 September 2017 (Unaudited):

	Corporate advisory and IAM HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	<u>22,509</u>	<u>—</u>	<u>22,509</u>
Segment loss before tax	<u>(14,686)</u>	<u>(64,873)</u>	<u>(79,559)</u>
Other segment information:			
Total assets	259,673	652,232	911,905
Total liabilities	8,508	13,364	21,872
Interest income	277	408	685
Depreciation	<u>—</u>	<u>818</u>	<u>818</u>

For the six months ended 30 September 2016 (Unaudited):

	Corporate advisory and IAM HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	<u>198,171</u>	<u>—</u>	<u>198,171</u>
Segment profit/(loss) before tax	<u>174,306</u>	<u>(32,547)</u>	<u>141,759</u>
Other segment information:			
Total assets	349,064	735,244	1,084,308
Total liabilities	59,985	8,348	68,333
Interest income	62	661	723
Depreciation	<u>581</u>	<u>18</u>	<u>599</u>

7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation	544	306	818	599
Value-added tax and surtax	404	108	539	12,664
Minimum lease payments under operating leases on land and buildings	11,809	844	22,794	1,600
Employee benefit expense (including directors' remuneration)	26,575	12,022	48,841	21,971

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the three months and six months ended 30 September 2017. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Income tax expense represents current tax provision for Hong Kong profits tax for all periods.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Three months ended 30 September		Six months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the purposes of basic (loss)/earnings per share	(42,321)	(19,802)	(80,834)	122,914

Number of shares (in thousands)

Number of ordinary shares for the purposes of basic (loss)/earnings per share	3,550,497	3,550,497	3,550,497	3,550,497
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Diluted (loss)/earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive, potential ordinary shares. Dilutive (loss)/earnings per share amount were the same as basic (loss)/earnings per share amount for all periods as there were no potential dilutive ordinary shares outstanding.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

11. EQUIPMENT

During the six months ended 30 September 2017, the Group acquired items of furniture, fixture and equipment with a cost of approximately HK\$9,924,000 (31 March 2017: at cost of HK\$336,024).

12. TRADE RECEIVABLES

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Trade receivables	3,858	6,034
Less: allowances	(540)	(540)
Total trade receivables	<u>3,318</u>	<u>5,494</u>

The Group's trade receivables arose generally from the provision of corporate advisory services, placing and underwriting income, investment advisory and management income and securities dealing commission.

The Group's normal trading term with its customers is that payment is due upon the issuance of invoices apart from the investment advisory and management fee as described in Note (a) below. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management and executives responsible for the related revenue. There were no movement in allowance for trade receivables in the current period.

An aging analysis of the Group's trade receivables which are past due but not considered to be individually or collectively impaired as at the end of the reporting period, based on the invoice dates and net of impairment allowance, is as follows:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Current to 30 days	545	1,729
31 to 60 days	500	350
61 to 90 days	450	250
Over 90 days	<u>1,823</u>	<u>3,165</u>
(a)	<u>3,318</u>	<u>5,494</u>

The above analysis has not included investment advisory and management fee receivables as at 30 September 2017 of approximately HK\$10,408,000 (31 March 2017: HK\$2,772,000) which were within 30 days (see Note (a)).

Note:

- (a) All of the above receivables (except for the receivables in relation to the investment advisory and management service) that were past due but not impaired relate to a number of independent customers that have good track records with the Group, or have subsequently settled the amounts due to the Group. The invoice dates of the above trade receivables are generally the same as the corresponding due dates apart from the investment advisory and management fee where management fee for managing the investment portfolio is due within 90 days after the end of each calendar year and performance fee is due within 90 days after the receipt of the amount realised from the disposal of certain assets in the investment portfolio managed by the Group for 中植資本管理有限公司 (Zhongzhi Capital Management Company Limited*) (“Zhongzhi Capital”) in accordance with an investment and advisory management agreement (“IAM Agreement”) signed on 2 February 2016 between Zhongzhi Capital and Asian Capital (Corporate Finance) Limited (“ACCF”), a wholly owned subsidiary of the Group. The Directors are of the opinion that, other than the impairments that have already been made, no provision for impairment is necessary in respect of these receivables as the balances have either been recovered or are still considered fully recoverable under the Group’s advice by Zhongzhi Capital in accordance the IAM agreement.

