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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 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 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 and other income for the Year increased to approximately HK\$256.06 million (2017: HK\$216.37 million), out of which contribution under the IAM Agreement was approximately HK\$230.30 million (2017: HK\$193.98 million).
- Operating expenses increased to approximately HK\$229.24 million (2017: HK\$148.50 million).
- Post tax profit at approximately HK\$20.80 million (2017: profit of HK\$79.18 million).
- Basic earnings per share of HK0.59 cent (2017: HK2.23 cents); diluted earnings per share of HK0.59 cent (2017: HK2.23 cents).
- Total assets at approximately HK\$1,010.58 million (2017: HK\$1,020.14 million); shareholders' equity advanced to approximately HK\$990.41 million (2017: HK\$972.24 million).
- Profits to be retained for future expansion to international M&As, thus no dividends being declared for the Year (2017: 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 2018 (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 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	4	246,447	213,695
Net investment income (loss)	4	6,275	(21)
Interest income	4	1,022	2,789
Other income and net gains (losses)	4	2,318	(96)
		<hr/>	<hr/>
Revenue and other income	4	256,062	216,367
Operating expenses		(229,240)	(148,495)
		<hr/>	<hr/>
Profit before tax		26,822	67,872
Income tax (expense) credit	5	(6,020)	11,310
		<hr/>	<hr/>
Profit for the year	6	20,802	79,182
		<hr/> <hr/>	<hr/> <hr/>
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(2,631)	—
		<hr/>	<hr/>
Total comprehensive income for the year		18,171	79,182
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share attributable to owners of the Company			
— Basic (HK cents)	8	0.59	2.23
		<hr/> <hr/>	<hr/> <hr/>
— Diluted (HK cents)	8	0.59	2.23
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Plant and equipment		10,030	1,992
Convertible loan receivable designated at fair value through profit or loss (“FVTPL”)		249,405	—
Deposits		207,581	36,083
Available-for-sale (“AFS”) investment		14,694	—
Total non-current assets		481,710	38,075
Current assets			
Trade receivables	9	233,072	8,266
Other assets and receivables		43,254	7,946
Held for trading investments		5,903	115
Prepaid tax		1,374	1,238
Cash held on behalf of clients		2	217
Bank balances and cash		245,260	964,281
Total current assets		528,865	982,063
Current liabilities			
Trade payables	10	2	403
Other payables and accruals		14,240	47,194
Amount due to an intermediate holding company		—	272
Tax payable		5,919	26
Total current liabilities		20,161	47,895
Net current assets		508,704	934,168
Net assets		990,414	972,243
Equity			
Equity attributable to owners of the Company			
Share capital	11	35,505	35,505
Reserves		954,909	936,738
Total equity		990,414	972,243

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i> <i>(Note 1)</i>	Contributed surplus <i>HK\$'000</i> <i>(Note 2)</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	35,505	706,245	9,000	—	142,311	893,061
Total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>79,182</u>	<u>79,182</u>
At 31 March 2017	35,505	706,245	9,000	—	221,493	972,243
Profit for the year	—	—	—	—	20,802	20,802
Other comprehensive loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,631)</u>	<u>—</u>	<u>(2,631)</u>
Total comprehensive (loss) income for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,631)</u>	<u>20,802</u>	<u>18,171</u>
At 31 March 2018	<u><u>35,505</u></u>	<u><u>706,245</u></u>	<u><u>9,000</u></u>	<u><u>(2,631)</u></u>	<u><u>242,295</u></u>	<u><u>990,414</u></u>

Note 1: 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 2: 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

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 the 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SEGMENT INFORMATION

The Group’s principal businesses are the provision of corporate advisory services and investment advisory and management services. The Group has also started to identify alternative investments globally which might result in new segments. 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 investment advisory and management services (“Corporate advisory and IAM”). “Others” consists of other corporate activities and shared services that are incurred for alternative investments opportunities but not related to the Corporate advisory and IAM segment. During the year, alternative investments opportunities did not result in new revenue segments or were terminated. Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements. The CODM expects as the Group’s business continues to evolve, the appropriateness of operating segments and reportable segments will need to be reviewed in due course.

