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# ZZ CAPITAL INTERNATIONAL LIMITED
# 中植資本國際有限公司

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

**(Stock Code: 08295)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

*This announcement, for which the directors (the "Directors") of ZZ Capital International Limited 中植資本國際有限公司 (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 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.*

## FINANCIAL HIGHLIGHTS

- Revenue for the Year increased to approximately HK$16.97 million (2019: HK$3.94 million).
- Net investment income was approximately HK$54.28 million (2019: net investment loss HK$84.99 million).
- Operating expenses decreased to approximately HK$64.39 million (2019: HK$186.90 million).
- Profit for the Year was approximately HK$1.59 million (2019: loss of HK$284.71 million).
- Basic and diluted earnings per share was HK0.04 cent (2019: Basic and diluted losses per share HK8.02 cents).
- Total assets increased to approximately HK$731.85 million (2019: HK$714.88 million); shareholders' equity increased to approximately HK$709.89 million (2019: HK$705.18 million).
- No dividends being declared for the Year (2019: Nil).

## ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of ZZ Capital International Limited 中植資本國際有限公司 (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2020 (the "Year"), together with the relevant comparative figures for the previous financial year as follows:

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

*For the year ended 31 March 2020*

| | *Notes* | **2020**<br>***HK$'000*** | 2019<br>*HK$'000* |
|---|---|---|---|
| Revenue | | | |
| Corporate advisory income | *3* | **15,388** | 1,630 |
| Loan interest income | *3* | **1,581** | 2,305 |
| Total revenue | | **16,969** | 3,935 |
| Net investment income (loss) | *4* | **54,275** | (84,992) |
| Interest income | *4* | **14,153** | 9,009 |
| Other losses | *4* | **(19,232)** | (24,945) |
| Operating expenses | | **(64,385)** | (186,903) |
| Profit (loss) before tax | | **1,780** | (283,896) |
| Income tax expense | *5* | **(191)** | (813) |
| Profit (loss) for the year | *6* | **1,589** | (284,709) |
| Other comprehensive income (loss): | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **13** | (523) |
| Reclassification of translation reserve upon deregistration of subsidiaries | | **3,110** | – |
| Total comprehensive income (loss) for the year | | **4,712** | (285,232) |
| Earnings (losses) per share attributable to owners of the Company | | | |
| — Basic (HK cents) | *8* | **0.04** | (8.02) |
| — Diluted (HK cents) | *8* | **0.04** | (8.02) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2020*

| | *Notes* | **2020** **HK$'000** | 2019 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | | **222** | 851 |
| Loan receivables | | **17,168** | 16,002 |
| Right-of-use assets | | **6,928** | – |
| Deposits | | **2,241** | 2,341 |
| | | **26,559** | 19,194 |
| **Current assets** | | | |
| Trade receivables | *9* | **3,513** | 52 |
| Convertible loan receivable at fair value through profit or loss ("FVTPL") | *10* | **–** | 167,986 |
| Other assets and receivables | *11* | **221,542** | 40,573 |
| Financial assets at FVTPL | | **3,584** | 6,828 |
| Tax recoverable | | **2,597** | 2,597 |
| Cash held on behalf of clients | | **3** | 3 |
| Bank balances and cash | | **474,053** | 477,651 |
| | | **705,292** | 695,690 |
| **Current liabilities** | | | |
| Trade payables | *12* | **3** | 3 |
| Other payables and accruals | | **11,433** | 5,200 |
| Tax payable | | **3,583** | 4,499 |
| Lease liabilities | | **3,931** | – |
| | | **18,950** | 9,702 |
| **Net current assets** | | **686,342** | 685,988 |
| **Non-current liability** | | | |
| Lease liabilities | | **3,007** | – |
| **Net assets** | | **709,894** | 705,182 |
| **Equity** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | *13* | **35,505** | 35,505 |
| Reserves | | **674,389** | 669,677 |
| **Total equity** | | **709,894** | 705,182 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2020*

