



# 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

INTERIM 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 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 2018, together with the unaudited comparative figures for the corresponding periods in 2017 as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the three months and six months ended 30 September 2018*

	<i>Note</i>	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	3	108,591	175,923	266,614	314,252
Cost of sales		(104,033)	(168,803)	(255,817)	(301,847)
<b>Gross profit</b>		<b>4,558</b>	7,120	<b>10,797</b>	12,405
Other net income		246	17	374	33
Employment costs		(6,810)	(7,244)	(13,673)	(14,563)
Research and development expenses		197	(1)	(161)	(458)
Depreciation		(196)	(239)	(427)	(493)
Transportation expenses		(141)	(271)	(406)	(562)
Other operating expenses		(2,832)	(4,131)	(7,234)	(8,752)
<b>Loss from operations</b>		<b>(4,978)</b>	(4,749)	<b>(10,730)</b>	(12,390)
Finance costs	4	(1,278)	(1,244)	(2,667)	(2,721)
Gain on disposal of subsidiaries		–	–	7,673	–
Share of losses of associates		(66)	(117)	(116)	(170)
<b>Loss before tax</b>		<b>(6,322)</b>	(6,110)	<b>(5,840)</b>	(15,281)
Income tax expense	5	(16)	(10)	(31)	(13)
<b>Loss for the period</b>		<b>(6,338)</b>	(6,120)	<b>(5,871)</b>	(15,294)

	Note	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Attributable to:</b>					
Owners of the Company		<b>(6,437)</b>	(6,247)	<b>(6,019)</b>	(15,024)
Non-controlling interests		<b>99</b>	127	<b>148</b>	(270)
		<b>(6,338)</b>	(6,120)	<b>(5,871)</b>	(15,294)
			(Re-presented)		(Re-presented)
<b>Loss per share (HK cents)</b>	<b>6</b>				
Basic		<b>(1.56)</b>	(1.52)	<b>(1.46)</b>	(3.65)
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

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

For the three months and six months ended 30 September 2018

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Loss for the period</b>	<b>(6,338)</b>	(6,120)	<b>(5,871)</b>	(15,294)
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	<b>(3,234)</b>	(161)	<b>(6,863)</b>	(213)
Exchange differences on disposal of foreign operations	<b>–</b>	–	<b>(1,774)</b>	–
<b>Other comprehensive income for the period, net of tax</b>	<b>(3,234)</b>	(161)	<b>(8,637)</b>	(213)
<b>Total comprehensive income for the period</b>	<b>(9,572)</b>	(6,281)	<b>(14,508)</b>	(15,507)
<b>Attributable to:</b>				
Owners of the Company	<b>(9,621)</b>	(6,276)	<b>(17,033)</b>	(14,961)
Non-controlling interests	<b>49</b>	(5)	<b>2,525</b>	(546)
	<b>(9,572)</b>	(6,281)	<b>(14,508)</b>	(15,507)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	8	1,516	1,168
Investment property		13,000	13,000
Goodwill		24,911	24,911
Intangible asset		4,054	1,718
Available-for-sale financial assets		–	45,652
Equity instrument at FVTOCI		40,596	–
Structured Deposit		3,875	–
Investments in associates		19,130	19,245
Deposit for acquisition of intangible assets		–	374
Deposit for acquisition of property, plant and equipment		–	872
		<b>107,082</b>	<b>106,940</b>
<b>Current assets</b>			
Inventories		9,800	3,278
Trade, bills and other receivables, deposits and prepayments	9	76,538	205,459
Properties under development		40,006	40,734
Pledged bank deposits		27,108	27,807
Bank and cash balances		54,702	38,849
		<b>208,154</b>	<b>316,127</b>

		Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
	Note		
<b>Current liabilities</b>			
Trade and other payables and receipt in advance	10	97,832	112,398
Due to an associate		21,933	24,053
Bank and other loans	11	57,347	86,605
Finance lease payable		—	84
Promissory note		—	36,000
Current tax liabilities		191	—
		<b>177,303</b>	<b>259,140</b>
<b>Net current assets</b>		<b>30,851</b>	<b>56,987</b>
<b>Total assets less current liabilities</b>		<b>137,933</b>	<b>163,927</b>
<b>Non-current liabilities</b>			
Long term bonds		40,000	40,000
		<b>40,000</b>	<b>40,000</b>
<b>NET ASSETS</b>		<b>97,933</b>	<b>123,927</b>
<b>Capital and reserves</b>			
Share capital	12	32,194	32,194
Reserves		50,881	65,161
Equity attributable to owners of the Company		<b>83,075</b>	<b>97,355</b>
Non-controlling interests		14,858	26,572
<b>TOTAL EQUITY</b>		<b>97,933</b>	<b>123,927</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company											
	Share capital	Share premium account	Contributed surplus	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	FVTOCI reserve	ECL reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	-	-	-	63	-	-	-	(15,024)	(14,961)	(546)	(15,507)
Lapse of share options	-	-	-	-	-	(341)	-	-	341	-	-	-
At 30 September 2017	32,194	442,050	16,375	2,943	(1,941)	3,423	-	-	(393,946)	101,098	26,778	127,876
<b>At 1 April 2018</b>	<b>32,194</b>	<b>442,050</b>	<b>16,375</b>	<b>2,943</b>	<b>6,948</b>	<b>-</b>	<b>-</b>	<b>(151)</b>	<b>(403,155)</b>	<b>97,355</b>	<b>26,572</b>	<b>123,927</b>
Adjustment on initial application of HKFRS 9 (note 2)	-	-	-	-	-	-	(18,668)	-	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>	-	-	-	-	-	-	-	120	(6,019)	(5,899)	148	(5,751)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-	(9,240)	-	-	-	-	(9,240)	2,377	(6,863)
– Group	-	-	-	-	(1,774)	-	-	-	-	(1,774)	-	(1,774)
– Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-
– 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>	-	-	-	-	-	-	-	-	-	-	-	-
Decognition of non-controlling interests upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(14,239)	(14,239)
<b>At 30 September 2018</b>	<b>32,194</b>	<b>442,050</b>	<b>16,375</b>	<b>2,943</b>	<b>(4,066)</b>	<b>-</b>	<b>(18,668)</b>	<b>(31)</b>	<b>(387,722)</b>	<b>83,075</b>	<b>14,858</b>	<b>97,933</b>



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2018*

	<b>Six months ended 30 September</b>	
	<b>2018 HK\$'000</b>	2017 HK\$'000
Net cash generated from operating activities	<b>10,929</b>	1,617
Net cash generated from investing activities	<b>78,015</b>	6
Net cash used in financing activities	<b>(69,009)</b>	(2,547)
Net increase/(decrease) in cash and cash equivalents	<b>19,935</b>	(924)
Effect of foreign exchange rate changes	<b>(4,082)</b>	(134)
Cash and cash equivalents at 1 April	<b>38,849</b>	28,055
Cash and cash equivalents at 30 September	<b>54,702</b>	26,997
Analysis of cash and cash equivalents:		
Bank and cash balances	<b>54,702</b>	26,997

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended 31 March 2018 (the “2018 Annual Financial Statements”).

## 2. Significant accounting policies and estimates

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*

### (i) *Classification and measurement*

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.

## **(ii) Impairment under ECL model**

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

*Summary of effects arising from initial application of HKFRS 9*

(i) Classification and measurement

The Group has assessed that investment in unlisted equity securities of approximately HK\$41,777,000 as at 31 March 2018, that were measured at carrying cost less impairment prior to the adoption of HKFRS 9. From 1 April 2018, this investment were reclassified as equity-instrument at fair value through other comprehensive income. The Group recognised a transitional adjustment of approximately HK\$2,784 to increase the carrying amount of the unlisted equity securities against the opening balance of retained profits at 1 April 2018.

(ii) Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. At 1 April 2018, certain trade receivables are determined as low credit risk at the date of initial application since the counterparties with a good history of repayment. The Company also reviewed and assessed the Group's remaining trade receivables, and other financial assets for impairment using reasonable and supportable information that is available without undue cost and effort.

The following adjustments were made to amounts recognized in the condensed consolidated statement of financial position at 1 April 2018.

	Carrying amounts previously reported at 31 March 2018 HK\$'000	Impact of HKFRS 9 HK\$'000	Carrying amounts under HKFRS 9 at 1 April 2018 HK\$'000
<b>Non-current assets</b>			
Investment in unlisted equity securities	41,777	2,784	44,561
<b>Current assets</b>			
Trade Receivables	61,451	(151)	61,300

### 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
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue from external customers	266,614	314,252	–	–	–	–	266,614
Segment profit/(loss)	910	(552)	4,133	(5,335)	(27)	(58)	5,016

*Reconciliations of reportable segment profit or loss:*

	Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Total profit/(loss) of reportable segments	5,016	(5,945)
Unallocated corporate results	(10,887)	(9,349)
Consolidated loss for the period	(5,871)	(15,294)