Year ended 31 March 2018

	Corporate advisory and IAM <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	246,447	—	246,447
Segment profit (loss) before tax	<u>236,786</u>	<u>(209,964)</u>	<u>26,822</u>
Segment assets	<u>433,434</u>	<u>577,141</u>	<u>1,010,575</u>
Segment liabilities	<u>6,212</u>	<u>13,949</u>	<u>20,161</u>
Other segment information:			
Income tax expense	(1,332)	(4,688)	(6,020)
Interest income	515	507	1,022
Depreciation	—	2,308	2,308
	<u> </u>	<u> </u>	<u> </u>

Year ended 31 March 2017

	Corporate advisory and IAM <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>213,695</u>	<u>—</u>	<u>213,695</u>
Segment profit (loss) before tax	<u>192,752</u>	<u>(124,880)</u>	<u>67,872</u>
Segment assets	<u>248,736</u>	<u>771,402</u>	<u>1,020,138</u>
Segment liabilities	<u>10,982</u>	<u>36,913</u>	<u>47,895</u>
Other segment information:			
Income tax credit	11,310	—	11,310
Interest income	464	2,325	2,789
Depreciation	<u>1,060</u>	<u>128</u>	<u>1,188</u>
	<u> </u>	<u> </u>	<u> </u>

Geographical information

(a) Revenue from external customers

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	8,100	19,460
The People's Republic of China ("the PRC")	230,299	194,233
United Kingdom ("UK")	8,048	—
Others	<u>—</u>	<u>2</u>
	<u>246,447</u>	<u>213,695</u>

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

(b) *Non-current assets*

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	1,026	1,412
Israel	7	—
UK	4,221	464
The United States of America (the “USA”)	4,776	116
	<u>10,030</u>	<u>1,992</u>

The non-current asset information is based on the location of assets and excludes financial instruments (e.g. convertible loan receivable designated at FVTPL, deposits, AFS investment).

Information about major customer

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A (<i>Note</i>)	<u>230,299</u>	<u>193,983</u>

Note: the Customer A is 中植資本管理有限公司 Zhongzhi Capital Management Company Limited* (“Zhongzhi Capital”), who is an intermediate holding company of the Group.

* The Company name is registered in Chinese only, the translated English name is only used for identification purpose.

4. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Corporate advisory income	16,148	19,712
Investment advisory and management income (<i>Note</i>)	230,299	193,983
	<u>246,447</u>	<u>213,695</u>
Net investment income (loss)		
Net fair value loss on held for trading investments	(772)	(25)
Fair value gain on convertible loan receivable designated at FVTPL	7,047	—
Dividend income	—	4
	<u>6,275</u>	<u>(21)</u>
Interest income		
Interest income from financial assets		
— Bank deposits	1,022	2,789
Other income and net gains (losses)		
Loss on disposal of subsidiary	—	(341)
Loss on disposal of plant and equipment	—	(124)
Gain on exchange differences	2,318	369
	<u>2,318</u>	<u>(96)</u>
Revenue and other income	<u>256,062</u>	<u>216,367</u>

Note: Investment advisory and management income represents either performance fees or management fees to the Group from the intermediate holding company, whichever is higher, in every calendar year under the investment advisory and management agreement (the "IAM Agreement") dated 2 February 2016. When service is rendered, management fees or performance fees are recognised as revenue when it is probable that there is an economic inflow to the entity and the amount can be reliably measured. When performance fees are contingent on a future event which is outside the control of the entity, management considered the contingent portion is only recognised when the contingent event has happened and there is no uncertainty on revenue recognition. While the quantum of performance fees can be ascertained upon disposal of assets in the investment portfolio, management fees are only recognised on a time-apportionment basis with reference to the net asset value of the investment portfolio managed by the Group by the end of each calendar year.

