



# 卓信國際控股有限公司

ZHUOXIN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8266

First Quarterly Report  
**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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*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 Zhuoxin International Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2019, together with the unaudited comparative figures for the corresponding period in 2018 as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2019

	Note	Three months ended 30 June	
		2019 HK\$'000	2018 HK\$'000
Revenue		124,734	158,023
Cost of sales		(120,481)	(151,784)
<b>Gross profit</b>		<b>4,253</b>	6,239
Other net income		212	128
Employment costs		(5,245)	(6,863)
Research and development expenses		(360)	(358)
Depreciation		(143)	(231)
Transportation expenses		(154)	(265)
Other operating expenses		(3,250)	(4,402)
<b>Loss from operations</b>		<b>(4,687)</b>	(5,752)
Finance costs	3	(982)	(1,389)
Gain on disposal of subsidiaries		-	7,673
Share of loss of associates		(56)	(50)
<b>(Loss)/Profit before tax</b>		<b>(5,725)</b>	482
Income tax expense	4	-	(15)
<b>(Loss)/Profit for the period</b>		<b>(5,725)</b>	467

		<b>Three months ended 30 June</b>	
		<b>2019</b>	2018
		<b>HK\$'000</b>	HK\$'000
	<i>Note</i>		
<b>Attributable to:</b>			
Owners of the Company		<b>(5,802)</b>	418
Non-controlling interests		<b>77</b>	49
		<b>(5,725)</b>	467
<b>(Losses)/Earnings per share (HK cents)</b>			
	5		
Basic		<b>(1.41)</b>	0.10
Diluted		<b>N/A</b>	N/A

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

For the three months ended 30 June 2019

	Three months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
<b>(Loss)/Profit for the period</b>	<b>(5,725)</b>	467
<b>Other comprehensive income/(loss):</b> <i>Items that may be subsequently or have been reclassified to profit or loss:</i>		
Exchange difference on translating foreign operations	559	(3,629)
Exchange difference on disposal of foreign operations	–	(1,774)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>559</b>	(5,403)
<b>Total comprehensive loss for the period</b>	<b>(5,166)</b>	(4,936)
<b>Attributable to:</b>		
Owners of the Company	(5,211)	(7,412)
Non-controlling interests	45	2,476
	<b>(5,166)</b>	(4,936)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2019

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium account HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Foreign currency translation reserve HK\$'000	FVTOCI reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2018	32,194	442,050	442,050	16,375	2,943	6,948	(18,668)	(381,703)	100,139	26,572	126,711
Total comprehensive income/(loss) for the period	-	-	-	-	-	(7,830)	-	418	(7,412)	2,476	(4,936)
Total transaction with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	(14,239)	(14,239)
At 30 June 2018	32,194	442,050	442,050	16,375	2,943	(882)	(18,668)	(381,285)	92,727	14,809	107,536
At 1 April 2019	32,194	442,050	442,050	16,375	2,943	(502)	(24,629)	(408,682)	59,749	14,214	73,963
Comprehensive income/(loss) for the period	-	-	-	-	-	-	-	(5,802)	(5,802)	77	(5,725)
Loss for the period	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-	-	591	-	-	591	(32)	559
Currency translation differences	-	-	-	-	-	591	-	(5,802)	(5,211)	45	(5,166)
At 30 June 2019	32,194	442,050	442,050	16,375	2,943	89	(24,629)	(414,484)	54,538	14,259	68,797

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation and accounting policies

The unaudited condensed consolidated results for the three months ended 30 June 2019 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 interpretation 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 2019.

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 2019 except as stated below.

## 2. Changes in accounting policies

HKICPA has issued a number of new and amended HKFRSs and interpretations that are first effective or available for early adoption for the Relevant Period. There have been no significant changes to the accounting policies applied in these financial statements for the Relevant Period presented as a result of these developments.

The preparation of the unaudited consolidated financial statements of the Group for the Relevant Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgments in the process of applying the Group’s accounting policies.

The unaudited consolidated financial statements for the Relevant Period have not been audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee.

### 3. Finance costs

	Unaudited	
	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Wholly repayable within five years		
– Interest on bank loans	482	805
– Interest on other loan	–	62
– Finance leases charges	–	3
– Interest on long term bonds	500	–
Not wholly repayable within five years based on repayment schedule		
– Interest on bank loans	–	19
– Interest on long term bonds	–	500
	<b>982</b>	<b>1,389</b>

### 4. Income tax expense

	Unaudited	
	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
– Provision for the period	–	–
Current tax – PRC Enterprise Income Tax		
– Provision for the period	–	15
Income tax expense	<b>–</b>	<b>15</b>



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 (2018: Nil).