| | Share capital | Share premium | Contributed surplus | Translation reserve | Retained profits (Accumulated loss) | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | *(Note i)* | *(Note ii)* | | | |
| At 1 April 2018 | 35,505 | 706,245 | 9,000 | (2,631) | 242,295 | 990,414 |
| Loss for the year | – | – | – | – | (284,709) | (284,709) |
| Other comprehensive loss for the year | – | – | – | (523) | – | (523) |
| Total comprehensive loss for the year | – | – | – | (523) | (284,709) | (285,232) |
| **At 31 March 2019** | **35,505** | **706,245** | **9,000** | **(3,154)** | **(42,414)** | **705,182** |
| Profit for the year | **–** | **–** | **–** | **–** | **1,589** | **1,589** |
| Other comprehensive income for the year | **–** | **–** | **–** | **3,123** | **–** | **3,123** |
| Total comprehensive income for the year | **–** | **–** | **–** | **3,123** | **1,589** | **4,712** |
| **At 31 March 2020** | **35,505** | **706,245** | **9,000** | **(31)** | **(40,825)** | **709,894** |

*Note i:* The Group's share premium represents the proceeds received from share issuance, net of any directly attributable transaction costs credited to share capital and/or share premium.

*Note ii:* The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation prior to the listing, over the nominal value of the Company's shares issued in exchange thereafter.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2020*

## 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. They have been prepared on the historical cost basis, except for financial instruments that are measured at fair value. The consolidated financial statements are presented in Hong Kong dollars, which is also the Company's functional currency. All values are rounded to the nearest thousand except when otherwise indicated. The preparation of the consolidated financial statements in accordance with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

**New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year:

| | |
|---|---|
| HKFRS 16 | Leases |
| 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 year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**Impacts and changes in accounting policies on application of HKFRS 16 Leases**

At 1 April 2019, the Group recognised lease liabilities of HK$10,780,000 and the related right-of-use assets of HK$10,870,000 at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rate of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 2.28%.

## 3. REVENUE AND SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision-maker ("CODM"), responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

The CODM, who allocates resources and assess performance based on the consolidated financial information for the entire business, considers the Group operates only in the provision of corporate advisory services and loan financing services. Information reported to the CODM for the purposes of resource allocation and assessment focuses on revenue analysis by services provided. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, the Group does not present separate segment information other than entity-wide disclosures, major customers and geographic information.

Revenue represents the net amounts received and receivable for the provision of corporate advisory services and loan financing services.

An analysis of the Group's revenue from major services are as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Corporate advisory income | **15,388** | 1,630 |
| Loan interest income | **1,581** | 2,305 |
| | **16,969** | 3,935 |
| A point in time | **15,388** | 1,630 |
| Over time | **1,581** | 2,305 |
| | **16,969** | 3,935 |

All services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

**Geographical information**

***(a) Revenue from external customers***

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **2,869** | 2,902 |
| The People's Republic of China ("the PRC") | **12,551** | 628 |
| The United States of America (the "USA") | **1,549** | 405 |
| | **16,969** | 3,935 |

The revenue information above is based on the location of the customers.

***(b) Non-current assets***

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **7,150** | 847 |
| Israel | **–** | 4 |
| | **7,150** | 851 |

The non-current asset information is based on the location of assets and excludes financial instruments (e.g. loan receivables and deposits).

**Information about major customers**

Revenue from the major customers amounting to 10% or more of the Group's revenue is set out below:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A[1] | **5,835** | – |
| Customer B[1] | **4,296** | – |
| Customer C[1] | **2,349** | – |
| Customer D[2] | **–** | 405 |
| Customer E[1] | **–** | 410 |
| Customer F[3] | **–** | 2,850 |