5. INCOME TAX EXPENSE (CREDIT)

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong Profit Tax		
Current tax	1,332	—
Underprovision in prior years	—	1,437
	<u>1,332</u>	<u>1,437</u>
PRC Enterprise Income Tax		
Overprovision in prior years (<i>Note</i>)	—	(12,747)
The USA Federal, State and New York City Income Tax		
Current tax	1,112	—
UK Corporation Tax		
Current tax	3,449	—
Israel Corporation Tax		
Current tax	127	—
	<u>6,020</u>	<u>(11,310)</u>
Total current tax	<u>6,020</u>	<u>(11,310)</u>
Income tax expense (credit)	<u><u>6,020</u></u>	<u><u>(11,310)</u></u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China 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.

Federal, State and New York City tax rate in the USA is calculated at 52% for 2018. 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 corporation tax rate in the UK is calculated at 19% for 2018.

Note: Pursuant to the relevant tax rules and regulations in China, the tax payable on income derived by non-resident enterprises (in this case Asian Capital (Corporate Finance) Limited ("ACCF"), a wholly owned subsidiary of the Group) should be withheld at source, with the payer (in this case Zhongzhi Capital, an intermediate holding company of the Group) as the withholding agent but the actual tax outcome might vary upon settlement. Thus, management took the view that corporate income tax amounting to approximately HK\$12,747,000 arising from fee receivable from Zhongzhi Capital during the fifteen months ended 31 March 2016 was subject to significant uncertainty as at 31 March 2016. A provision was made accordingly.

For the year ended 31 March 2017, the related receivable for the investment advisory and management services has been received in full. Based on the IAM Agreement which also sets out that the amount is net of related taxes, management considers that it is appropriate to release the above tax provisions of income tax amounting to approximately HK\$12,747,000. No provision for corporate income tax was made for the current year as management expects the related receivable will be settled in full by Zhongzhi Capital.

The tax charge (credit) for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before tax	<u>26,822</u>	<u>67,872</u>
Tax calculated at domestic income tax rates of 16.5%	4,426	11,199
Overprovision in respect of prior years	—	(11,310)
Tax effect of income not taxable for tax purpose	(39,330)	(32,446)
Tax effect of expenses not deductible for tax purpose	630	3,361
Utilisation of tax losses previously not recognised	(460)	(248)
Tax effect of unused tax losses not recognised	39,556	18,096
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,337	—
Others	<u>(139)</u>	<u>38</u>
Income tax expense (credit) for the year	<u><u>6,020</u></u>	<u><u>(11,310)</u></u>

As at 31 March 2018, the Group has tax losses of approximately HK\$343,135,000 (2017: HK\$106,190,000) incurred by the Company and its subsidiaries which are subject to the approval by the relevant tax authority. The Group has not recognised deferred tax in respect of tax losses of approximately HK\$343,135,000 (2017: HK\$106,190,000) that can be carried forward against future taxable income due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

6. PROFIT FOR THE YEAR

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Depreciation	2,308	1,188
Auditor's remuneration		
— Audit fees	1,820	1,800
Legal and professional fees	37,368	15,297
Net reversal of impairment loss on trade receivables	—	(791)
Impairment on plant and equipment	—	319
Employee benefit expense (including directors' remuneration):		
— Salaries, wages, allowances and bonuses	110,071	92,572
— Retirement benefits scheme contributions	<u>564</u>	<u>571</u>

7. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

8. EARNINGS PER SHARE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company	<u>20,802</u>	<u>79,182</u>
	2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	<u>3,550,496,836</u>	<u>3,550,496,836</u>

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the year ended 31 March 2018 and 31 March 2017.

9. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables from:		
— Zhongzhi Capital	233,072	2,772
— Independent third parties	<u>540</u>	<u>6,034</u>
	233,612	8,806
Less: Allowance of doubtful debts	<u>(540)</u>	<u>(540)</u>
	<u>233,072</u>	<u>8,266</u>

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

The Group's normal trading term with its customers is that payment is due upon the issuance of invoices, apart from the investment advisory and management fee as described below. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management and executives responsible for the related revenue. There were no movement in allowance for trade receivables in the current year.

An aging analysis of the Group's trade receivables which are past due but not considered to be individually or collectively impaired as at the end of the reporting period, based on the invoice dates and net of impairment allowance, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current to 30 days	—	1,729
31 to 60 days	—	350
61 to 90 days	—	250
Over 90 days	<u>—</u>	<u>3,165</u>
	<u>—</u>	<u>5,494</u>

The above analysis has not included investment advisory and management fee receivables as at 31 March 2018 of approximately HK\$233,072,000 (2017: HK\$2,772,000), which were within 30 days.

All of the above receivables (except for the receivables in relation to the investment advisory and management services) that were past due but not impaired relate to a number of independent customers that have good track records with the Group, or have subsequently settled the amounts due to the Group. The invoice dates of the above trade receivables are generally the same as the corresponding due dates apart from the investment advisory and management fee. The management fee for managing the investment portfolio is due within 90 days after the end of each calendar year and the performance fee is due within 90 days after the receipt of the amount realised from the disposal of certain assets in the investment portfolio managed by the Group for Zhongzhi Capital in accordance with the IAM Agreement signed on 2 February 2016 between Zhongzhi Capital and ACCF, a wholly owned subsidiary of the Group. The directors of the Company are of the opinion that, other than the impairments that have already been made, no provision for impairment is necessary in respect of these receivables as the balances have either been recovered or are still considered fully recoverable.

The trade receivables amount has been received in full subsequent to the year ended 31 March 2018.

Movements in the allowance for doubtful debts for trade receivables is set out as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Balance at the beginning of the year	540	2,130
Impairment loss recognised	—	50
Reversal of allowance recognised in profit or loss	—	(841)
Amounts written off as uncollectible	—	(799)
	<u>540</u>	<u>540</u>
Balance at end of the year	540	540

As at 31 March 2018, trade receivables of approximately HK\$540,000 (2017: HK\$540,000) were impaired. The individually impaired receivables mainly relate to the customers, which, based on the management's assessment, may not settle the impaired receivables in immediate future.

10. TRADE PAYABLES

Included in trade payables are payables for clients monies of approximately HK\$2,000 (2017: HK\$217,000) which are segregated in the trust accounts.

Trade payables excluding clients monies, based on the settlement due dates, are all due within 30 days (2017: due within 30 days) as at the end of the year.

11. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As at 1 April 2016, 31 March 2017, 1 April 2017, and 31 March 2018	<u>3,550,496,836</u>	<u>35,505</u>

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 7 August 2018 to Friday, 10 August 2018 (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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Year marked the second year of operation for the Company after Zhongzhi Capital took majority control of the Company on 24 February 2016, with the vision and strategy to expand the Company’s business globally and to include international investments in addition to corporate and investment advisory. As part of its global rebranding efforts, the Company launched its new official website www.zzcapitalinternational.com in June 2017 and successfully convened the Company’s annual general meeting on 10 August 2017 with all motions approved.

Founded in 2011, Zhongzhi Capital is a leading institutional investor in China which focuses on investments in and consolidation of industry leaders. Its performance and track record are recognised as one of China’s top performing private equity investors by various third-party agencies such as Forbes China and the ChinaVenture Group. Positioned as the partner to industry leaders, Zhongzhi Capital actively offers complete capital structure solutions, often in partnership with leading Chinese enterprises.

