



## Zhuoxin International Holdings Limited

卓信國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8266)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

#### 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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## RESULTS

The board of Directors (the “Board”) of Zhuoxin International Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred as the “Group”) for the year ended 31 March 2019, together with the comparative audited figures for the corresponding year ended 31 March 2018 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	3	501,246	650,829
Cost of sales		(481,921)	(625,394)
<b>Gross profit</b>		<b>19,325</b>	<b>25,435</b>
Other net income	4	7,523	2,624
Employment costs		(27,299)	(29,635)
Research and development expenses		(478)	(1,573)
Depreciation		(763)	(912)
Transportation expenses		(783)	(1,081)
Other operating expenses		(13,794)	(19,370)
Expected credit loss on financial assets (Write-down)/Write-back of properties under development		(180)	–
		(1,149)	4,352
<b>Loss from operations</b>		<b>(17,598)</b>	<b>(20,160)</b>
Finance costs	6	(4,551)	(6,159)
Impairment losses on investments in associates		(4,851)	–
Share of losses of associates		(358)	(569)
<b>Loss before tax</b>		<b>(27,358)</b>	<b>(26,888)</b>
Income tax credit	7	–	122
<b>Loss for the year</b>	8	<b>(27,358)</b>	<b>(26,766)</b>
<b>Attributable to:</b>			
Owners of the Company		(26,865)	(27,656)
Non-controlling interests		(493)	890
		(27,358)	(26,766)
<b>Loss per share (HK cents)</b>			
Basic		(6.52)	(6.71)
Diluted		N/A	N/A

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Loss for the year</b>	<u>(27,358)</u>	<u>(26,766)</u>
<b>Other comprehensive income:</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value change of financial assets at fair value through other comprehensive income	(5,961)	–
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(3,265)	7,310
Exchange differences on disposal of foreign operations	<u>(1,774)</u>	<u>–</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>(11,000)</u>	<u>7,310</u>
<b>Total comprehensive income for the year</b>	<u><u>(38,358)</u></u>	<u><u>(19,456)</u></u>
<b>Attributable to:</b>		
Owners of the Company	(40,276)	(18,704)
Non-controlling interests	<u>1,918</u>	<u>(752)</u>
	<u><u>(38,358)</u></u>	<u><u>(19,456)</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	<i>Note</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,068</b>	1,168
Investment property		–	13,000
Goodwill		<b>24,911</b>	24,911
Intangible asset		<b>4,054</b>	1,718
Available-for-sale financial assets		–	45,652
Financial asset at FVTOCI		<b>38,600</b>	–
Structured deposit		<b>3,875</b>	–
Investments in associates		<b>14,035</b>	19,245
Deposit for acquisition of intangible asset		–	374
Deposit for acquisition of property, plant and equipment		–	872
		<b>86,543</b>	106,940
<b>Current assets</b>			
Inventories		<b>5,921</b>	3,278
Trade, bills and other receivables, deposits and prepayments	<i>11</i>	<b>65,302</b>	205,459
Properties under development		<b>39,532</b>	40,734
Pledged bank deposits		<b>27,197</b>	27,807
Bank and cash balances		<b>54,955</b>	38,849
		<b>192,907</b>	316,127
<b>Current liabilities</b>			
Trade and other payables and receipt in advance	<i>12</i>	<b>103,097</b>	112,398
Due to an associate		<b>22,515</b>	24,053
Bank and other loans		<b>39,875</b>	86,605
Finance lease payable		–	84
Promissory note		–	36,000
		<b>165,487</b>	259,140
<b>Net current assets</b>		<b>27,420</b>	56,987
<b>Total assets less current liabilities</b>		<b>113,963</b>	163,927

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Long term bonds	<b>40,000</b>	40,000
Deferred tax liabilities	<u>—</u>	<u>—</u>
	<b>40,000</b>	40,000
<b>NET ASSETS</b>	<b><u>73,963</u></b>	<b><u>123,927</u></b>
<b>Capital and reserves</b>		
Share capital	<b>32,194</b>	32,194
Reserves	<u>27,555</u>	<u>65,161</u>
Equity attributable to owners of the Company	<b>59,749</b>	97,355
Non-controlling interests	<u>14,214</u>	<u>26,572</u>
<b>TOTAL EQUITY</b>	<b><u>73,963</u></b>	<b><u>123,927</u></b>

## 1. Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## 2. Adoption of new and revised Hong Kong Financial Reporting Standards