The Directors are of the opinion that, other than the impairment allowance that has already been made, no further allowance for impairment is necessary in respect of these receivables as the balances have either been recovered or are still considered fully recoverable.

* *The company name is registered in Chinese only, the translated English name is only used for identification purpose in the Interim Financial Statements.*

13. CASH HELD ON BEHALF OF CLIENTS

The Group’s licensed subsidiary maintains segregated trust accounts with a licensed bank to hold clients’ monies arising from its normal course of business. The Group has classified the clients’ monies as cash held on behalf of clients under the current assets section of the condensed consolidated statement of financial position, and recognised the corresponding payables to the respective clients on the grounds that it is liable for any loss or misappropriation of clients’ monies. The Group is not allowed to use clients’ monies to settle its own obligations.

14. CASH AND BANK BALANCES

	At 30 September 2017 HK\$’000 (Unaudited)	At 31 March 2017 HK\$’000 (Audited)
Short-term bank deposits		
— with original maturity over three months	35,437	74,339
— with original maturity within three months	58,333	344,935
Bank balances and cash	535,374	545,007
	<u>629,144</u>	<u>964,281</u>

15. TRADE PAYABLES

Included in trade payables are clients’ monies which are segregated in the trust accounts as described in Note 13 to the Interim Financial Statements. Aging of the Group’s trade payables excluding clients’ monies as at the end of the reporting period was current to 30 days (31 March 2017: current to 30 days).

16. OTHER PAYABLES AND ACCRUALS

The Group's other payables and accruals included the following:

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Accruals and other payables	18,604	13,727
Provision for bonus	2,839	33,467
	<u>21,443</u>	<u>47,194</u>

17. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised		
As at 31 March 2016, 1 April 2016, 30 September 2016, 31 March 2017, 1 April 2017 and 30 September 2017	<u>10,000,000,000</u>	<u>100,000</u>
Issued		
As at 31 March 2016 (Audited), 1 April 2016, 30 September 2016 (Unaudited), 31 March 2017 (Audited), 1 April 2017 and 30 September 2017 (Unaudited)	<u>3,550,496,836</u>	<u>35,505</u>

18. RELATED PARTY TRANSACTIONS

- (a) As at 31 March 2017, the outstanding amount due to intermediate holding company of approximately HK\$272,000 represented purchase of certain fixture and furniture from intermediate holding company of the Group on 1 March 2017. The amount was interest-free and repayable on demand. Such balance was settled during the six months ended 30 September 2017.
- (b) A management fee of approximately HK\$7,636,000 was recognised by ACCF during the six months ended 30 September 2017 (2016: Nil) based on the IAM Agreement for management services on remaining investment portfolio. For the period from 1 April 2016 to 30 September 2016, ACCF was entitled to total remuneration of HK\$188,453,000 in relation to disposal of an investment included in the investment portfolio managed by ACCF in accordance with the IAM Agreement by Zhongzhi Capital.

As at 30 September 2017, the Group has trade receivables of approximately HK\$10,408,000 (31 March 2017: HK\$2,772,000) due from Zhongzhi Capital as disclosed in Note 12.

- (c) On 23 May 2017, ZZCI Holdings (I) Limited, being a direct wholly-owned subsidiary of the Company, entered into an agreement as the buyer with ZZ Capital Holdings No.1 Company Limited as the seller, being a fellow subsidiary of the Company, and purchased 0.673% equity interest in SSC Holdco Limited at a consideration of US\$1,880,000 (approximately HK\$14,694,000) subject to and upon the terms of such agreement. Details of the above transaction are set out in Note 3(a) and were disclosed in the announcement of the Company dated 23 May 2017.

