



# 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



INTERIM REPORT  
**2019**

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## 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 six months ended 30 September 2019, together with the unaudited comparative figures for the corresponding periods in 2018 as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 September 2019

	Note	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	3	152,689	108,591	277,423	266,614
Cost of sales		(147,547)	(104,033)	(268,028)	(255,817)
<b>Gross profit</b>		<b>5,142</b>	4,558	<b>9,395</b>	10,797
Other net income		91	246	303	374
Employment costs		(6,234)	(6,810)	(11,479)	(13,673)
Research and development expenses		(370)	197	(730)	(161)
Depreciation		(1,628)	(196)	(1,771)	(427)
Transportation expenses		(175)	(141)	(329)	(406)
Other operating expenses		(1,145)	(2,832)	(4,395)	(7,234)
Expected credit loss on financial assets		(454)	-	(454)	-
<b>Loss from operations</b>		<b>(4,773)</b>	(4,978)	<b>(9,460)</b>	(10,730)
Finance costs	4	(988)	(1,278)	(1,970)	(2,667)
Gain on disposal of subsidiaries		-	-	-	7,673
Share of losses of associates		(51)	(66)	(107)	(116)
<b>Loss before tax</b>		<b>(5,812)</b>	(6,322)	<b>(11,537)</b>	(5,840)
Income tax expense	5	-	(16)	-	(31)
<b>Loss for the period</b>		<b>(5,812)</b>	(6,338)	<b>(11,537)</b>	(5,871)

	<i>Note</i>	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>Attributable to:</b>					
Owners of the Company		(5,724)	(6,437)	(11,526)	(6,019)
Non-controlling interests		(88)	99	(11)	148
		<u>(5,812)</u>	<u>(6,338)</u>	<u>(11,537)</u>	<u>(5,871)</u>
<b>Loss per share (HK cents)</b>					
	6				
Basic		<u>(1.39)</u>	(1.56)	<u>(2.80)</u>	<u>(1.46)</u>
Diluted		<u>N/A</u>	N/A	<u>N/A</u>	N/A

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

For the three months and six months ended 30 September 2019

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>Loss for the period</b>	<b>(5,812)</b>	<b>(6,338)</b>	<b>(11,537)</b>	<b>(5,871)</b>
<b>Other comprehensive income/(loss):</b>				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	2,307	(3,234)	2,866	(6,863)
Exchange differences on disposal of foreign operations	-	-	-	(1,774)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>2,307</b>	<b>(3,234)</b>	<b>2,866</b>	<b>(8,637)</b>
<b>Total comprehensive loss for the period</b>	<b>(3,505)</b>	<b>(9,572)</b>	<b>(8,671)</b>	<b>(14,508)</b>
<b>Attributable to:</b>				
Owners of the Company	(3,287)	(9,621)	(8,498)	(17,033)
Non-controlling interests	(218)	49	(173)	2,525
	<b>(3,505)</b>	<b>(9,572)</b>	<b>(8,671)</b>	<b>(14,508)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		<b>Unaudited 30 September 2019 HK\$'000</b>	Audited 31 March 2019 HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	833	1,068
Goodwill		24,911	24,911
Intangible asset		4,054	4,054
Equity instrument at FVTOCI		38,600	38,600
Right-of-use assets		3,454	–
Structured deposit		3,875	3,875
Investments in associates		13,928	14,035
		<b>89,655</b>	<b>86,543</b>
<b>Current assets</b>			
Inventories		8,480	5,921
Trade, bills and other receivables, deposits and prepayments	9	95,533	65,302
Properties under development		38,142	39,532
Pledged bank deposits		25,635	27,197
Bank and cash balances		18,976	54,955
		<b>186,766</b>	<b>192,907</b>