### (a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2018. Of these, the following developments are relevant to the Group’s consolidated financial statements:

- (i) HKFRS 9 Financial Instruments; and
- (ii) HKFRS 15 Revenue from Contracts with Customers

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

### (b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 –2017 Cycle	1 January 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far, the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 September 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

### 3. Revenue

An analysis of the Group's revenue for the year is as follows:

	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Sales of electronic parts and components	<b>501,246</b>	650,829

### 4. Other net income

	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Interest income	<b>283</b>	74
Net foreign exchange gains/(losses)	<b>361</b>	(36)
Fair value gain on investment property	–	1,500
Loss on disposal of investment property	<b>(1,000)</b>	–
Gain on disposal of property, plant and equipment	<b>99</b>	1,086
Gain on disposal of subsidiary	<b>7,673</b>	–
Sundry income	<b>107</b>	–
	<b>7,523</b>	2,624

### 5. Segment information

The Group has three (2018: three) reportable segments as follows:

Trading of electronic parts and components	–	trading of electronic parts and components and provision of professional solution with engineering services
Property development	–	sale of developed properties
Property investment	–	rental income and property appreciation

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profit or loss do not include unallocated corporate results.

**Information about reportable segment profit or loss:**

	<b>Trading of electronic parts and components</b>	<b>Property development</b>	<b>Property investment</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year ended 31 March 2019</b>				
Revenue from external customers	501,246	–	–	501,246
Segment (loss)/profit	916	(4,406)	(2,225)	(5,715)
Depreciation	64	72	–	136
Impairment losses on investments in associates	–	4,851	–	4,851
Write-down of properties under development	–	–	1,149	1,149
<b>Year ended 31 March 2018</b>				
Revenue from external customers	650,829	–	–	650,829
Segment (loss)/profit	(2,280)	(10,144)	5,737	(6,687)
Depreciation	151	263	–	414
Write-back of properties under development	–	–	4,352	4,352

**Reconciliations of reportable segment revenue and profit or loss:**

	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>		
Total revenue	<u>501,246</u>	<u>650,829</u>
<b>Profit or loss</b>		
Total loss of reportable segments	(5,715)	(6,687)
Unallocated corporate results	<u>(21,643)</u>	<u>(20,079)</u>
Consolidated loss for the year	<u>(27,358)</u>	<u>(26,766)</u>
<b>Reconciliation of other material items:</b>		
<b>Other material items – depreciation and amortisation</b>		
Total depreciation of reportable segments	137	414
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	<u>626</u>	<u>498</u>
Consolidated depreciation	<u>763</u>	<u>912</u>



## ***Geographical information***

	<b>Non-current assets</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Hong Kong	<b>30,012</b>	41,882
The PRC except Hong Kong	<b>19,131</b>	19,406
Consolidated total	<b>49,143</b>	<b>61,288</b>

Geographical information excluded available-for-sale financial assets.

Majority of the revenue generated by the Group for the years ended 31 March 2019 and 2018 were attributable to customers based in the PRC. In presenting the geographical information, revenue is based on the location of the customers.

## ***Revenue from major customers***

	<b>2019</b>	<b>2018</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Customer A	<b>95,082</b>	92,801
Customer B	<b>73,517</b>	156,071
Customer C	–	98,560
Customer D	<b>57,015</b>	–
Customer E	<b>54,023</b>	–

Revenue from four (2018: three) customers generated from the Group's trading of components segment.

## **6. Finance costs**

	<b>2019</b>	<b>2018</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Wholly repayable within five years		
– Interest on bank loans	<b>2,484</b>	2,910
– Interest on other loan	–	1,162
– Finance lease charges	<b>3</b>	10
– Interest on long term bonds	<b>2,000</b>	2,000
Not wholly repayable within five years based on repayment schedule		
– Interest on bank loans	<b>64</b>	77
	<b>4,551</b>	<b>6,159</b>

## 7. Income tax credit

Income tax has been recognised in profit or loss as following:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax – PRC Enterprise Income Tax		
– Provision for the year	–	44
Deferred tax liabilities	–	(166)
Income tax credit	–	(122)

Pursuant to the rules and regulations of the Cayman Islands and 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 year's assessable profit (2018: Nil).

PRC Enterprise Income Tax has been provided at a rate of 25% (2018: 25%).