(d) Compensation of key management personnel of the Group:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term employees benefits	8,904	6,510	17,982	9,759
Post-employment benefits	26	9	35	17
Total compensation for key management personnel	<u>8,930</u>	<u>6,519</u>	<u>18,017</u>	<u>9,776</u>

19. DEPOSITS

As at 30 September 2017, the increase in deposits mainly resulted from an amount of US\$25,000,000 (approximately HK\$195,645,000) paid by the Group and held in an escrow account on the terms and subject to the conditions set out in the Unit Purchase Agreement in relation to the acquisition of GKD Index Partners, LLC as described in Note 3(b).

20. AFS INVESTMENT

AFS investment represents the unlisted shares in SSC Holdco Limited as described in Note 3(a). The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

21. FAIR VALUE OF MEASUREMENTS OF FINANCIAL INSTRUMENTS

21.1 Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's investments at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets is determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which inputs to the fair value measurements are observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 September 2017	31 March 2017		
Investment at FVTPL classified as held for trading	Listed entity securities in Hong Kong: – HK\$131,000	Listed entity securities in Hong Kong: – HK\$115,000	Level 1	Quoted bid prices in an active market.

21.2 Fair value of the Group's financial assets that are measured at amortised cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Interim Financial Statements approximate their fair values.

22. EVENTS AFTER THE REPORTING PERIOD

On 7 September 2017, ZZCI Corporate Services Limited (the “Lender”), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement and a security agreement over shares with Geoswift Holding Limited (the “Borrower”), an independent third party of the Group, pursuant to which the Lender agreed to grant a loan facility of up to US\$31,000,000 to the Borrower for the term of 18 months at interest rate of 7% per annum while the Borrower agreed to grant a first ranking charge over 3,053 ordinary shares of Geopay Holding Limited, a subsidiary of the Borrower, in favour of the Lender. Details of the above transaction were disclosed in the announcement of the Company dated 7 September 2017.

On 3 October 2017, US\$31,000,000 (equivalent to approximately HK\$242,358,000) was drawn by the Borrower.

23. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 8 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

China's GDP rose 6.9% in the second quarter from a year earlier, the same rate as the first quarter 2017, exceeding analysts' expectations of a 6.8% expansion and setting the country on course to meet its 2017 growth target. After record capital outflows in 2016, Chinese regulators are applying stricter standards at approving outbound investments, scrutinizing deals in real estate, hotels, entertainment, cinemas, and sports clubs, while supporting investments that drive the real economy. As a result, China's Forex reserves rose US\$17 billion in September 2017 to US\$3.11 trillion, its highest level since October 2016, and the Renminbi's almost three-year slide against the US Dollar has stabilized and reversed.

Under this context, during the Second Quarter Fiscal 2017 the Company's global investment team prioritized projects in financial services as well as in renewable energy and healthcare.

On 12 July 2017, the Company entered into a term sheet as the transferee with African Emerald Company Limited and Zhongzhi Capital (HK) Company Limited ("Zhongzhi Capital (HK)"), each as a transferor and a connected person of the Company, to set forth certain main terms and conditions of (a) the proposed acquisition by the Company of certain parts of the convertible loan notes and class D shares of nominal value EUR0.00001 per share of Building Energy 1 Holdings plc ("Building Energy") from African Emerald Company Limited issued by Building Energy; and (b) the proposed acquisition by the Company of certain quotas with preference rights of NRG Tech S.r.l. from Zhongzhi Capital (HK), at an aggregate consideration of HK\$50 million subject to further terms and conditions to be set out in the definitive agreement(s). Details of the above transactions were disclosed in the announcement of the Company dated 12 July 2017.

On 14 July 2017, ZZCI Index Partners LLC, an indirect wholly-owned subsidiary of the Company, entered into a unit purchase agreement as the buyer with Mr. Gabriel Hammond, Mr. Daniel Hammond and Mr. Kenny Feng as the sellers, the sellers' representative and GKD Index Partners, LLC, pursuant to which the buyer has conditionally agreed to acquire and the sellers have conditionally agreed to sell the equity interest in GKD Index Partners, LLC, subject to the terms and conditions therein (the "VSA Transaction"). Details of the VSA Transaction were disclosed in the announcement of the Company dated 14 July 2017.