**4. Finance costs**

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Wholly repayable within five years				
– Interest on bank loans	760	665	1,565	1,278
– Interest on other loan	–	57	62	398
– Finance lease charges	–	3	3	6
Not wholly repayable within five years based on repayment schedules				
– Interest on bank loans	18	19	37	39
– Interest on long term bonds	500	500	1,000	1,000
	1,278	1,244	2,667	2,721

## 5. Income tax expense

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	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	16	11	31	15
	16	11	31	15
Deferred tax				
Hong Kong Profits Tax	–	(1)	–	(2)
Income tax expense	16	10	31	13

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%).

## 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	
	2018	2017	2018	2017
Loss for the period attributable to owners of the Company (HK\$'000)	<u>(6,437)</u>	<u>(6,247)</u>	<u>(6,019)</u>	<u>(15,024)</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>(1.56)</u>	<u>(1.52)</u>	<u>(1.46)</u>	<u>(3.65)</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 2018.

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

## 7. Dividend

The Directors did not declare nor propose any dividends in respect of the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).



## 8. Property, plant and equipment

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK\$846,000 (six months ended 30 September 2017: approximately HK\$16,000).

Items of property, plant and equipment with carrying amount of approximately HK\$44,000 were disposed during the six months ended 30 September 2018, resulting in a gain on disposals of property, plant and equipment of approximately HK\$76,000. No property, plant and equipment were disposed during the six months ended 30 September 2017.

The Group had no significant commitments for the purchase of property, plant and equipment as at 30 September 2018 and 31 March 2018.

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

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Trade receivables	23,084	61,451
Bills receivables	27,742	46,172
Other receivables	919	93,779
Deposits and prepayments	24,793	4,057
	<b>76,538</b>	<b>205,459</b>

The ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
0 to 30 days	16,496	29,227
31 to 60 days	5,405	8,227
61 to 90 days	1,141	16,334
Over 90 days	42	7,663
	<b>23,084</b>	<b>61,451</b>

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

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Trade payables	62,277	79,112
Other payables	33,446	31,076
Receipt in advance	1,648	749
Bond interest payables	461	1,461
	<b>97,832</b>	<b>112,398</b>

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
0 to 30 days	32,013	43,796
31 to 60 days	29,722	25,142
61 to 90 days	535	10,174
Over 90 days	7	—
	<b>62,277</b>	<b>79,112</b>

## 11. Bank and other loans

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Secured bank loans subject to repayable on demand clause	3,023	3,121
Secured bank loans on demand or within one year	194	10,937
Bank invoice loans	54,130	72,547
	<b>57,347</b>	<b>86,605</b>

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\$54,130,000 (31 March 2018: approximately HK\$72,547,000) denominated in US\$ and of approximately HK\$3,217,000 (31 March 2018: approximately HK\$14,058,000) denominated in HK\$.

The effective annual interest rates on the bank loans range from 2.25% to 4.50% per annum.

## 12. Share capital

	Number of shares	Amount HK\$'000
Ordinary shares of US\$0.01 each		
<i>Authorised:</i>		
At 1 April 2016, 31 March 2017 and 30 September 2017	40,000,000,000	312,000
<i>Issued and fully paid:</i>		
At 1 April 2017	4,120,899,946	32,194
Shares consolidation	(3,708,809,952)	—
At 31 March 2018	412,089,994	32,194
At 30 September 2018	412,089,994	32,194

## 13. Operating lease commitments

As at 30 September 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Within one year	3,532	4,038
In the second to fifth years inclusive	3,686	4,628
	7,218	8,666

Operating lease payments represent rentals payable by the Group for certain offices and staff quarters. Leases are negotiated for an average term of one to three years (31 March 2018: three years) and rentals are fixed over the lease terms and do not include contingent rent.

## 14. Contingent Liabilities

There have been no material changes in contingent liabilities since 31 March 2018.

## 15. Related parties transactions

The Group's key management personnel compensation for the six months ended 30 September 2018 amounted to approximately HK\$3,820,000 (six months ended 30 September 2017: approximately HK\$4,440,000).

## 16. 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 2018 and 31 March 2018.

## 17. Event after the reporting period

There is no material subsequent event undertaken by the Company or by the Group after 30 September 2018 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 Compatibility Solutions Advisory Services; and
- Real Estate Development and Investment

## BUSINESS REVIEW

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

Sales for the six months ended 30 September 2018 fell around 15%, from approximately HK\$314,252,000 in the same period last year to approximately HK\$266,614,000 in this year's period since our customers adopted prudent marketing strategies for their businesses due to trade war.