1 Income from corporate advisory

2 Income from loan interest

3 Income from corporate advisory and loan interest

## 4. NET INVESTMENT INCOME (LOSS)/INTEREST INCOME/OTHER LOSSES

An analysis of the net investment income (loss), interest income and other losses is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Net investment income (loss)** | | |
| Net fair value loss on financial assets at FVTPL | **(3,218)** | (3,575) |
| Fair value gain (loss) on convertible loan receivable at FVTPL *(Note 10)* | **57,366** | (81,419) |
| Dividend income | **127** | 2 |
| | **54,275** | (84,992) |
| **Interest income** | | |
| Interest income from financial assets at amortised cost | | |
| — Bank deposits | **5,325** | 9,009 |
| Interest income from financial assets at FVTPL | | |
| — Structured deposit | **8,828** | – |
| | **14,153** | 9,009 |
| **Other losses** | | |
| Loss on disposal of plant and equipment | **–** | (7,180) |
| Loss on exchange differences | **(16,122)** | (8,903) |
| Loss on early termination of operating lease agreements | **–** | (8,862) |
| Loss on deregistration of subsidiaries | **(3,110)** | – |
| | **(19,232)** | (24,945) |

## 5. INCOME TAX EXPENSE

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| PRC Enterprise Income Tax ("EIT") | **2,175** | 635 |
| The USA Federal, State New York City Income Tax | **–** | 15 |
| United Kingdon ("UK") Corporation Tax | **–** | 136 |
| Israel Corporation Tax | **–** | 18 |
| | **2,175** | 804 |
| Under (over) provision in prior years | | |
| Hong Kong Profits Tax | **–** | 9 |
| EIT | **831** | – |
| UK Corporation Tax | **(2,815)** | – |
| | **(1,984)** | 9 |
| Income tax expense | **191** | 813 |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million is taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime continues to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The U.S. Tax Cuts and Jobs Act (the "Act") was enacted into law on 22 December 2017. The Act includes significant changes to the U.S. corporate income tax system that are effective on 1 January 2018, including a reduction of the U.S. corporate income tax rate from 35% to 21%. The Directors considered the Act has no significant impact to the consolidated financial statements.

The corporation tax rate in the UK is 19% for both years.

The corporation tax rate in the Israel is 23% for both years.

## 6. PROFIT (LOSS) FOR THE YEAR

The Group's profit (loss) for the year has been arrived at after charging:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditor's remuneration | **1,823** | 1,080 |
| Legal and professional fees | **31,627** | 50,263 |
| Employee benefit expense (including directors' remuneration): | | |
| — Salaries, wages and allowances | **20,292** | 72,450 |
| — Discretionary bonus | **231** | 6,543 |
| — Retirement benefits scheme contributions | **278** | 261 |
| Interest on lease liabilities | **206** | – |
| Depreciation of plant and equipment | **290** | 2,057 |
| Depreciation of right-of-use assets | **3,942** | – |

## 7. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

## 8. EARNINGS (LOSSES) PER SHARE

The calculation of the basic and diluted earnings (losses) per share attributable to the owners of the Company is based on the following data.

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Earnings (losses): | | |
| Profit (losses) for the year attributable to owners of the Company | **1,589** | (284,709) |

| | **2020** | 2019 |
|---|---|---|
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings (losses) per share | **3,550,496,836** | 3,550,496,836 |

Diluted earnings (losses) per share amount was the same as basic earnings (losses) per share amount as there were no potential dilutive ordinary shares outstanding for the year ended 31 March 2020 (2019: nil).

## 9. TRADE RECEIVABLES

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contract with customers | **3,513** | 52 |

The Group's trade receivables arose generally from the provision of corporate advisory services.

All trade receivables are aged within 90 days based on invoice date at the end of the reporting period.

