



卓信國際控股有限公司

ZHUOXIN INTERNATIONAL HOLDINGS LIMITED

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

Stock Code: 8266

First Quarterly Report 2018



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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Zhuoxin International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

RESULTS

The board of Directors (the "Board") of 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 2018, together with the unaudited comparative figures for the corresponding period in 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2018

	Note	Three months ended 30 June	
		2018 HK\$'000	2017 HK\$'000
Revenue		158,023	138,329
Cost of sales		(151,784)	(133,044)
Gross profit		6,239	5,285
Other net income		128	16
Employment costs		(6,863)	(7,319)
Research and development expenses		(358)	(457)
Depreciation		(231)	(254)
Transportation expenses		(265)	(291)
Other operating expenses		(4,402)	(4,620)
Loss from operations		(5,752)	(7,640)
Finance costs	3	(1,389)	(1,477)
Gain on disposal of subsidiaries		7,673	—
Share of loss of associates		(50)	(53)
Profit/(Loss) before tax		482	(9,170)
Income tax expense	4	(15)	(3)
Profit/(Loss) for the period		467	(9,173)

Three months ended 30 June

	Note	2018 HK\$'000	2017 HK\$'000
Attributable to:			
Owners of the Company		418	(8,776)
Non-controlling interests		49	(397)
		467	(9,173)
Earnings/(Loss) per share (HK cents)			
	5		(Re-presented)
Basic		0.10	(8.54)
Diluted		N/A	N/A

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

For the three months ended 30 June 2018

	Three months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Profit/(Loss) for the period	467	(9,173)
Other comprehensive income:		
<i>Items that may be subsequently or have been reclassified to profit or loss:</i>		
Exchange difference on translating foreign operations	(3,629)	(52)
Exchange difference on disposal of foreign operations	(1,774)	—
Other comprehensive income for the period, net of tax	(5,403)	(52)
Total comprehensive income for the period	(4,936)	(9,225)
Attributable to:		
Owners of the Company	(7,412)	(8,684)
Non-controlling interests	2,476	(541)
	(4,936)	(9,225)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share-based payment reserve HK\$'000	FVTOCI reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2017	32,194	442,050	16,375	2,943	(2,004)	3,764	–	(379,263)	116,059	27,324	143,383
Total comprehensive income for the period	–	–	–	–	92	–	–	(8,776)	(8,684)	(541)	(9,225)
At 30 June 2017	32,194	442,050	16,375	2,943	(1,912)	3,764	–	(388,039)	107,375	26,783	134,158
At 1 April 2018	32,194	442,050	16,375	2,943	6,948	–	–	(403,155)	97,355	26,572	123,927
Adjustment on initial application of HKFRS 9 (note 2)	–	–	–	–	–	–	(18,668)	21,452	2,784	–	2,784
Restated balance at 1 April 2018	32,194	442,050	16,375	2,943	6,948	–	(18,668)	(381,703)	100,139	26,572	126,711
Comprehensive income	–	–	–	–	–	–	–	418	418	49	467
Profit for the period	–	–	–	–	–	–	–	–	–	–	–
Other comprehensive income/(loss)	–	–	–	–	–	–	–	–	–	–	–
Currency translation differences	–	–	–	–	(6,056)	–	–	–	(6,056)	2,427	(3,629)
– Group	–	–	–	–	(1,774)	–	–	–	(1,774)	–	(1,774)
– Release upon disposal of subsidiaries	–	–	–	–	(7,830)	–	–	–	(7,412)	2,476	(4,936)
Total transaction with owners, recognised directly in equity	–	–	–	–	–	–	–	–	–	–	–
Decognition of non-controlling interests upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(14,239)	(14,239)
At 30 June 2018	32,194	442,050	16,375	2,943	(882)	–	(18,668)	(381,285)	92,727	14,809	107,536

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 2018 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 2018.

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

2. Changes in accounting policies

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

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

The adoption of the HKFRS 15 has no material impact on the Group’s result for the current or prior periods.

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

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

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

	Effect on FVTOCI reserve HK\$'000	Effect on accumulated losses HK\$'000
Opening balance – HKAS 39	–	(403,155)
Reclassify unlisted equity securities from available-for-sale financial assets to financial assets at FVTOCI	(18,668)	21,452
Opening balance – HKFRS 9	(18,668)	(381,703)

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

3. Finance costs

	Unaudited Three months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Wholly repayable within five years		
– Interest on bank loans	805	613
– Interest on other loan	62	341
– Finance leases charges	3	3
Not wholly repayable within five years based on repayment schedule		
– Interest on bank loans	19	20
– Interest on long term bonds	500	500
	1,389	1,477

4. Income tax expense

	Unaudited Three months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Current tax – Hong Kong Profits Tax		
– Provision for the period	–	–
Current tax – PRC Enterprise Income Tax		
– Provision for the period	15	–
	15	–
Deferred tax		
Hong Kong Profits Tax	–	3
Income tax expense	15	3

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

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

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

5. Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$418,000 (2017: loss of approximately HK\$8,776,000) and the weighted average number of ordinary shares of 412,089,994 (2017: re-presented 412,089,994) in issue during the period.