On 7 September 2017, ZZCI Corporate Services Limited (the "Lender"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement and a security agreement over shares with Geoswift Holding Limited (the "Borrower"), pursuant to which the Lender agreed to grant a loan facility of up to US\$31,000,000 (equivalent to approximately HK\$241,800,000) to the Borrower for the term of 18 months at interest rate of 7% per annum while the Borrower agreed to grant a first ranking charge over 3,053 ordinary shares of Geopay Holding Limited, a subsidiary of the Borrower, in favour of the Lender (the "Loan Transaction"). Details of the Loan Transaction were disclosed in the announcement of the Company dated 7 September 2017.

In parallel, the corporate finance team continued to act as the financial advisers for listed companies in corporate resumption cases and other advisory works.

Financial review

The Group recorded investment advisory and management income in the Second Quarter Fiscal 2017 at HK\$4.64 million (2016: HK\$1.60 million), and HK\$7.64 million (2016: HK\$188.45 million) during the Interim Period 2017, with the decline mostly from the IAM Agreement under which a performance fee of HK\$188.45 million was recorded upon disposal from the stock portfolio managed by ACCF during the six months ended 30 September 2016. Corporate advisory income reached HK\$12.66 million (2016: HK\$2.08 million) in the Second Quarter Fiscal 2017 and HK\$14.87 million for the Interim Period 2017 (2016: HK\$9.72 million).

In the Second Quarter Fiscal 2017 and Interim Period 2017, there was a net exchange gain of HK\$0.83 million (2016: Nil) and HK\$1.51 million (2016: Nil) respectively. The Group's overall revenue and other income declined to HK\$24.72 million during the Interim Period 2017 (2016: HK\$198.88 million).

Operating expenses for the three months and six months ended 30 September 2017 were HK\$59.38 million (2016: HK\$23.73 million) and HK\$104.28 million (2016: HK\$57.12 million) respectively. The increase in operating expenses for the Interim Period 2017 was mainly attributable to business expansion, represented by headcount and related staff cost increment of HK\$26.87 million, as well as the increase in rental expenses of HK\$21.19 million. Staff cost represented the largest expense component for the Second Quarter Fiscal 2017 and the Interim Period 2017.

With income tax expense lowering to HK\$1.27 million (2016: HK\$18.85 million) for the Interim Period 2017, the resultant post-tax loss was HK\$80.83 million, compared to a post-tax profit of HK\$122.91 million for the corresponding six months period in 2016.

As at 30 September 2017, the Group has a non-current deposit of US\$25 million (approximately HK\$195.65 million) placed in an escrow account according to terms and conditions set out in the Unit Purchase Agreement in relation to the acquisition of GKD Index Partners, LLC.

Trade receivables as at 30 September 2017, after allowing for debt provisioning, increased to HK\$13.73 million (31 March 2017: HK\$8.27 million), with its majority related to the investment advisory and management fees due and receivables under the IAM Agreement.

Other payables and accruals, compared to the last audited financial year of HK\$47.19 million at 31 March 2017, fell to HK\$21.44 million at 30 September 2017, as the bonus provision booked under other payables as at 31 March 2017 was subsequently settled in June 2017.

The Group recorded total comprehensive loss of HK\$43.11 million (2016: HK\$19.80 million) for the Second Quarter Fiscal 2017, and HK\$82.21 million (2016: total comprehensive income of HK\$122.91 million) for the Interim Period 2017 respectively. Basic loss per share for the Interim Period 2017 was HK2.28 cents (2016: basic earnings per share of HK3.46 cents).

Net assets value as at 30 September 2017 of HK\$890.03 million was 8.46% lower than net assets value of HK\$972.24 million as at 31 March 2017. Net assets value per share as at 30 September 2017 stood at HK25.07 cents (31 March 2017: HK27.38 cents).

Liquidity and financial resources

The Group continued to adopt a prudent financial management strategy and maintained a healthy liquidity position. The Group's cash and cash at bank maintained at HK\$629.14 million as at 30 September 2017 (31 March 2017: HK\$964.28 million), representing a 34.76% decrease in such balance due to business expansion and investment execution. As at 30 September 2017, the Group had net current assets of HK\$630.18 million (31 March 2017: HK\$934.17 million).