## 8. Loss for the year

The Group's loss for the year is stated after charging/(crediting) the following:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Auditor's remuneration		
– Current year	800	1,550
– Under-provision in prior year	–	150
	800	1,700
Cost of inventories sold	481,921	625,394
Depreciation of property, plant and equipment	763	912
Direct operating expense of investment property that did not generate rental income	25	38
Fair value gain on investment property	–	(1,500)
Inventories written off	13	178
Other receivables written off	–	1,171
Gain on disposal of property, plant and equipment	(99)	(1,086)
Loss on disposal of investment property	1,000	–
Write-off of property, plant and equipment	–	1
Operating lease charges		
– Premises	3,569	3,229
Net foreign exchange (gains)/losses	(361)	36
Research and development expenses		
– Other expenses	478	1,573

## 9. Dividend

The Directors have not declared nor proposed any dividends in respect of the year ended 31 March 2019 (2018: Nil).

## 10. Loss per share

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$26,865,000 (2018: approximately HK\$27,656,000) and the weighted average number of ordinary shares of 412,089,994 (2018: 412,089,994) in issue during the year.

2018 comparative figure has been re-presented with the effect of share consolidation.

### (b) Diluted loss per share

As the exercise of the Group's outstanding share options for the years ended 31 March 2019 and 2018 would be anti-dilutive, no diluted loss per share was presented in both years.

## 11. Trade, bills and other receivables, deposits and prepayments

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	33,916	61,451
Bills receivables	1,773	46,172
Other receivables	5,170	93,779
Deposits and prepayments	24,443	4,057
	<u>65,302</u>	<u>205,459</u>

The ageing analysis of trade receivables, based on the goods delivery date, and net of allowance, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 30 days	19,590	29,227
31 to 60 days	8,314	8,227
61 to 90 days	3,528	16,334
Over 90 days	2,484	7,663
	<u>33,916</u>	<u>61,451</u>

The credit terms granted by the Group to its customers are generally cash on delivery to 90 days.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by directors.

The carrying amounts of the Group's trade receivables are denominated in the United States dollars ("US\$").

## 12. Trade and other payables and receipt in advance

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	64,375	79,112
Other payables	35,021	31,076
Receipt in advance	2,240	749
Bond interest payable	1,461	1,461
	<u>103,097</u>	<u>112,398</u>

The ageing analysis of trade payables of the Group, based on the goods receipt date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 30 days	16,274	43,796
31 to 60 days	34,302	25,142
61 to 90 days	13,799	10,174
	<u>64,375</u>	<u>79,112</u>

The carrying amounts of the Group's trade payables are denominated in US\$.

# 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) with Compatibility Solutions Advisory Services; and
- Property Development and Investment

## BUSINESS REVIEW

### **Trading of Electronic Hardware Components (Display Modules including mainly IC Drivers and LCD panel) with Compatibility Solutions Advisory Services**

This business segment had been facing continuing challenges, the sales for year ended 31 March 2019 was approximately HK\$501,246,000, a decrease of 23% from approximately HK\$650,829,000 for the same period of last year. However, this segment profit during this year improved and this segment recorded a profit of approximately HK\$916,000 for the year ended 31 March 2019 with a comparative loss of approximately HK\$2,280,000 for the year ended 31 March 2018.

The improvement in profit was due to the fact that the management of this segment implemented the cost control policy effectively. Several of the expenses dropped significantly, including a decrease of the welfare benefit, motor vehicles expenses, agency cost and sundry expenses of HK\$938,000, HK\$731,000, HK\$657,000 and HK\$847,000 respectively.

During the period under review, the business environment was tough due to decline in smartphone sales, hence the management of this segment has explored the new market of our product to the wearable electronic device and automotive electronics. According to the reports released by a research firm IDC, the annual global shipment of smartphone reached 1.4 billion units, a decrease of nearly 4.1% compared to 2017. The wearable electronic device was increased by 27.5% to reach 172 million units in 2018. In addition, according to the report 《深化收費公路制度改革取消高速公路省界收費站實施方案》 issued by the General Office of the State Council of the People's Republic of China, the total user of the electronic toll collection device will reach 180 million in 2019. Therefore, the management of this segment considered that the development of wearable electronic device and automotive electronics market could offset the decline of smartphone product. The management of this segment will continuously review our business approach to meet the change of the market environment.

### **Property Development and Investment**

The Group has a real estate development project in the area of Yangjiang City, Guangdong Province, PRC. The project the Group held 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.