By leveraging Zhongzhi Capital’s strong foundation and track record in mainland China, the Company aims to offer a diversified range of financial services including investment advisory, asset management, and global alternative investments. By leveraging its international footprint of seasoned professionals, the Company has carefully sourced and screened a series of unique investment opportunities of quality companies whose products and services could be benefited from China’s market demand as well as ZZ Capital International’s global financial expertise. As a result, we have announced four transactions during the Year which substantially elevated the global profile of the Company. The Group’s corporate advisory services acted as the sole sponsor in one initial public offering engagement. As well, performance fee income has been generated by the Company through providing professional advice to Zhongzhi Capital on a portfolio of stocks under the IAM Agreement.

On the other hand, 2017 marked a general decline in Chinese outbound investment activities mainly driven by the China government's foreign exchange policy as well as restrictions on certain types of investments and investors that do not benefit China's real economy. In response to the macro market conditions, the Company has turned its focus to reorganization, cost reduction, capital recycling as well as product diversification. For example, in January 2018, Mr. ZHANG Longgen replaced Mr. Edouard MERETTE as an Independent Non-executive Director of the Company; in February, Ms. ZHANG Yun replaced Mr. CHO Michael Min-kuk as Executive Director and Chief Executive Officer of the Company; also Mr. YEUNG Kai Cheung Patrick, Managing Director of ACCF, exited since March 2018 under the terms of the supplementary appointment letter entered into on 30 June 2017.

In order to enhance corporate governance and internal control, the Company has engaged Baker Tilly Hong Kong Risk Assurance Limited ("Baker Tilly") again as its internal auditor to evaluate, assess and improve its internal control process and to ensure appropriate policies and procedures are in place. Moreover, Baker Tilly assisted the Company in drafting various internal operating policies based on the findings and recommendations from the internal audit.

Under the Greater Bay Area plan, the business and vitality of the Group will arise with its strategic Hong Kong location, global presence and China connectivity. It is the intention of the Company's management to optimize its resources and to develop China-angled business strategies, and to diversify products and services for sustainable growth ahead.

Financial Review

Results of the Group

For the Year, the Group's revenue and other income grew to approximately HK\$256.06 million (2017: HK\$216.37 million). Revenue from investment advisory and management services under an investment advisory and management agreement accounted for approximately HK\$230.30 million (2017: HK\$193.98 million) which represented a 19% increase.

Corporate advisory income (including placing and underwriting income) amounted to approximately HK\$16.15 million for the Year (2017: HK\$19.71 million), representing a 18% decrease when compared to the last financial year. The decrease is mainly due to the shift of business focus from corporate advisory to alternative investments and overseas M&A.

There was a net investment income on financial assets of approximately HK\$6.28 million for the Year, compared to net investment loss of HK\$0.02 million recorded in the last financial year. Net interest income decreased to approximately HK\$1.02 million (2017: HK\$2.79 million).

Operating expenses during the Year of approximately HK\$229.24 million (2017: HK\$148.50 million) were significantly higher due to the continued development of the Group. The operating expenses were mainly staff costs of approximately HK\$110.64 million (2017: HK\$93.14 million) which included payroll based on elevated headcounts and costs for recruitment of a world class team. Professional fees of approximately HK\$37.37 million (2017: HK\$15.30 million) was also witnessed during the Year as a result of investment due diligence activities.

The resultant pre-tax profit for the Year was approximately HK\$26.82 million, compared to a pre-tax profit of approximately HK\$67.87 million for the last financial year.

Income tax expense of approximately HK\$6.02 million was incurred during the Year (2017: income tax credit of HK\$11.31 million) as a result of profits generated by subsidiaries of the Company in Hong Kong, UK and the USA.

Total comprehensive income for the Year amounted to approximately HK\$18.17 million, compared to HK\$79.18 million for the last financial year. Basic earnings per share for the Year was approximately HK0.59 cent (2017: HK2.23 cents), while diluted earnings per share for the Year was the same as basic earnings per share of approximately HK0.59 cent (2017: HK2.23 cents).