		<b>Unaudited 30 September 2019 HK\$'000</b>	Audited 31 March 2019 HK\$'000
	<i>Note</i>		
<b>Current liabilities</b>			
Trade and other payables and receipt in advance	10	<b>114,382</b>	103,097
Due to an associate		<b>19,371</b>	22,515
Lease liabilities (current)		<b>2,933</b>	–
Bank and other loans	11	<b>33,872</b>	39,875
Unsecured Bonds		<b>40,000</b>	–
		<b>210,558</b>	165,487
<b>Net current (liabilities) assets</b>			
		<b>(23,792)</b>	27,420
<b>Total assets less current liabilities</b>			
		<b>65,863</b>	113,963
<b>Non-current liabilities</b>			
Unsecured bonds		–	40,000
Lease liabilities (non-current)		<b>571</b>	–
		<b>571</b>	40,000
<b>NET ASSETS</b>			
		<b>65,292</b>	73,963
<b>Capital and reserves</b>			
Share capital	12	<b>32,194</b>	32,194
Reserves		<b>19,057</b>	27,555
Equity attributable to owners of the Company		<b>51,251</b>	59,749
Non-controlling interests		<b>14,041</b>	14,214
<b>TOTAL EQUITY</b>			
		<b>65,292</b>	73,963

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	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	FVTOCI reserve HK\$'000	ECL reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 April 2018</b>	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	-	-	-	-	-	(18,668)	(151)	21,452	2,633	-	2,633
Restated balance at 1 April 2018	32,194	442,050	16,375	2,943	6,948	(18,668)	(151)	(381,703)	99,988	26,572	126,560
<b>Comprehensive income</b>											
Profit for the period	-	-	-	-	-	-	120	(6,019)	(5,899)	148	(5,751)
<b>Other comprehensive income/(loss)</b>											
Currency translation differences	-	-	-	-	(9,240)	-	-	-	(9,240)	2,377	(6,863)
- Group	-	-	-	-	(1,774)	-	-	-	(1,774)	-	(1,774)
- Release upon disposal of subsidiaries	-	-	-	-	(11,014)	-	120	(6,019)	(16,913)	2,525	(14,388)
<b>Total transaction with owners, recognised directly in equity</b>											
Discontinuation of non-controlling interests upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(14,239)	(14,239)
<b>At 30 September 2018</b>	32,194	442,050	16,375	2,943	(4,066)	(18,668)	(31)	(387,772)	83,075	14,858	97,933
<b>At 1 April 2019</b>	32,194	442,050	16,375	2,943	(502)	(24,629)	-	(408,682)	59,749	14,214	73,963
<b>Comprehensive loss</b>											
Loss for the period	-	-	-	-	-	-	-	(11,526)	(11,526)	(11)	(11,537)
<b>Other comprehensive income/(loss)</b>											
Currency translation differences	-	-	-	-	3,028	-	-	-	3,028	(162)	2,866
- Group	-	-	-	-	3,028	-	-	(11,526)	(8,498)	(173)	(8,671)
<b>At 30 September 2019</b>	32,194	442,050	16,375	2,943	2,526	(24,629)	-	(420,208)	51,251	14,041	65,292



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000</b>	2018 HK\$'000
Net cash (used in)/generated from operating activities	<b>(31,089)</b>	10,929
Net cash (used in)/generated from investing activities	<b>(1,279)</b>	78,015
Net cash used in financing activities	<b>(7,871)</b>	(69,009)
Net (decrease)/increase in cash and cash equivalents	<b>(40,239)</b>	19,935
Effect of foreign exchange rate changes	<b>4,260</b>	(4,082)
Cash and cash equivalents at 1 April	<b>54,955</b>	38,849
Cash and cash equivalents at 30 September	<b>18,976</b>	54,702
Analysis of cash and cash equivalents:		
Bank and cash balances	<b>18,976</b>	54,702

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation and accounting policies

The unaudited condensed consolidated results for the three months and six months ended 30 September 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.

As at 30 September 2019, the Group had net debt (i.e. total short-term borrowings and other debts less cash and cash equivalent and pledged bank deposits) of approximately HK\$29,261,000.