## 10. CONVERTIBLE LOAN RECEIVABLE AT FVTPL

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Convertible loan receivable at FVTPL | **–** | 167,986 |

On 7 September 2017, ZZCI Corporate Services Limited (the "Lender" or "ZZCICS"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement ("Loan Agreement") and a security agreement ("Security Agreement") over shares with Geoswift Holding Limited (the "Borrower"), an independent third party of the Group, pursuant to which the Lender agreed to grant a loan facility of up to US$31,000,000 to the Borrower for a term of 18 months at interest rate of 7% per annum ("PayEase Loan") with 3,053 shares of Geopay Holding Limited ("Geopay") registered in the name of the Borrower that are mortgaged and charged in favour of the Lender as collateral ("Collateral"). The provision of the loan facility allows the Borrower to fund Geopay to finance the payment of part of the consideration for the acquisition of PayEase Beijing (HK) Limited and PayEase (Hong Kong) Limited which was completed by Geopay on 11 December 2017. In connection with the loan facility, on 7 September 2017, the Borrower granted a call option over 2,000 ordinary shares out of 10,000 shares of Geopay to the Lender, representing a 20% interest in Geopay, at an exercise price of US$31,000,000. The total number of outstanding shares of Geopay can be increased to 13,000 at the discretion of Geopay as permitted in the agreement, resulting in a conversion of the Group's interest over Geopay to below 20% at the time of exercise of the call option by the Group.

On at 31 March 2020, ZZCICS entered into an assignment and assumption deed with Dragon Ocean Development Ltd. ("Dragon Ocean"), an independent third party of the Group, pursuant to which ZZCICS has agreed to assign, and Dragon Ocean has agreed to accept the assignment of, the ZZCICS's right, title, benefits and interests in the Loan Agreement and Security Agreement at cash consideration of US$28,000,000 (equivalent to approximately HK$217,120,000), which is included in other receivable as at 31 March 2020. A fair value gain of HK$57,366,000 has been recognised. Subsequent to the year ended 31 March 2020, the consideration was fully settled by Dragon Ocean.

Details of the above transaction were disclosed in the announcement of the Company dated 7 September 2017 and 31 March 2020.

## 11. OTHER ASSETS AND RECEIVABLES

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Prepayments | **883** | 819 |
| Refundable rental and management fee deposits | **–** | 36,037 |
| Other receivable *(note)* | **217,120** | – |
| Others | **3,539** | 3,717 |
| | **221,542** | 40,573 |

*Note*: As at 31 March 2020, the balance represents consideration receivable from Dragon Ocean, in connection with the assignment of the Group's convertible loan receivable. The amount has been received in full subsequent to the year ended 31 March 2020. Details are set out in note 10.

## 12. TRADE PAYABLES

Included in trade payables are payables for clients monies of approximately HK$3,000 (2019: HK$3,000) which are segregated in the trust accounts.

## 13. SHARE CAPITAL

| | **Number of shares** | **Amount** |
|---|---|---|
| | | *HK$'000* |
| Ordinary shares of HK$0.01 each | | |
| Authorised: | | |
| As at 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020 | 10,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| As at 1 April 2018, 31 March 2019, 1 April 2019, and 31 March 2020 | 3,550,496,836 | 35,505 |

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2019: Nil).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 6 August 2020 to Tuesday, 11 August 2020 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (the "AGM"). During which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong Branch Share Registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 5 August 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the Year, the Company focused on adjusting its overseas strategy and narrowing the scope of its business, with positive progress made in this respect, including the completion of the deregistration of its overseas subsidiaries in the UK and Israel.

On 19 August 2019, the Company entered into a memorandum of understanding ("MOU") with the potential sellers with regard to a potential acquisition of a public company established in China (the "Target Company"). The Target Company mainly provides internet-based back-office services, internet integrated marketing services and smart data solutions. The Group has continued to push forward the potential acquisition and is actively negotiating with the potential sellers. Further announcement(s) will be made to provide more details as and when appropriate. The Board considers that the potential acquisition provides a good opportunity for the Group to diversify its business and revenue sources, thereby increasing the shareholders' value.

To achieve the Group's new development strategy, the management of the Company underwent certain changes. On 29 August 2019, Ms. Duan Di resigned as the Company's executive director, chairman of the board, chairman of the nomination committee and member of the remuneration committee, and Ms. Zhang Yun resigned as the Company's executive director, chief executive officer, compliance officer and authorized representative. Mr. Niu Zhanbin, a veteran with internet background, was appointed as the Company's executive director, chairman of the board, chief executive officer, chairman of the nomination committee and member of the remuneration committee. Mr. Wu Hui, the Company's chief operating officer, was appointed as the Company's executive director, compliance officer and authorized representative. On 26 March 2020, Mr. Jiang Yulin was appointed as the Company's executive director and took over the position of chief executive officer.