During the year, the Group held two property investments, one of which is located in Yangjiang City and the other one in Hong Kong. The one located in Yangjiang City comprises 2 vacant lands of total site area of approximately 16,128 square meters, which are opened for sale currently. The Group disposed the other one located in Hong Kong in March 2019.

## **Prospects**

Looking forward, the management of ETC Technology Limited (“ETC”) will continue to enforce its effective cost controls including renegotiating favourable credit terms with major vendors. Besides, the management has begun renegotiating credit terms with existing customers for a shorter credit period. Hence, our customer base will be optimised to utilise our financial resources in the most efficient way to reduce the finance costs.

However, the management predicts overall market condition will be difficult as global smartphone shipment declined in 2018 and the outlook for 2019 is still uncertain. Hence, ETC has begun to develop new markets for our wearable electronic device and automotive electronics products. 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 ahead, the Group will continue to work hard on our existing businesses, and will actively look 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**

The Group recorded revenue of approximately HK\$501,246,000 for the year ended 31 March 2019 (2018: approximately HK\$650,829,000), representing a year-on-year decrease of 23.0%. All revenue was generated from the trading of electronic parts and components business.

Loss attributable to owners of the Company was approximately HK\$26,865,000 (2018: approximately HK\$27,656,000). The loss per share was 6.52 HK cents (2018: 6.71 HK cents).

## **Segment Information**

### ***Trading of electronic parts and components***

For the year ended 31 March 2019, turnover of this segment amounted to approximately HK\$501,246,000, representing a 23% drop in turnover from last year of approximately HK\$650,829,000. Despite a decrease in turnover, the gross profit margin for the year was 3.86%, which was lower than the margin of 3.91% for the preceding year. This segment recorded a profit of approximately HK\$916,000 for the year ended 31 March 2019 with a comparative loss of approximately HK\$2,280,000 for the year ended 31 March 2018. The improvement of this segment profit was due to the fact that the management of this segment implemented the cost control policy effectively.

Although this trading business recorded a slight operating profit for the year, the cash-generating units of this trading business demonstrates sufficient cashflow projection that justifies the carrying value of the goodwill and accordingly, no impairment of goodwill is considered necessary.

### **Property development**

For the year ended 31 March 2019, no revenue attributable to the property development segment was recorded (2018: Nil). The Group recorded a loss of approximately HK\$4,406,000 for the year ended 31 March 2019, while a loss of approximately HK\$10,144,000 for the year ended 31 March 2018. The decrease in loss was mainly due to the profit of approximately HK\$7,673,000 contributed by the disposal of the subsidiaries in June 2018. Also, the Group recorded an impairment loss on investment in associate of approximately HK\$4,851,000 for the year ended 31 March 2019. Excluding the profit of the disposal of subsidiaries and impairment loss of associate in this year, the loss of this segment is approximately HK\$7,228,000 and there was a decrease of approximately HK\$2,916,000 in loss of this segment in this year. The main reason of decrease of loss was due to the fact that the management implemented the cost control policy effectively during the year, hence, the staff cost, professional fee, motor vehicle and rental expenses dropped significantly.

### **Property investment**

For the year ended 31 March 2019, no revenue was generated from this segment as the investment property owned by the Group has not been rented out since 2016 (2018: Nil). For the year ended 31 March 2019, this segment recorded a loss of approximately HK\$2,225,000 while a profit of approximately HK\$5,737,000 was recorded for the year ended 31 March 2018. It should however be noted that the loss recorded for the year ended 31 March 2019 mainly included a loss on disposal of investment property of HK\$1,000,000 and write-down of properties under development of HK\$1,149,000. Instead, this segment recorded a fair value gain of HK\$1,500,000 of investment property and write-back of properties under development of HK\$4,352,000 for the year ended 31 March 2018. If the effects of the above items are excluded, this segment would have reported a loss of approximately HK\$76,000 for this year, as compared to a loss of approximately HK\$115,000 for the preceding year.

## **Liquidity and financial resources**

The Group financed its operations with the revenue generated from its operations and banking facilities provided by its bankers in Hong Kong. As at 31 March 2019, the Group had total indebtedness of approximately HK\$79,875,000 (2018: approximately HK\$162,689,000) which comprised of bank and other loans, long term bonds, promissory note and finance lease payables.

49.9% (2018: 75.4%) of the indebtedness are considered as current liabilities and repayable within one year, 50.1% (2018: 24.6%) are repayable in 2020. HK and US dollar denominated indebtedness accounted for 50.1% (2018: 55.4%) and 49.9% (2018: 44.6%) of the total indebtedness respectively.