In preparing the condensed consolidated financial statements, the directors have given careful consideration to the future liquidity and financial positions of the Group in light of the condition described in the preceding paragraph. The Directors reviewed the Group’s financial and liquidity position, and have taken the following actions to mitigate the liquidity issues faced by the Group:

- (a) possible fund-raising activities including, but not limited to, further placing, rights issues or open offer are to be attempted;
- (b) the Group is in negotiation with financial institutions for new borrowings and applying for future credit facilities;
- (c) the management plans to improve the Group’s financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business which will provide a growing and recurring source of income; and
- (d) the management of the Group will look for the opportunities to liquidate the non-core assets.

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

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Lease
HK(IFRIC) –Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### ***Impacts and changes in accounting policies of application on HKFRS16 Lease***

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

#### *(a) Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

After the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

## 2. Adoption of New and revised Hong Kong Financial Reporting Standards (Continued)

### *Impacts and changes in accounting policies of application on HKFRS16 Lease (Continued)*

#### *(a) Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

As a lessee

#### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

## 2. Adoption of New and revised Hong Kong Financial Reporting Standards (Continued)

### *Impacts and changes in accounting policies of application on HKFRS16 Lease (Continued)*

(a) *Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

As a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivables;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

## 2. Adoption of New and revised Hong Kong Financial Reporting Standards (Continued)

### *Impacts and changes in accounting policies of application on HKFRS16 Lease (Continued)*

(a) *Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

As a lessee (Continued)

#### Lease liabilities (Continued)

The Group re-measures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

#### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## 2. Adoption of New and revised Hong Kong Financial Reporting Standards (Continued)

### *Impacts and changes in accounting policies of application on HKFRS16 Lease (Continued)*

#### (b) *Impact of application of HKFRS 16*

The following table summarises the impact of transition to HKFRS 16 on the condensed consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

Condensed consolidated statements of financial position as at 1 April 2019:	HK\$
Right-of-use assets	5,059
Lease liabilities (non-current)	1,993
Lease liabilities (current)	3,066

The following reconciliation explains how the operating lease commitments disclosed by applying HKAS 17 as of 31 March 2019 could be reconciled to the lease liabilities on the date of initial application of HKFRS 16 recognised in the condensed consolidated statement of financial position as at 1 April 2019:

Reconciliation of operating lease commitment to lease liabilities	HK\$
Operating lease commitment as of 31 March 2019	5,255
Lease: Future interest expenses	(196)
Total lease liabilities as of 1 April 2019	5,059

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 April 2019 is 4.88%.

### 3. Segment information

The Group has 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

Segment profit or loss does not include unallocated corporate results.

Information about reportable segment profit or loss:

	Unaudited Six months ended 30 September							
	Trading of electronic parts and components		Property development		Property investment		Total	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue from external customers	277,423	266,614	–	–	–	–	277,423	266,614
Segment profit/(loss)	59	910	(2,094)	4,133	–	(27)	(2,035)	5,016

#### Reconciliations of reportable segment profit or loss:

	Unaudited Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Total (loss)/profit of reportable segments	(2,035)	5,016
Unallocated corporate results	(9,502)	(10,887)
Consolidated loss for the period	(11,537)	(5,871)



#### 4. Finance costs

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Wholly repayable within five years				
– Interest on bank loans	386	760	868	1,565
– Interest on other loan	–	–	–	62
– Finance lease charges	–	–	–	3
– Interest on lease liabilities	102	–	102	–
Not wholly repayable within five years based on repayment schedules				
– Interest on bank loans	–	18	–	37
– Interest on long term bonds	500	500	1,000	1,000
	<b>988</b>	<b>1,278</b>	<b>1,970</b>	<b>2,667</b>

#### 5. Income tax expense

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Current tax – Hong Kong Profits Tax				
– Provision for the period	–	–	–	–
Current tax – PRC Enterprise Income Tax				
– Provision for the period	–	16	–	31
	–	16	–	31
Deferred tax				
– Hong Kong Profits Tax	–	–	–	–
Income tax expense	–	16	–	31

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 six months ended 30 September 2019. PRC Enterprise Income Tax has been provided at a rate of 25% for six months ended 30 September 2018.