The Group's operations and investments were financed principally by revenue generated from business operations and available bank balances. Funds are largely placed with financial institutions with maturities timed to cover any known capital, investment or underwriting commitments. The Group had no borrowing and the gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was nil as at 30 September 2017 (31 March 2017: Nil).

During the Interim Period 2017, the Group had minimal exposure to foreign currency risks, except for settlements in foreign currency due to business needs. The Group will continue to monitor its foreign currency exposure and will consider using hedging instruments if available in respect of significant foreign currency exposure should the need arise.

Capital structure

There has been no change in the capital structure of the Company during the Interim Period 2017. The capital of the Company comprises only ordinary shares.

Total equity attributable to owners of the Company amounted to HK\$890.03 million as at 30 September 2017 (31 March 2017: HK\$972.24 million). This decrease was mainly attributable to the decline in retained profits during the Interim Period 2017.

Capital Commitments

As at 30 September 2017, the establishment of a wholly-owned foreign funded equity investment management enterprise (the "Qianhai Subsidiary") in Qianhai, Shenzhen for which there will be a capital contribution of US\$1.6 million (31 March 2017: US\$2 million). Save for the above, the Group and the Company did not have any significant commitment as at 30 September 2017 and 31 March 2017.

Employees and remuneration policies

As of 30 September 2017, the Group employed 64 employees including executive Directors. Total staff cost (including Directors' emoluments) for the Interim Period 2017 amounted to approximately HK\$48.84 million (2016: HK\$21.74 million). Employees' remuneration packages are decided based on their job responsibilities, local market benchmarks and industry trends. Employee bonus is distributable according to the performance of the respective subsidiaries and employees concerned. Moreover, the Group also provides in-house and external training programmes which are beneficial to certain job functions.

Charge on the Group's assets

As at 30 September 2017, the Group did not have any charge on its assets (2016: Nil).

Contingent liabilities

As at 30 September 2017, the Group had no material contingent liabilities (2016: Nil).

Material acquisitions and disposals of subsidiaries and affiliated companies

The VSA Transaction as mentioned under the heading of "Business Review" constitutes a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules. Such acquisition is therefore subject to the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules. An extraordinary general meeting of the Company will be convened for the purpose of considering and, if thought fit, approving, among other things, the unit purchase agreement and the transactions contemplated thereunder. As enhanced disclosure comparable to the standard for listing documents for new listing applicants is required in the circular, the Company is currently unable to estimate with certainty the date of dispatch of the circular. The Company will notify its shareholders of the expected date of dispatch of the circular in due course.

Advances to an entity

As per the Loan Transaction mentioned under the heading of "Business Review", there was no drawdown of loan as at 30 September 2017. Subsequently, US\$31,000,000 (equivalent to approximately HK\$242,358,000) was drawn by the Borrower on 3 October 2017.

Future plans for material investments or capital assets

The Qianhai Subsidiary was set up in August 2016. The registered capital required for setting up the Qianhai Subsidiary is US\$2 million which will be financed by the Group's internal resources. Save as aforementioned, the Group has no plans for material investments or acquisitions of capital assets, but will pursue investment and lending opportunities to enhance its profitability in the ordinary course of its business.

Outlook

As a result of China's tightened currency control and heightened regulation over Chinese outbound M&A activities, the Company became more selective and focused on global investment execution during the Second Quarter Fiscal 2017, and initiated discussions with external financial institutions to diversify our capital sources and to pursue strategic alliances and partnerships that will enhance our business prospects.

With the Group's cash position around HK\$629.14 million with no outstanding loan position as at 30 September 2017, we aim to broaden revenue sources and manage portfolios as well as operating expenses across assets and geographies, alongside existing business activities such as underwriting, placement, corporate advisory and asset management in order to expand our income sources and increase shareholder value over time.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Interim Period 2017 (2016: Nil).