The Group has achieved certain results in investment advisory business this Year. A total of 3 new institutional customers were gained this Year and the income from investment advisory business increased from HK$1.63 million to HK$15.02 million.

During the Year, the Group focused on developing the financial advisory business and engaging prominent professionals in the market, with the aim to provide corporate financing and consulting services to more institutional customers. This Year, a total of 2 new institutional customers were gained with the income from financial advisory service amounted to HK$0.37 million.

The sudden outbreak of the novel coronavirus epidemic has caused huge impact on economic activities. The Group's business is mainly conducted in the Mainland China and Hong Kong. Some of the Group's potential customers have delayed or suspended their financing plans due to the epidemic, resulting in the Group's loss of some business opportunities. However, the Group has tried its best to provide corresponding services to its customers through remote conference and the provision of off-site services.

The Group will continue to look for more institutional customers and provide diversified financial services to them, including investment consulting, asset management, corporate consulting, corporate financing and proprietary investment.

With regard to the announcement issued by the Company on 8 March 2019, Geoswift Holding Limited (the "Borrower") has defaulted in repayment of the principal amount with interest in the sum of approximately US$34.10 million on 7 March 2019. The Group received US$300,000 and US$750,000 on 19 June 2019 and 6 November 2019 respectively from the Borrower as partial repayment of the loan. As at 31 March 2020, according to the loan agreement, the aggregated amount (including outstanding principal, interest and default interest) owed by the Borrower to the Group was approximately US$36.64 million. On 31 March 2020, the Company's indirect wholly-owned subsidiary (the "Assignor") and an independent third party (the "Assignee") entered into an assignment and assumption deed pursuant to which the Assignor assigned and the Assignee accepted the assignment by the Assignor of, all relevant right, title, benefits and interests in the relevant loan and security documents, and the Assignee assumed all the obligations thereunder at a settlement amount of US$28 million. Completion of the assignment took place on 31 March 2020.

In order to enhance corporate governance and internal control, the Group has engaged BT Corporate Governance Limited again as its internal auditor to evaluate, assess and improve its internal control process and to ensure appropriate policies and procedures are in place. The Group has further improved various control measures on internal operation and management based on the findings and recommendations from the internal audit.

Under the Greater Bay Area plan, the business of the Group will leverage on Hong Kong's geographical advantages and global presence. It is the intention of the Company's management to optimize its resources and to develop business strategies oriented from the perspective of China, and to diversify products and services for achieving a sustainable growth.

## Financial Review

### *Results of the Group*

For the Year, corporate advisory fee income increased to approximately HK$15.39 million (2019: HK$1.63 million). Interest income from lending business of approximately HK$1.58 million was recognised for the Year (2019: HK$2.31 million). Accordingly, the Group's revenue increased to approximately HK$16.97 million (2019: HK$3.94 million).

Net investment income for the Year was approximately HK$54.28 million (2019: net investment loss HK$84.99 million), mainly because of the fair value gain on convertible loan receivable at fair value through profit and loss ("FVTPL") of HK$57.37 million recognised during the Year.

Interest income on structured deposit was approximately HK$8.83 million (2019: Nil). Interest income from bank deposits decreased to approximately HK$5.32 million (2019: HK$9.01 million).

Net exchange loss of HK$16.12 million was recognised for the Year (2019: HK$8.90 million), mostly driven by the foreign exchange revaluation of the Group's Renminbi ("RMB") bank balances.

Operating expenses during the Year was approximately HK$64.39 million (2019: HK$186.90 million). The decrease in operating expenses was mainly attributable to reduction in staff costs to HK$20.80 million (2019: HK$79.25 million), rental related expenses to HK$4.10 million (2019: HK$37.60 million) and professional fee to HK$31.63 million (2019: HK$50.26 million).