## 6. Loss per share

### (a) Basic loss per share

The calculation of basic loss per share is as follows:

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2019	2018	2019	2018
Loss for the period attributable to owners of the Company (HK\$'000)	<u>(5,724)</u>	<u>(6,437)</u>	<u>(11,526)</u>	<u>(6,019)</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>(1.39)</u>	<u>(1.56)</u>	<u>(2.80)</u>	<u>(1.46)</u>

### (b) Diluted loss per share

No diluted earnings per share is presented as the Company had no potential ordinary shares outstanding during the six months ended 30 September 2019.

## 7. Dividend

The Directors did not declare nor propose any dividends in respect of the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

## 8. Property, plant and equipment

During the six months ended 30 September 2019, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK\$6,000 (six months ended 30 September 2018: approximately HK\$846,000).

No property, plant and equipment were disposed during the six months ended 30 September 2019 (2018: Nil).

The Group had no significant commitments for the purchase of property, plant and equipment as at 30 September 2019 and 31 March 2019.

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

	<b>Unaudited 30 September 2019 HK\$'000</b>	Audited 31 March 2019 HK\$'000
Trade receivables	57,620	33,916
Bills receivables	107	1,773
Other receivables	4,616	5,170
Deposits and prepayments	33,190	24,443
	<b>95,533</b>	65,302

The ageing analysis of trade receivables is as follows:

	<b>Unaudited 30 September 2019 HK\$'000</b>	Audited 31 March 2019 HK\$'000
0 to 30 days	31,138	19,590
31 to 60 days	12,864	8,314
61 to 90 days	5,698	3,528
Over 90 days	7,920	2,484
	<b>57,620</b>	33,916

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

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

	<b>Unaudited 30 September 2019 HK\$'000</b>	Audited 31 March 2019 HK\$'000
Trade payables	<b>64,620</b>	64,375
Other payables	<b>45,148</b>	35,021
Receipt in advance	<b>3,153</b>	2,240
Bond interest payables	<b>1,461</b>	1,461
	<b>114,382</b>	103,097

The ageing analysis of trade payables is as follows:

	<b>Unaudited 30 September 2019 HK\$'000</b>	Audited 31 March 2019 HK\$'000
0 to 30 days	<b>47,950</b>	16,274
31 to 60 days	<b>16,627</b>	34,302
61 to 90 days	<b>43</b>	13,799
	<b>64,620</b>	64,375

## 11. Bank and other loans

	<b>Unaudited 30 September 2019 HK\$'000</b>	Audited 31 March 2019 HK\$'000
Bank invoice loans	<b>33,872</b>	39,875

The bank and other loans are secured by the investment properties, leasehold properties, properties owned by directors and related persons of a subsidiary, pledged bank deposits, personal guarantee with unlimited amount executed by directors and related persons of subsidiaries and corporate guarantees provided by the Company and a subsidiary of the Company.

Bank and other loans of approximately HK\$33,872,000 (31 March 2019: approximately HK\$39,875,000) denominated in US\$.

The effective annual interest rates on the bank loans range from 4.18% to 5.75% per annum.

## 12. Share capital

	Number of shares	Amount HK\$'000
Ordinary shares of US\$0.01 each		
<i>Authorised:</i>		
At 1 April 2018, 31 March 2019 and 30 September 2019	<u>40,000,000,000</u>	<u>312,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2018, 31 March 2019 and 30 September 2019	<u>412,089,994</u>	<u>32,194</u>

## 13. Contingent Liabilities

There have been no material changes in contingent liabilities at 30 September 2019 and 31 March 2019.

## 14. Related parties transactions

The Group's key management personnel compensation for the six months ended 30 September 2019 amounted to approximately HK\$1,895,000 (six months ended 30 September 2018: approximately HK\$3,820,000).

## 15. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are categorised into three levels as follows:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group has no financial instruments that are measured at fair values as at 30 September 2019 and 31 March 2019.

## 16. Event after the reporting period

There is no material subsequent event undertaken by the Company or by the Group after 30 September 2019 and up to the date of this interim 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) 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 six months ended 30 September 2019 increased 4.05%, from approximately HK\$266,614,000 in the same period last year to approximately HK\$277,423,000 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 decreased HK\$851,000 from approximately HK\$910,000 in the same period last year to approximately HK\$59,000 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\$277,423,000 for the six months ended 30 September 2019 (2018: approximately HK\$266,614,000), representing a increase of 4.05% 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 six months ended 30 September 2019 of approximately HK\$11,537,000 as compared to approximately HK\$5,871,000 for the corresponding period in 2018.