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Interim Period 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Ms. DUAN Di and Ms. ZHANG Yun, executive Directors up until the date of this announcement, served certain capacities in Zhongzhi Capital and/or its subsidiaries as listed below which provide asset management, investment management and/or investment advisory services that may compete or are likely to compete with the business of the Group:

Ms. DUAN Di

Name of company

Capacity

Zhongzhi Capital

Legal representative and director

Ms. ZHANG Yun

<u>Name of company</u>	<u>Capacity</u>
常州京江資本管理有限公司	Legal representative and director
常州康邦齊輝投資中心(有限合夥)	Legal representative
常州康成企業管理諮詢有限公司	Legal representative and director
江陰植乾企業管理諮詢有限公司	Legal representative and director
江陰龍武企業管理諮詢有限公司	Legal representative and director
江陰橘石京企業管理諮詢有限公司	Legal representative and director
江陰伊澤企業管理諮詢有限公司	Legal representative and director
江陰瑞茲企業管理諮詢有限公司	Legal representative and director
江陰魔騰企業管理諮詢有限公司	Legal representative and director
江陰提莫企業管理諮詢有限公司	Legal representative and director
拉薩輝澤企業管理合夥企業(有限合夥)	Legal representative
拉薩元瀚企業管理合夥企業(有限合夥)	Legal representative
江陰迅捷企業管理諮詢合夥企業(有限合夥)	Legal representative
常州植輝企業管理諮詢有限公司	Legal representative and director
江陰達瑞企業管理諮詢有限公司	Legal representative and director
江陰慧森企業管理諮詢有限公司	Legal representative and director
江陰哲駿企業管理諮詢有限公司	Legal representative and director
江陰正澤企業管理諮詢有限公司	Legal representative and director
常州康輝企業管理諮詢合夥企業(有限合夥)	Legal representative
深圳鑫創企業管理有限公司	Legal representative and director
拉薩康軍企業管理合夥企業(有限合夥)	Legal representative
拉薩迪君企業管理合夥企業(有限合夥)	Legal representative
拉薩伯曼企業管理合夥企業(有限合夥)	Legal representative
拉薩銳衫企業管理合夥企業(有限合夥)	Legal representative

Zhongzhi Capital, through its wholly-owned subsidiaries, Jinhui and Kang Bang, indirectly owns a 73.66% interest in the Company and is the controlling shareholder of the Company. Zhongzhi Capital's key business include private equity investments in the primary market, private placement, mergers and acquisitions of overseas businesses and funds which may compete or are likely to compete with the business of the Group.

Save as disclosed above, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that competed or might compete with the businesses of the Group nor any conflict of interest which any such person had or might have with the Group as at 30 September 2017.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the Interim Period 2017 except that Ms. DUAN Di, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 10 August 2017 due to other business engagements, which deviated from code provision E.1.2.

On 12 September 2017, the Company had published its first Environmental, Social and Governance Report (the “ESG Report”) which covers certain environmental and social responsibility aspects underlying the operations of the Group. The ESG Report was written in accordance with the Environmental, Social and Governance Guide contained in Appendix 20 to the GEM Listing Rules. Simultaneously, the Company has adopted the policy statement in relation to Environmental, Social and Governance.

REVIEW OF UNAUDITED FINANCIAL RESULTS

The Audit Committee has reviewed the Interim Financial Statements and is of the opinion that the preparation of those statements complies with the applicable accounting standards and that adequate disclosures have been made. In addition, the Interim Financial Statements are unaudited, but have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA, whose independent review report will be included in the 2017 interim report of the Company which will be sent to our shareholders in due course.

By Order of the Board
ZZ Capital International Limited
中植資本國際有限公司
DUAN Di
Chairman

Hong Kong, 8 November 2017

As at the date of this announcement, the Board comprises Ms. DUAN Di (Chairman), Mr. CHO Michael Min-kuk (Chief Executive Officer), Mr. CHEN Jianfeng Peter (Chief Financial Officer) and Ms. ZHANG Yun being executive Directors; and Mr. Stephen MARKSCHEID, Mr. Edouard MERETTE and Mr. ZHANG Weidong, being independent non-executive Directors.

This announcement will remain on the “Latest Company Announcements” page of the website of the GEM at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.zzcapitalinternational.com.