2017 comparative figure has been re-presented with the effect of share consolidation by every ten ordinary shares of the Company consolidated into one ordinary share with effective on 27 March 2018.

(b) Diluted earnings/(loss) per share

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

As the exercise of the Company's outstanding share options for the three months ended 30 June 2017 would be anti-dilutive, no diluted loss per share was presented for the three months ended 30 June 2017.

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

Sales for the three months ended 30 June 2018 increased 14.2%, from approximately HK\$138,329,000 in the same quarter last year to approximately HK\$158,023,000 in this year's first quarter. The boost in IC driver sales was resulted from a successful market development into segments such as POS machines, digital watches, industrial controls and industrial applications. A turnaround from loss of approximately of HK\$1,243,000 in same quarter last year to profit of approximately of HK\$433,000 in this year's first quarter was obtained. The improvement in profitability was contributed by cost saving on employment costs, research and development expenses, transportation expenses and other operating expenses.

Property Development and Investment

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

The Group has two investment properties which are located in Yangjiang City and Hong Kong. The investment properties located in Yangjiang City are 2 vacant lands of total site area of approximately 16,128 square meters, which are opened for sale currently.

The Group expect the property investment in Hong Kong will continue to appreciate in the coming years. Therefore, we did not lease out the property in Hong Kong and kept open if reasonable capital gain might be realized by disposing the property.

Prospects

The management of ETC Technology Limited (the “ETC”) predicts finance cost will continue to increase throughout the coming period which may affect profitability of trading of electronic hardware components. For reducing finance costs, the management has begun renegotiating credit terms with major vendors for a longer credit period and also bargaining with our existing customers for a shorter credit period. Furthermore, customer base has been optimized to utilize our financial resources in the most efficient way to cope with the rising finance costs.

However, the management predicts overall market condition will be unpredictable due to various external factors, including but not limited to potential trade war and exchange rate fluctuation. 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 real estate development business, it is still in an adjustment period since the PRC government in the last quarter of 2017 lifted the purchase restrictions for properties in some third and fourth-tier cities, including Yangjiang City.

The management will continuously and carefully balance our business strategy in this heavily government policy-influenced market. The Group will closely monitor the market conditions in Yangjiang City and will also actively seek for potential business opportunities elsewhere.

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

FINANCIAL REVIEW

The Group recorded an unaudited turnover of approximately HK\$158,023,000 for the three months ended 30 June 2018 (2017: approximately HK\$138,329,000), representing an increase of 14.2% 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 profit for the three months ended 30 June 2018 of approximately HK\$467,000 as compared to a loss of approximately HK\$9,173,000 for the corresponding period in 2017, representing an increase of HK\$9,640,000 (105%). The increase in profit was mainly due to i) gain on disposal of a subsidiary and ii) increase in net profit of trading of electronic hardware components segment which was contributed by market development and cost saving implementation.

Profit attributable to owners of the Company for the three months ended 30 June 2018 was approximately HK\$418,000, representing improvement of 105% as compared with loss attributable to owners of the Company of approximately HK\$8,776,000 for the corresponding period of last year.

MATERIAL DISPOSALS

On 22 June 2018, the Group completed the disposal (the "Disposal") of its 70% equity interest in a subsidiary, Best Worldwide Corporation Limited (the "Disposal Company") and sales loan at a total consideration of HK\$79,000,000. An unaudited gain on the Disposal of approximately HK\$7,673,000. The gain is based on the gross proceeds from the Disposal of HK\$79,000,000 plus the cumulative exchange gain of approximately HK\$1,774,000, minus 70% of the net asset value of the Disposal Company of approximately HK\$33,225,000 and the sale loan of approximately HK\$39,876,000. Further details regarding this transaction were contained in the report of the Company dated 14 May 2018.

DIVIDEND

The Board of Directors (the "Board") does not recommend the payment of dividend for the three months ended 30 June 2018 (2017: Nil).

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

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

Name of 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%

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 June 2018, the Company had a total of 412,089,994 shares in issue.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2018, the Company had been notified of the following substantial shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

Aggregate long positions in the shares 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 2018.

SHARE OPTIONS

For the three months ended 30 June 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the 2003 and 2013 Share Option Scheme.

For the corresponding prior period in 2017, 6,500,000 Share Options under the 2003 Share Option Scheme and 32,650,000 Share Options under the 2013 Share Option Scheme were outstanding. All Option holders of the 2003 Share Option Scheme and the 2013 Share Option Scheme accepted the Option Offer as set out in the Composite Document dated 30 November 2017 in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Share Options in exchange for cash (US\$0.001 each option). A total of 39,150,000 Share Options, representing 100% of the total number of outstanding Share Options were cancelled as at the Closing of Share Options offer on 22 December 2017.

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 2018.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CORPORATE GOVERNANCE PRACTICES

During the three months ended 30 June 2018, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules 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 2018.

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

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. Miu Hon Kit (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 2018 and has provided advice and comments thereon.

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

Hong Kong, 14 August 2018

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. Miu Hon Kit and Mr. Li Shiu Ki, Ernest.