A turnaround from loss of approximately of HK\$552,000 in same period last year to profit of approximately of HK\$910,000 in this year's period 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 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 difficult 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 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 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

### Revenue and Results

For the six months ended 30 September 2018, the Group recorded an unaudited turnover of approximately HK\$266,614,000 (2017: approximately HK\$314,252,000), representing a decrease of 15% as compared to the corresponding period of last year. All the revenue was contributed by the trading of electronic parts and components business.

The Group recorded a loss for the six months ended 30 September 2018 of approximately HK\$5,871,000 (2017: approximately HK\$15,294,000), representing a decrease of 62% as compared with the corresponding period of last year.

Loss attributable to owners of the Company for the six months ended 30 September 2018 was approximately HK\$6,019,000, representing a decrease of 60% as compared with approximately HK\$15,024,000 for the corresponding period in 2017.

## 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 2018, the Group had total outstanding indebtedness of approximately HK\$97,347,000 which comprised of bank and other loans, long term bonds, promissory note and finance lease payables (31 March 2018: approximately HK\$162,689,000).

58.9% (31 March 2018: 75.4%) of the indebtedness are considered as current liabilities and repayable within one year, 41.1% (31 March 2018: 24.6%) are repayable in 2020. HK and US dollar denominated indebtedness accounted for 44.4% (31 March 2018: 55.4%) and 55.6% (31 March 2018: 44.6%) of the total indebtedness respectively.

58.9% (31 March 2018: 53.2%) of the indebtedness are interest bearing bank loans on floating rate terms, the effective annual interest rates range from 2.25% to 4.50% (31 March 2017: 2.25% to 4.50%); 41.1% (31 March 2018: 24.6%) are seven-year 5% coupon straight bonds due 2020; no indebtedness are non-interest bearing promissory note which was denominated in HK dollars and was fully repaid in the six months ended 30 September 2018 (31 March 2018: 22.1%).

At 30 September 2018, the Group had cash reserves of approximately HK\$4,702,000 (31 March 2018: approximately HK\$38,849,000). Most of the cash reserves were placed with major banks in Hong Kong and the PRC. 96.5% (31 March 2018: 98.9%) of the Group's cash and cash equivalents (comprising cash on hand and bank balances) were denominated in HK dollar or US dollar, whereas 3.5% (31 March 2018: 1.1%) were denominated in Renminbi.

The gearing ratio as at 30 September 2018 was 99.4% (31 March 2018: 131.3%). The gearing ratio was derived by dividing the total indebtedness of approximately HK\$97,347,000 (31 March 2018: approximately HK\$162,689,000) by the amount of shareholders' equity of approximately HK\$97,933,000 (31 March 2018: approximately HK\$123,927,000). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 117.4% (31 March 2018: 122.0%).

The management of the Company will continue to make good efforts to improve the liquidity condition. Measures will include but not limited to tightening of 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 2018.

## Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

There were no significant investments held, nor were there any material acquisitions during the period under review. There was no plan authorised by the Board for any material investments or additions of capital assets at the date of this interim report.

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 announcement of the Company dated 14 May 2018.

## Charges on the Group’s Assets

As at 30 September 2018, the Group pledged the following assets to secure the loans and bank loan facilities of the Group:

- (i) the investment properties with fair value of HK\$13,000,000 (31 March 2018: HK\$13,000,000);
- (ii) bank deposits of approximately HK\$27,108,000 (31 March 2018: approximately HK\$27,807,000);
- (iii) structured deposit in the total amount of approximately HK\$3,875,000 (31 March 2018: approximately HK\$3,875,000).

And, leasing of motor vehicle was completed and thus no leased motor vehicle was charged to secure the Group’s finance lease payables as at 30 September 2018 (31 March 2018: approximately HK\$87,000).

## Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2018 (31 March 2018: Nil).

## Employee Information

As at 30 September 2018, the Group had an aggregate of 49 (31 March 2018: 57) employees of which 24 (31 March 2018: 20) were based in Hong Kong while the rest were located in the PRC. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK\$13,673,000 for the six months ended 30 September 2018 (six months ended 30 September 2017: approximately HK\$14,563,000). 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.

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

Save as disclosed above, as at 30 September 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 September 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 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.

## SHARE OPTIONS

For the six months ended 30 September 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 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 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 six months ended 30 September 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, 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 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. 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 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.