Profit for the Year was approximately HK$1.59 million, compared to the loss of approximately HK$284.71 million for the last financial year.

Basic earnings per share for the Year was approximately HK0.04 cent (2019: losses per share of HK8.02 cents), while diluted earnings per share for the Year was the same as basic earnings per share of approximately HK0.04 cent (2019: losses per share of HK8.02 cent).

As at 31 March 2020, the Group's non-current assets was approximately HK$26.56 million (2019: HK$19.19 million). The increase was mainly due to recognition of right-of-use assets as a result of adoption of HKFRS 16 in the Year.

As mentioned in Business Review section above, the Group has assigned the convertible loan receivable at FVTPL at a settlement amount of US$28 million (equivalent to approximately HK$217.12 million), resulting in an increase of other assets and receivables for the same amount as at 31 March 2020. The Group has received the settlement amount in full subsequent to 31 March 2020. The carrying value of the said convertible loan receivable at FVTPL as at 31 March 2019 was approximately HK$167.99 million.

Total liabilities as at 31 March 2020 was approximately HK$21.96 million (2019: HK$9.70 million). The increase was mainly due to adoption of HKFRS 16 resulting in recognition of lease liabilities in aggregated amount of HK$6.94 million and increase in professional fee payable for the acquisition project.

Net assets value of the Group as at 31 March 2020 increased to approximately HK$709.89 million (2019: HK$705.18 million). The net assets value per share as at 31 March 2020 was approximately HK19.99 cents (2019: HK19.86 cents).

***Liquidity and financial resources***

The Group continued to adopt a prudent financial management strategy and maintained a healthy liquidity position. As at 31 March 2020, the Group had net current assets of approximately HK$686.34 million (2019: HK$685.99 million), and the current ratio was approximately 37.22 (2019: 71.71).

The Group's operations and investments were financed principally by revenues generated from business operations and available bank balances. Funds are largely placed with financial institutions with maturities timed to cover any known capital investments or commitments. The Group had no borrowing and the gearing ratio of the Group, calculated as total borrowings over total equity, was nil as at 31 March 2020 (2019: Nil).

For foreign currency risk, the Group will continue to monitor its foreign currency exposure and will consider using hedging instruments if available in respect of significant foreign currency exposure should the need arise.

***Capital structure***

There has been no material change in the capital structure of the Company during the Year. The capital source of the Company comprises only ordinary shares.

Total equity attributable to owners of the Company amounted to approximately HK$709.89 million as at 31 March 2020 (2019: HK$705.18 million). This increase was mainly attributable to the increase in the retained profits and translation reserve for the Year.

***Commitments***

As at 31 March 2020, the Group has no operating lease commitment after adoption of HKFRS 16 (2019: HK$11.13 million). As at 31 March 2020, the establishment of a wholly-owned foreign equity investment management enterprise in Qianhai, Shenzhen for which there will be a capital contribution of US$1.60 million (31 March 2019: US$1.60 million). Save for the above, the Group and the Company did not have any significant commitment as at 31 March 2020 and 2019.

***Charge on the Group's assets***

As at 31 March 2020, the Group did not have any charge on its assets (2019: Nil).

***Contingent liabilities***

As at 31 March 2020, the Group had no material contingent liabilities (2019: Nil).

***Future plans for material investments or capital assets***

As mentioned in the Business Review of this report, on 19 August 2019, the Company, as a potential purchaser, entered into the MOU with the potential sellers in respect of the possible acquisition of the Target Company. Pursuant to the MOU, the Company intends to acquire and obtain from the potential sellers, and the potential sellers intend to sell and transfer to the Company, in each case through the contractual arrangements, the control over the operations of the Target Company and the right to enjoy the economic benefits generated by the Target Company. Details of the MOU and this possible acquisition were disclosed in the announcement of the Company dated 19 August 2019.

