



卓信國際控股有限公司

ZHUOXIN INTERNATIONAL HOLDINGS LIMITED

(Formerly known as Gold Tat Group International Limited)
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8266

Third Quarterly Report 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

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This report, for which the directors (the “Directors”) of Zhuoxin International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) 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 report 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 report misleading.

RESULTS

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 December 2018, together with the unaudited comparative figures for the corresponding periods in 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 31 December 2018

	Note	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue		127,233	182,561	393,847	496,813
Cost of sales		(122,583)	(175,474)	(378,400)	(477,321)
Gross profit		4,650	7,087	15,447	19,492
Other net (loss)/income		(740)	18	(366)	51
Employment costs		(7,115)	(6,715)	(20,788)	(21,278)
Research and development expenses		56	(577)	(105)	(1,035)
Depreciation		(192)	(222)	(619)	(715)
Transportation expenses		(150)	(229)	(556)	(791)
Other operating expenses		(3,430)	(4,755)	(10,544)	(13,507)
Loss from operations		(6,921)	(5,393)	(17,531)	(17,783)
Finance costs	3	(1,029)	(2,138)	(3,696)	(4,859)
Gain on disposal of subsidiaries		-	-	7,673	-
Share of losses of associates		(51)	(292)	(167)	(462)
Loss before tax		(8,001)	(7,823)	(13,721)	(23,104)
Income tax expense	4	(14)	(13)	(45)	(26)
Loss for the period		(8,015)	(7,836)	(13,766)	(23,130)

	<i>Note</i>	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Attributable to:					
Owners of the Company		(7,768)	(7,735)	(13,697)	(22,759)
Non-controlling interests		(247)	(101)	(69)	(371)
		(8,015)	(7,836)	(13,766)	(23,130)
Loss per share (HK cents)	5		(Re-presented)		(Re-presented)
Basic		(1.90)	(1.88)	(3.32)	(5.52)
Diluted		N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2018

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Loss for the period	(8,015)	(7,836)	(13,766)	(23,130)
Other comprehensive income:				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	(543)	(187)	(3,441)	(400)
Exchange differences on disposal of foreign operations	-	-	(1,774)	-
	(543)	(187)	(5,215)	(400)
<i>Items that may not be reclassified to profit or loss:</i>				
Change in the fair value of equity instrument at FVTOCI	(33)	-	(3,998)	-
Other comprehensive income for the period, net of tax	(576)	(187)	(9,213)	(400)
Total comprehensive income for the period	(8,591)	(8,023)	(22,979)	(23,530)
Attributable to:				
Owners of the Company	(8,344)	(7,757)	(25,287)	(22,718)
Non-controlling interests	(247)	(266)	2,308	(812)
	(8,591)	(8,023)	(22,979)	(23,530)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share-based payment reserve HK\$'000	FYTOCI reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2017	32,194	442,050	16,375	2,943	(2,004)	3,764	-	(379,263)	116,059	27,324	143,383
Total comprehensive income for the period	-	-	-	-	41	-	-	(22,759)	(22,718)	(812)	(23,530)
Lapse of share options	-	-	-	-	-	(3,764)	-	3,764	-	-	-
At 31 December 2017	32,194	442,050	16,375	2,943	(1,963)	-	-	(398,258)	93,341	26,512	119,853
At 1 April 2018	32,194	442,050	16,375	2,943	6,948	-	-	(403,155)	97,355	26,572	123,927
Adjustment on initial application of HKFRS 9 (note Z)	-	-	-	-	-	-	(18,668)	21,339	2,671	(38)	2,633
Restated balance at 1 April 2018	32,194	442,050	16,375	2,943	6,948	-	(18,668)	(381,816)	100,026	26,534	126,560
Comprehensive income	-	-	-	-	-	-	-	(13,697)	(13,697)	(69)	(13,766)
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	(3,998)	-	(3,998)	-	(3,998)
Change in the fair value of equity instrument at FYTOCI	-	-	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	(5,818)	-	-	-	(5,818)	2,377	(3,441)
- Group	-	-	-	-	(1,774)	-	-	-	(1,774)	-	(1,774)
- Release upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
- Release upon disposal of subsidiaries	-	-	-	-	(7,592)	-	-	(3,998)	(3,998)	2,308	(22,979)
Total transaction with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	(14,239)	(14,239)
Recognition of non-controlling interests upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2018	32,194	442,050	16,375	2,943	(644)	-	(22,666)	(395,513)	74,739	14,603	89,342

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collectively term include all applicable individually HKFRS, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2018.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2018 except as stated below.

2. Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers

(i) *Classification and measurement*

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has been impacted by HKFRS 9 in relation to classification of financial assets.