## 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 2018 Annual Report are set out as follows:

Mr. Miu Hon Kit resigned as an independent non-executive Director, the chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee with effect from 2 October 2018.

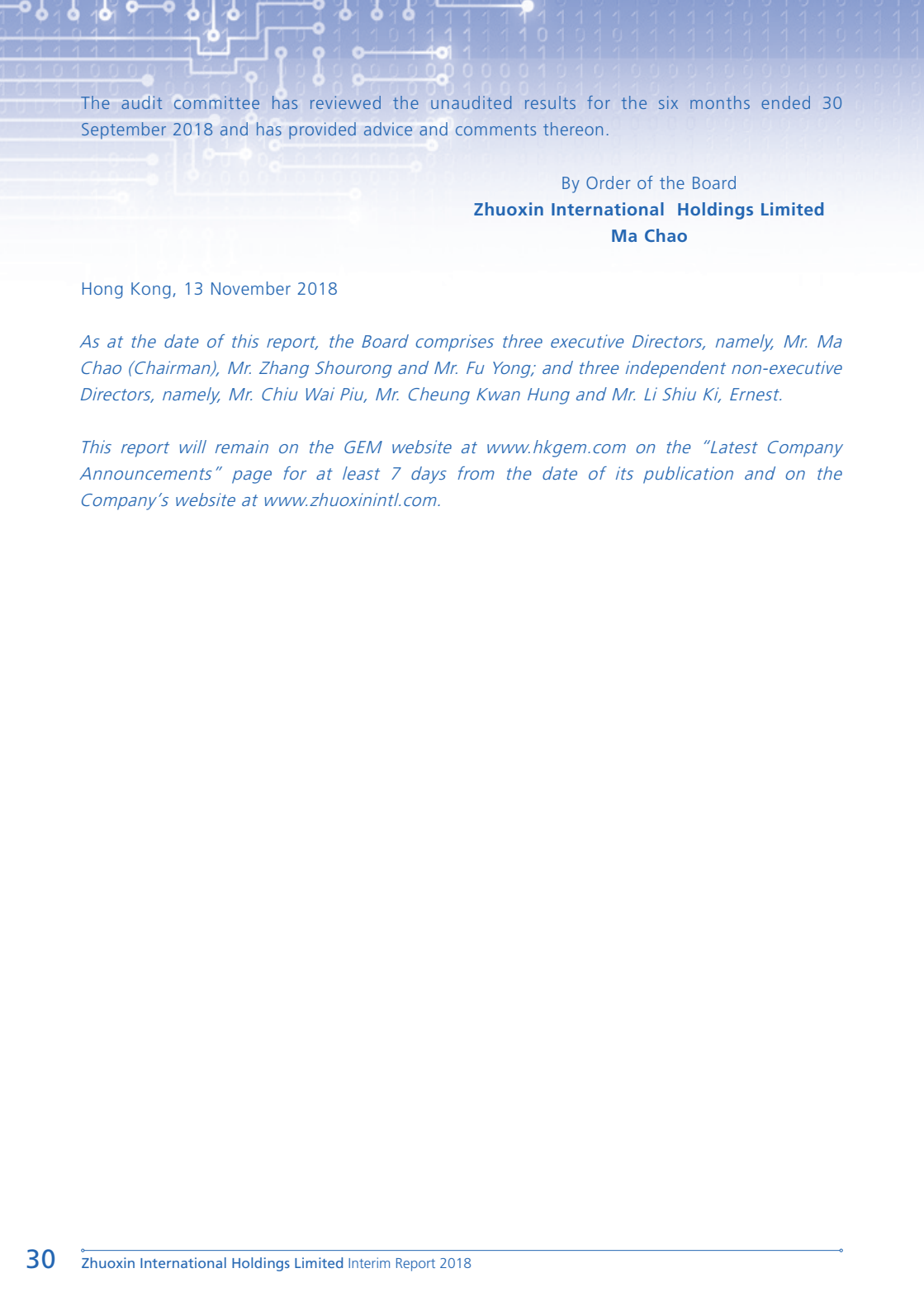
Mr. Cheung Kwan Hung was appointed as an independent non-executive Director, the chairman of the Audit Committee, and a member of the Nomination Committee and Remuneration Committee with effect from 2 October 2018.

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 and internal control procedures.



The audit committee has reviewed the unaudited results for the six months ended 30 September 2018 and has provided advice and comments thereon.

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

Hong Kong, 13 November 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. 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).*