Save as aforementioned, the Group has no plans for material investments or acquisitions of capital assets but will pursue investment and lending opportunities to enhance its profitability in the ordinary course of its business.

***Material acquisitions and disposals of subsidiaries and affiliated companies***

During the Year, two indirect wholly-owned subsidiaries of the Company, namely ZZ Capital International (Israel) Limited and ZZ Capital International (UK) Limited were deregistered with loss on such deregistration of approximately HK$3.11 million recognized in the Year. Save as aforementioned, the Group had no material acquisitions or disposal of subsidiaries and affiliated companies during the Year.

**Outlook**

According to the "World Economic Situation and Outlook 2020" released by the United Nations, as a result of the Sino-US trade dispute and the significant decrease in investment, the global economic growth rate dropped to 2.3% in 2019, which is the lowest level in ten years.

Nevertheless, the economic growth rate of Mainland China in 2019 is 6.1% and the annual GDP is RMB99 trillion, in line with the expected target of 6%–6.5%. On a quarterly basis, the first quarter, the second quarter, the third quarter and the fourth quarter increased by 6.4%, 6.2%, 6.0% and 6.0% year-on-year, respectively. Affected by the novel coronavirus epidemic, the tension of global trade continues, the Sino-U.S. confrontation escalates and the instability in some regions intensifies, the International Monetary Fund has recently predicted the economic growth rate in 2020 to be -3%.

The impact caused by the global novel coronavirus epidemic has brought severe impact on the global economy. On 28 May 2020, the third session of the 13th National People's Congress was concluded and the PRC government did not set any quantitative indicators for GDP growth. Nevertheless, the PRC government has promptly controlled the spread of the novel coronavirus epidemic and various domestic economic activities had gradually resumed. It is believed that the economic performance of the PRC in 2020 would still outperform the global average economic growth. At the same time, the 2020 Government Work Report of the PRC advocated the idea of accelerating the implementation of regional development strategies and further push forward the construction of the Guangdong-Hong Kong-Macao Greater Bay Area. At the same time, it also proposed to continue to launch supporting policies and to fully promote "Internet Plus", creating new advantages of digital economy.

The novel coronavirus epidemic has caused significant impact on the global economy and the Group's business has also been affected to a certain extent. Due to the epidemic, the contracts with respect to part of the Group's investment consulting business were not renewed by our customers, which would bring certain loss to the Group. Nevertheless, the novel coronavirus epidemic has also brought new development opportunities to the internet economy. The Target Company that the Company proposes to acquire is a company that provides internet back-office services, internet integrated marketing services and smart data solutions. The impact of the novel coronavirus epidemic on it is less significant and may even bring new development opportunity to it.

Given the above situation, the Group will re-emphasize the combination of Hong Kong's strategic geographic location and its integration with Mainland China in order to achieve a diversified development by crossing different geographical locations and asset classes. On the one hand, it will continue to provide financial services to customers, on the other hand, it will be through the acquisition of quality assets as soon as possible to improve the Group's operating conditions and enhance the Group's operating efficiency so as to achieve greater value for the shareholders.

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

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

## CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "CG Code") throughout the Year except for the deviations from code provisions A.2.1 of the CG Code. In accordance with code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. NIU Zhanbin has been appointed as the Chairman and Chief Executive Officer of the Company on 29 August 2019. Following the appointment of Mr. JIANG Yulin on 26 March 2020, the roles of chairman of the Board and the chief executive officer of the Company are separated.

## REVIEW OF RESULTS

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the Year.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By Order of the Board
**ZZ Capital International Limited**
**中植資本國際有限公司**
**NIU Zhanbin**
*Chairman*

Hong Kong, 19 June 2020

*As at the date of this announcement, the executive Directors are Mr. NIU Zhanbin (Chairman), Mr. JIANG Yulin (Chief Executive Officer) and Mr. WU Hui (Chief Operating Officer); and the independent non-executive Directors are Mr. Stephen MARKSCHEID, Mr. ZHANG Weidong and Mr. ZHANG Longgen.*

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