Loss attributable to owners of the Company for the six months ended 30 September 2019 was approximately HK\$11,526,000, representing a increase of 91.5% as compared with approximately HK\$6,019,000 for the corresponding period in 2018.

### Dividend

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

### Liquidity, Financial Resources and Gearing

The Group financed its operations with the revenue generated from its operations and banking facilities provided by its bankers in Hong Kong. At 30 September 2019, the Group had total outstanding indebtedness of approximately HK\$73,872,000 which comprised of bank and other loans and unsecured bonds (31 March 2019: approximately HK\$79,875,000).

All (31 March 2019: 49.9%) of the indebtedness are considered as current liabilities and repayable within one year in 2020. HK and US dollar denominated indebtedness accounted for 54.1% (31 March 2019: 50.1%) and 45.9% (31 March 2019: 49.9%) of the total indebtedness respectively.

45.9% (31 March 2019: 49.9%) of the indebtedness are interest bearing bank loans on floating rate terms, the effective annual interest rates range from 4.18% to 5.75% (31 March 2019: 4.5% to 5.76%); 54.1% (31 March 2019: 50.1%) are seven-year 5% coupon straight bonds due 2020.

At 30 September 2019, the Group had cash reserves of approximately HK\$18,976,000 (31 March 2019: approximately HK\$54,955,000). Most of the cash reserves were placed with major banks in Hong Kong and the PRC. 97.7% (31 March 2019: 98.4%) of the Group's cash and cash equivalents (comprising cash on hand and bank balances) were denominated in HK dollar or US dollar, whereas 2.3% (31 March 2019: 1.6%) were denominated in Renminbi.



The gearing ratio as at 30 September 2019 was 113.1% (31 March 2019: 108.0%). The gearing ratio was derived by dividing the total indebtedness of approximately HK\$73,872,000 (31 March 2019: approximately HK\$79,875,000) by the amount of shareholders' equity of approximately HK\$65,292,000 (31 March 2019: approximately HK\$73,963,000). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 88.7% (31 March 2019: 116.6%).

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 cost control, expansion of current businesses, the securing of additional loan facilities and/or raising funds from the capital market.

## **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 has been implemented.

## **Share Capital**

There was no change in the share capital of the Company during the six months ended 30 September 2019.

## **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 September 2019 (31 March 2019: Nil).

## **Employee Information**

As at 30 September 2019, the Group had an aggregate of 38 (31 March 2019: 38) employees of which 16 (31 March 2019: 16) 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\$11,479,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: approximately HK\$13,673,000). 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.

## 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 14.0% of the Group's total assets as at 30 September 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 six months ended 30 September 2019, Coulman recorded unaudited revenue of approximately HK\$134,139,000, unaudited profit before taxation of approximately HK\$24,740,000 and unaudited profit after taxation of approximately HK\$23,294,000.

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 September 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:

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 30 September 2019, the Company had a total of 412,089,994 shares in issue.

Save as disclosed above, as at 30 September 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 September 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 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 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 September 2019.

## SHARE OPTIONS

For the six months ended 30 September 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 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 six months ended 30 September 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 six months ended 30 September 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, with the exceptions of code provisions A.2.1 and E.1.2.

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 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 six months ended 30 September 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.

## 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 2019 Annual Report are set out as follows:

Mr. Zhang Shourong resigned as executive Director, a member of the nomination committee and the remuneration committee with effect from 9 September 2019.

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 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 procedures.

The audit committee has reviewed the unaudited results for the six months ended 30 September 2019 and has provided advice and comments thereon.

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

Hong Kong, 14 November 2019

*As at the date of this report, the Board comprises two executive Directors, namely, Mr. Ma Chao (Chairman) 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](http://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](http://www.zhuoxinintl.com).*