49.9% (2018: 53.2%) of the indebtedness are interest bearing bank loans on floating rate terms, the effective annual interest rates range from 4.50% to 5.76% (2018: 2.25% to 4.50%); 50.1% (2018: 24.6%) are seven-year 5% coupon straight bonds due 2020; there was no outstanding non-interest bearing HK dollar denominated promissory notes which was fully repaid on 21 May 2018 (2018: 22.1%); nor any interest bearing finance lease obligation at fixed interest rate (2018: 0.1%).

At 31 March 2019, the Group had cash reserves of approximately HK\$54,955,000 (2018: approximately HK\$38,849,000). Most of the cash reserves were placed with major banks in Hong Kong and the PRC. 98.4% (2018: 98.9%) of the Group's cash and cash equivalents (comprising cash on hand and bank balances) were denominated in HK dollar or US dollar, whereas 1.6% (2018: 1.1%) were denominated in Renminbi.

The gearing ratio as at 31 March 2019 was 108.0% (2018: 131.3%). The gearing ratio was derived by dividing the total indebtedness of approximately HK\$79,875,000 (2018: approximately HK\$162,689,000) by the amount of shareholders' equity of approximately HK\$73,963,000 (2018: approximately HK\$123,927,000). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 116.6% (2018: 122.0%).

The management of the Company will continue to make good efforts to improve the liquidity condition. Measures will include but not limited to tightening of costs control, expansion of current businesses, securing of additional loan facilities and/or raising funds from the capital markets.

## **FOREIGN EXCHANGE EXPOSURE**

The income and expenditure of the Group are mainly denominated in HK dollar, US dollar and Renminbi, the impact of foreign exchange exposure to the Group is considered minimal in this respect and no hedging or other arrangements to reduce the currency risk have been implemented.

## **SHARE STRUCTURE**

The capital of the Company comprises only ordinary shares. There was no change in the capital structure of the Company during the year ended 31 March 2019. As at 31 March 2019, the total number of ordinary shares of the Company was 412,089,994 shares.



## SIGNIFICANT INVESTMENTS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Below a breakdown of the Group's investments of approximately HK\$42,475,000 held by the Company as at 31 March 2019 (2018: HK\$45,652,000)

	<b>2019</b> <b>HK\$'000</b>	2018 <b>HK\$'000</b>
Unlisted equity securities ( <i>note (a)</i> )	<b>38,600</b>	41,777
Structured deposit ( <i>note (b)</i> )	<b>3,875</b>	3,875
	<b>42,475</b>	45,652

*Notes:*

- (a) The unlisted equity securities ("UES") represented an investment of 70 shares or 7% equity interest in a private company incorporated in BVI, Coulman International Limited ("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. These unlisted equity securities are denominated in HK\$.
- (b) The structured deposit represented collared floating rate note ("CFRN") issued by a high-credit rating bank. The CFRN interest rate is linked to non-equity product with variable interest indexed to 3-month USD LIBOR, and will mature on 5 July 2020. The CFRN is denominated in US\$.

With regards to the financial performance of the investee company, Coulman recorded unaudited revenue of approximately HK\$457,553,000 (2018: HK\$260,466,000), unaudited profit before taxation of approximately HK\$9,095,000 (2018: HK\$41,470,000) and unaudited profit after taxation of approximately HK\$69,000 (2018: HK\$31,318,000) for the year ended 31 March 2019. The decrease of the profit was mainly due to the price control of natural gas imposed by the PRC government. However, the cost of natural gas increased significantly during the year and the selling price cannot be increased accordingly to cover the increase of the cost. Hence, the gross profit decreased significantly from approximately HK\$83,070,000 for the year ended 31 March 2018 to HK\$59,881,000 for the year ended 31 March 2019.

For the year ended 31 March 2019, there had been no changes in the interest of the UES in terms of dividend income, amounts of securities acquired or disposed. The Group engaged an independent external valuation expert, DTZ Cushman & Wakefield Limited (“DTZ”) to determine the recoverable amount of the UES. The recoverable amount of the investment has been determined on the basis of the present value of estimated future cash flows discounted at the current market rate of return for the similar financial assets.