No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements since the Group incurred tax losses for the three months ended 30 June 2019. PRC Enterprise Income Tax has been provided at a rate of 25% for three months ended 30 June 2018.

## 5. (Losses)/Earnings per share

### (a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the (losses)/earnings for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the three months ended 30 June 2019 and 2018.

	Three months ended 30 June	
	2019 Unaudited	2018 Unaudited
(Losses)/Earnings attributable to owners of the Company ( <i>HK\$ '000</i> )	<b>(5,802)</b>	418
Weighted number of ordinary shares in issue ('000)	<b>412,090</b>	412,090
Basic (losses)/earnings per share ( <i>HK cents</i> )	<b>(1.41)</b>	0.10

### (b) Diluted (losses)/earnings per share

No diluted (losses)/earnings per share is presented as the Company had no potential ordinary shares outstanding during the three months ended 30 June 2019 and 2018.

## 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 Compatibilities Solutions Advisory Services; and
- Property Development and Investment

### BUSINESS REVIEW

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

Revenue for the three months ended 30 June 2019 decreased 21.1%, from approximately HK\$158,023,000 in the same period last year to approximately HK\$124,734,000 in this year's period since our customers adopted prudent marketing strategies for their businesses due to trade war. The segment profit during this year's period was slightly decreased HK\$75,000 from approximately HK\$433,000 in the same period last year to approximately HK\$358,000 in this year's period.

#### **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 period, the Group has one property investment, which is located in Yangjiang City. The property investment located in Yangjiang City comprises 2 vacant lands of total site area of approximately 16,128 square meters, which are opened for sale currently.

## Prospects

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

The Group recorded an unaudited turnover of approximately HK\$124,734,000 for the three months ended 30 June 2019 (2018: approximately HK\$158,023,000), representing a decrease of 21.1% as compared to the corresponding period of last year. All revenue was generated from the trading of electronic parts and components business.

The Group records a loss for the three months ended 30 June 2019 of approximately HK\$5,725,000 as compared to a profit of approximately HK\$467,000 for the corresponding period in 2018. The decrease in profit was mainly attributable to the fact that the financial performance of the Group in 2018 included an one-off gain on disposal of subsidiaries for an amount of HK\$7,673,000. The exclusion of which would turn the net profit into a net loss. If the effects of above items are excluded, the Group would have reported a loss of approximately HK\$7,206,000 for last year's period, as compared to a loss of approximately HK\$5,725,000 for this year's period. The main reason of decrease of loss was due to the fact that the management implemented the cost control policy effectively during the period.

The turnaround of profit attributable to owners of the Company of approximately HK\$418,000 in same period last year to loss attributable to owners of the Company of approximately HK\$5,802,000 was recorded.

## DIVIDEND

The Board of Directors (the "Board") does not recommend the payment of dividend for the three months ended 30 June 2019 (2018: Nil).

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

The equity instrument at FVTOCI with fair value of approximately HK\$38,600,000 is regarded as significant investments held by the Company and accounts for approximately 14.9% of the Group's total assets as at 30 June 2019. 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 International Limited ("Coulman"). 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 three months ended 30 June 2019, Coulman recorded unaudited revenue of approximately HK\$73,830,000, unaudited profit before taxation of approximately HK\$19,160,000 and unaudited profit after taxation of approximately HK\$18,828,000.

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.

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

As at 30 June 2019, 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 Directors	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 (Note 1)	262,096,789	63.60%
Mr. Cheung Kwan Hung	Beneficial owner	Personal interest	200	0.00%

#### Notes:

- 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.
- As at 30 June 2019, the Company had a total of 412,089,994 shares in issue.

Save as disclosed above, as at 30 June 2019, 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 30 June 2019, 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 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 and 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 30 June 2019.

## SHARE OPTIONS

For the three months ended 30 June 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under 2013 Share Option Scheme.

## 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 three months ended 30 June 2019.

## 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 three months ended 30 June 2019, 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 except for the deviations from code provision 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.



## 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 confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the period ended 30 June 2019.

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.

## 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. 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 auditor's 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 three months ended 30 June 2019 and has provided advice and comments thereon.

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

Hong Kong, 12 August 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.*