Under HKAS 39, the Group’s investment in unlisted equity securities was classified as available-for-sale financial assets. The Group considered that this investment qualified for designation as measured at fair value through other comprehensive income (FVTOCI) under HKFRS 9 and has applied HKFRS 9 retrospectively to this investment in accordance with the transition requirements. Under the transition methods chosen, the Group recognised cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and this may not be comparable with the current period.

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Under HKFRS 15, the Group expected the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of the HKFRS 15 had no material impact on the Group's financial results for the current or prior periods.

(ii) Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for all financial assets under current assets, including trade receivables, bills receivables, other receivables and deposits. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The impact of the changes on the Group's equity is as follows:

	Effect on FVTOCI reserve HK\$'000	Effect on accumulated losses HK\$'000	Effect on non- controlling interest HK\$'000
Opening balance – HKAS 39	–	(403,155)	26,572
Reclassify unlisted equity securities from available-for-sale financial assets to financial assets at FVTOCI	(18,668)	21,452	–
Recognition of expected credit losses for all financial assets (<i>Note a</i>)	–	(113)	(38)
Opening balance – HKFRS 9	(18,668)	(381,816)	26,534

Note: (a) All financial assets under current assets, including trade receivables, bills receivables, other receivables and deposits.

The Group has not applied any new standard or amendment that is not effective for the current accounting period.

3. Finance costs

	Unaudited			
	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Wholly repayable within five years				
– Interest on bank loans	509	569	2,074	1,847
– Interest on other loan	–	1,045	62	1,443
– Finance lease charges	–	2	3	8
Not wholly repayable within five years based on repayment schedules				
– Interest on bank loans	20	22	57	61
– Interest on long term bonds	500	500	1,500	1,500
	1,029	2,138	3,696	4,859

4. Income tax expense

	Unaudited			
	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Current tax – Hong Kong Profits Tax				
– Provision for the period	–	–	–	–
Current tax – PRC Enterprise Income Tax				
– Provision for the period	14	14	45	29
Deferred tax				
– Hong Kong Profits Tax	–	(1)	–	(3)
Income tax expense	14	13	45	26

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has sufficient tax losses brought forward to set off against current period’s estimated assessable profit (2017: Nil).

PRC Enterprise Income Tax has been provided at rate of 25% (2017: 25%).

5. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is as follows:

	Unaudited			
	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
Loss for the period attributable to owners of the Company (HK\$'000)	<u>(7,768)</u>	<u>(7,735)</u>	<u>(13,697)</u>	<u>(22,759)</u>
Weighted average number of ordinary shares in issue during the period (in '000)	<u>412,090</u>	<u>412,090</u>	<u>412,090</u>	<u>412,090</u>
Basic loss per share (HK cents)	<u>(1.90)</u>	<u>(1.88)</u>	<u>(3.32)</u>	<u>(5.52)</u>

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$13,697,000 (2017: loss of approximately HK\$22,759,000) and the weighted average number of ordinary shares of 412,089,994 (2017: 412,089,994 as adjusted to reflect the share consolidation of the Company with effect on 27 March 2018) in issue during the period.

(b) Diluted loss per share

No diluted earnings per share is presented as the Company had no potential ordinary shares outstanding during the nine months ended 31 December 2018 and 2017.

6. Dividend

The Directors have not declare nor proposed any dividends in respect of the nine months ended 31 December 2018 (nine months ended 31 December 2017: Nil).

7. Event after the reporting period

Subsequent to the reporting period end, on 8 February 2019, ETC Technology Limited (“ETC”) , a non-wholly owned subsidiary of the Company entered into a formal agreement with an independent third party to dispose of its investment property at a consideration of HK\$12,000,000. Completion of the formal agreement shall take place on or before 25 March 2019. The carrying value of the investment property as at 31 December 2018 amounted to HK\$13,000,000, and accordingly, a fair value loss of HK\$1,000,000 was recognized for the nine months ended 31 December 2018.

Save for the disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2018 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

The Group had been participating in the following activities:

- Trading of Electronic Hardware Components (Display Modules including mainly IC Drivers and LCD panel); and
- Property Development and Investment

BUSINESS REVIEW

Trading of Electronic Hardware Components (Display Modules including mainly IC Drivers and LCD panel)

Revenue for the nine months ended 31 December 2018 fell around 21%, from approximately HK\$496,813,000 in the same period last year to approximately HK\$393,847,000 in this year's period since our customers adopted prudent marketing strategies for their businesses due to trade war.