The Group considered that the future prospect of the UES is 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. In view of the overall energy policy, the PRC government also set a goal to increase reliance on natural gas to 10% – 15% of total energy consumption by 2030, while natural gas consumption only accounted for 7.3% in 2017. Therefore, the Group considered that the income of the investee companies which are engaged in the operations of natural gas business is expected to grow steadily in the next 2 decades.

Save as disclosed, the Group did not have any significant investments. There was no plan authorised by the Board for any material investments or other additions of capital assets at the date of this announcement.

Looking ahead, the Group will proactively seek for business opportunities and new investment opportunities in order to further diversify the business activities of the Group to strengthen and broaden its revenue base.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

### **(i) Disposal of 70% of the issued shares in and shareholder’s loans due by Best Worldwide Corporation Limited (the “Disposal”)**

On 14 May 2018, Gold Continental Investments Limited (“Gold Continental”), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party (the “Purchaser”) pursuant to which Gold Continental has agreed to sell and the Purchaser has agreed to acquire 70% of the issued shares in and shareholder’s loans due by Best Worldwide Corporation Limited at the total cash consideration of HK\$79,000,000 (the “Disposal Agreement”). Best Worldwide Corporation Limited is an investment holding company and its wholly-owned subsidiaries are engaged in property investments and the principal assets are 9 villas and 36 commercial units situated at 中國廣東省陽江市漠江中路77號 (No. 77 Mo Jiang Zhong Road, Yangjiang City, Guangdong Province, PRC\*) with a total gross floor area of 10,149.53 square metres.

Gold Continental received HK\$55,000,000 from the Purchaser in cash as deposit on the date of the Disposal Agreement and received another HK\$24,000,000 from the Purchaser in cash in June 2018.

The Disposal is completed on 22 June 2018. Details of the Disposal were set out in the Company’s announcement dated 14 May 2018.

## **(ii) Disposal of investment property**

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. The disposal of investment property completed on 25 March 2019. The carrying value of the investment property on 25 March 2019 amounted to HK\$13,000,000, and accordingly, a fair value loss of HK\$1,000,000 was recognized for the year ended 31 March 2019.

## **CHARGES ON THE GROUP’S ASSETS**

As at 31 March 2019, the Group pledged the following assets to secure loans and bank loan facilities of the Group:

- (i) bank deposits in the total amount of approximately HK\$27,197,000 (2018: approximately HK\$27,807,000); and
- (ii) structured deposit in the total amount of approximately HK\$3,875,000 (2018: approximately HK\$3,875,000).

And, there was no outstanding finance lease payable of the Group as at 31 March 2019. A leased motor vehicle with carrying amount of approximately HK\$87,000 was charged to secure the Group’s finance lease payable as at 31 March 2018. Saved as disclosed, the Group did not have any charges on assets of the Group.

## **CONTINGENT LIABILITIES**

As at 31 March 2019 and 2018, the Group did not have any material contingent liabilities.

## **EMPLOYEE INFORMATION**

As at 31 March 2019, the Group had a total of 38 (2018: 57) employees, of which 16 (2018: 20) were based in Hong Kong while the rest were located in the PRC. The Group’s employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors’ emoluments, amounted to approximately HK\$27,299,000 for the year ended 31 March 2019 (2018: approximately HK\$29,635,000). Share options and bonuses are also available to the Group’s employees at the discretion of the Directors and depending upon the financial performance of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2019.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

During the year, 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.

## **EVENTS AFTER THE REPORTING PERIOD**

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2019 and up to the date of this announcement.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the year ended 31 March 2019, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules, with the exceptions of code provisions A.2.1.

Under code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual.

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 officer is responsible to undertake the day-to-day management of the Group's business.

Mr. Ma Chao was the chairman of the Board during the year ended 31 March 2019. 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 during the year ended 31 March 2019 respectively. 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.

## **SCOPE OF WORK**

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

## AUDIT COMMITTEE

The Company has an 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. Chiu Wai Piu, Mr. Cheung Kwan Hung 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 the quarterly reports, interim report and annual report and accounts of the Group; and overseeing the Company's financial reporting system, risk management and internal control procedures.

The audit committee has reviewed and discussed with the management and the external auditor the annual results for the year ended 31 March 2019 and has provided advice and comments thereon.

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

Hong Kong, 24 June 2019

*As at the date of this announcement, 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 announcement, for which the Directors 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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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.*

*This announcement will remain on the HKEX website at [www.hkexnews.hk](http://www.hkexnews.hk) 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](http://www.zhuoxinintl.com).*

*In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.*