A turnaround from loss of approximately HK\$555,000 in same period last year to profit of approximately HK\$1,334,000 in this year's period was obtained. The improvement in profitability was contributed by cost saving on finance costs, employment costs, research and development expenses, transportation expenses and other operating expenses.

Property Development and Investment

The Group has a real estate development project (the "Project") in the area of Yangjiang City, Guangdong Province, PRC. The Project is still in active sales by the associate company on the few remaining residential and commercial units. The Group will continue with its cautious investment approach and will make necessary preparations against possible adverse conditions due to market competition and tightened government policies for the sector.

The Group has properties which are located in Yangjiang City and Hong Kong. The properties located in Yangjiang City are comprised of two parcels of vacant land with total site area of approximately 16,128 square meters. If a good opportunity arises in the future, the Company may consider disposing the properties in order to strengthen the Group's financial position. The Group did not lease out the property in Hong Kong and kept open if reasonable capital gain might be realized by disposing the property for the current reporting period. On 8 February 2019, the Group entered into a formal property sale and purchase agreement with an independent third party for the disposal of such. Pursuant to the formal agreement, the consideration for the sale and purchase of the Property is HK\$12,000,000. Completion of the formal agreement shall take place on or before 25 March 2019.

Prospects

The management of ETC will continue to enforce its effective cost controls including renegotiating favourable credit terms with major vendors. However, the management predicts overall market condition will be difficult as global smartphone shipment declined in 2018 and the outlook for 2019 is still conservative. Other external factors, such as potential trade war and exchange rate fluctuation may cast darker cloud. The management of ETC will continuously review their business approach and will make necessary preparations against possible adverse conditions due to trade war and market competition.

For the property development business, it is still in an adjustment period since the last quarter of 2017 that the PRC government have lifted the purchase restrictions for properties in some third and fourth-tier cities, including Yangjiang City. The management will continuously and carefully balance our business strategy in this heavily government policy-influenced market. The Group will closely monitor the market conditions in Yangjiang City and will also actively seek for potential business opportunities elsewhere.

Moving forward, the Group will continue to work hard on our existing businesses, and will actively looking for new investment opportunities while optimising our financial resources. We are committed to enhancing the business performance and to bringing better return to our shareholders.

FINANCIAL REVIEW

Revenue and Results

For the nine months ended 31 December 2018, the Group recorded an unaudited revenue of approximately HK\$393,847,000 (2017: approximately HK\$496,813,000), representing a decrease of 21% as compared to the corresponding period of last year. All the revenue was contributed by the trading of electronic parts and components business.

The Group recorded a loss for the nine months ended 31 December 2018 of approximately HK\$13,766,000 (2017: approximately HK\$23,130,000), representing a decrease of 40% as compared with the corresponding period of last year.

Loss attributable to owners of the Company for the nine months ended 31 December 2018 was approximately HK\$13,697,000, representing a decrease of 40% as compared with approximately HK\$22,759,000 for the corresponding period in 2017.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 31 December 2018 (2017: Nil).

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The equity instrument at FVTOCI with fair value of approximately HK\$40,564,000 is regarded as significant investments held by the Company and accounts for approximately 14.0% of the Group's total assets as at 31 December 2018. The equity instrument at FVTOCI is an unlisted equity securities (the "UES"), representing an investment of 7% equity interests in Coulman, a private company incorporated in the BVI. Coulman and its non-wholly owned subsidiaries are principally engaged in the operations of natural gas business, including construction of pipeline, selling and distribution of natural gas, installation of natural gas equipment and operation of fuel station in the PRC.

For the nine months ended 31 December 2018, Coulman recorded unaudited revenue of approximately HK\$269,088,000, unaudited profit before taxation of approximately HK\$35,127,000 and unaudited profit after taxation of approximately HK\$26,387,000. For the nine months ended 31 December 2018, there had been no changes in the interest of the UES other than fair value change in the equity instrument at FVTOCI of HK\$3,998,000.

The Group considered that the future prospect of the UES to be positive. According to the PRC Natural Gas Industry Development Report (2018)* (中國天然氣發展報告(2018)) published in August 2018, the PRC government has plans to boost the natural gas usage in the PRC to promote low carbon energy. In view of the overall energy policy, the PRC government also set a goal to increase reliance on natural gas to 10% of total energy consumption by 2020, 14% of total energy consumption by 2030 and 15% of total energy consumption by 2050, while natural gas consumption only accounted for 5.9% in 2015. Therefore, the Group expects the business of Coulman and its subsidiaries to be growing steadily in the next three decades.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2018, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
Mr. Ma Chao	Interest in a controlled corporation	Corporate interest <i>(Note 1)</i>	262,096,789	63.60%

Notes:

1. By virtue of the SFO, Mr. Ma Chao is deemed to be interested in the 262,096,789 shares held by Pine Cypress Development Limited, a company wholly and beneficially owned by him.
2. As at 31 December 2018, the Company had a total of 412,089,994 shares in issue.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

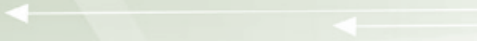
The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2018, the Company had been notified of the following substantial shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

Aggregate long positions in the shares and underlying shares of the Company

Name of substantial shareholders	Capacity	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
Pine Cypress Development Limited	Beneficial owner	Corporate interest	262,096,789	63.60%
Mr. Ma Chao	Interest in controlled corporation	Corporate interest (Note 1)	262,096,789	63.60%

Notes:

1. Pine Cypress Development Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ma Chao. Mr. Ma Chao is deemed, by virtue of the SFO, to be interested in the same 262,096,789 shares held by Pine Cypress Development Limited.



Save as disclosed above, the Directors and chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 December 2018.

SHARE OPTIONS

For the nine months ended 31 December 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the 2003 and 2013 Share Option Scheme.

For the corresponding period in 2017, 6,500,000 share options under the 2003 Share Option Scheme and 32,650,000 share options under the 2013 Share Option Scheme, representing 100% of the total number of outstanding share options, were cancelled as at the closing of share options offer on 22 December 2017. All option holders of the 2003 Share Option Scheme and the 2013 Share Option Scheme accepted the option offer as set out in the composite document dated 30 November 2017 in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Share Options in exchange for cash (US\$0.001 each option).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2018.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CORPORATE GOVERNANCE PRACTICES

During the nine months ended 31 December 2018, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules, with the exceptions of code provisions A.2.1.

Under the code provision A.2.1, the role of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The chairman is responsible for management of the Board and strategic planning of the Group, ensures that the Board works effectively and discharges its responsibilities, encourages all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Group. The role of chief executive is responsible to undertake the day-to-day management of the Group's business.

Mr. Ma Chao is the chairman of the Company and there was no chief executive officer appointed by the Company and the day-to-day management of the Group was led by Mr. Ma Chao. There is no time schedule to change this structure, as the Directors consider that this structure provides the Group with consistent leadership in the Company's decision making process and operational efficiency.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, board diversity has been considered from a number of diversity perspectives, including but not limited to age, cultural and educational background, professional experience, skills, knowledge and length of service (altogether, the "Major Diversity Perspectives"). All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of aforesaid Major Diversity Perspectives. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee reviews annually the Board's composition under Major Diversity Perspectives and monitors the implementation of the Board Diversity Policy. During the period, the Nomination Committee has reviewed its practice on board diversity based on the Major Diversity Perspectives set forth and has come to the conclusion that it is a balanced board.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions of the Company. The Company has made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the nine months ended 31 December 2018.

The Company's code of conduct also applies to all employees who are likely to be in the possession of inside information of the Company. No incident of non-compliance of the Company's code of conduct by the employees was noted by the Company.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in Directors' information as notified to the Company subsequent to the date of the 2018 Annual Report are set out as follows:

Mr. Ma Chao was appointed as a non-executive director and chairman of board of directors of China Financial Leasing Group Limited, a company whose shares are listed on the Stock Exchange (stock code: 2312), with effect on 2 May 2018 and has resigned from such positions with effect on 3 August 2018.

Mr. Miu Hon Kit resigned as an independent non-executive Director, the chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee with effect from 2 October 2018.

Mr. Cheung Kwan Hung was appointed as an independent non-executive Director, the chairman of the Audit Committee, and a member of the Nomination Committee and Remuneration Committee with effect from 2 October 2018.

Save as disclosed above, there is no other change of information in respect of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) which was established with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has three members comprising all independent non-executive Directors namely Mr. Cheung Kwan Hung (as chairman), Mr. Chiu Wai Piu and Mr. Li Shiu Ki, Ernest.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing and monitoring the external auditors’ independence; reviewing the quarterly reports, interim report, annual report and accounts of the Group; and overseeing the Company’s financial reporting system, risk management and internal control systems.

The Audit Committee has reviewed the unaudited results for the nine months ended 31 December 2018 and has provided advice and comments thereon.

By Order of the Board
Zhuoxin International Holdings Limited
Ma Chao
Chairman

Hong Kong, 12 February 2019

As at the date of this report, the Board comprises three executive Directors, namely, Mr. Ma Chao (Chairman), Mr. Zhang Shourong and Mr. Fu Yong; and three independent non-executive Directors, namely, Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung and Mr. Li Shiu Ki, Ernest.

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