The Group maintained a non-current deposit of approximately HK\$207.58 million as at 31 March 2018 (2017: HK\$36.08 million). The significant increase is mainly due to the deposit made during the year for a proposed acquisition project. Investments at fair value through profit or loss were increased to approximately HK\$255.31 million as at 31 March 2018 (2017: HK\$0.12 million).

Trade receivables as at 31 March 2018, after allowing for debt provisioning, increased significantly to approximately HK\$233.07 million (2017: HK\$8.27 million), mainly because of the investment advisory and management fee earned from Zhongzhi Capital during the Year.

Other payables and accruals as at 31 March 2018 decreased to approximately HK\$14.24 million (2017: HK\$47.19 million) which was in line with the decrease in provision for staff bonus for the Year.

As at 31 March 2018, tax payable increased to approximately HK\$5.92 million (2017: HK\$0.03 million) as a result of profit generated by subsidiaries of the Company in Hong Kong, UK and the USA.

Net assets value of the Group as at 31 March 2018 increased to approximately HK\$990.41 million (2017: HK\$972.24 million). The net assets value per share as at 31 March 2018 was approximately HK27.90 cents (2017: HK27.38 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 2018, the Group had net current assets of approximately HK\$508.70 million (2017: HK\$934.17 million), and the current ratio was approximately 26.23 (2017: 20.50).

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 2018 (2017: Nil).

During the Year, most income billings were in Hong Kong dollars, including the investment advisory and management fee receivable under the IAM Agreement which was computed in Renminbi but fixed in Hong Kong dollars at the time of billing, and most of the business transactions, assets and liabilities were denominated in Hong Kong dollars. Therefore, the Group had minimal exposure to foreign currency risks. While the Group is expected to have more foreign currency exposure in connection with its developments and investments overseas, the Group will closely monitor its foreign currency exposure and consider using hedging instruments if available and necessary.

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\$990.41 million as at 31 March 2018 (2017: HK\$972.24 million). This increase was mainly attributable to the increase in the retained profits for the Year.

Commitments

As at 31 March 2018, the Group has operating lease commitments of approximately HK\$100.99 million (2017: HK\$87.06 million). As at 31 March 2018, pursuant to an unit purchase agreement (the "Alerian Unit Purchase Agreement") entered into by the Group on 14 July 2017 for the acquisition of the equity interest in GKD Index Partners, LLC, the total consideration payable by the Group under the Alerian Unit Purchase Agreement (including contingent consideration) is not expected to exceed US\$812 million (equivalent to approximately HK\$6,344 million). The Alerian Unit Purchase Agreement was subsequently terminated on 22 May 2018. Save for the above, the Group and the Company did not have any significant commitment as at 31 March 2018 and 2017.

Charge on the Group's assets

As at 31 March 2018, the Group did not have any charge on its assets (2017: Nil).

Contingent liabilities

As at 31 March 2018, the Group had no material contingent liabilities (2017: Nil).

Future plans for material investments or capital assets

Adjusting from the rapid growth shown during the first half of the fiscal year, and in response to China's macro policies and opportunities, the Group will apply a balanced and prudent approach in business development and execution, by diversifying amongst private equity, private credit, overseas listed Chinese companies, asset management, and other structured and opportunistic investment opportunities, whilst partnering with other financial and strategic investors on deal by deal basis to preserve its own offshore capital liquidity, generate short-term profits and achieve long term growth. The Group will also streamline its overseas offices, leverage Zhongzhi Capital's domestic resources, enhance internal management reporting system, upgrade internal accounting system with more analytical functionalities, and better use such data and information to support the development orientation and resource allocation more efficiently and effectively.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 14 July 2017, ZZCI Index Partners LLC, an indirect wholly-owned subsidiary of the Company, entered into the Alerian Unit Purchase Agreement as the buyer (the "Buyer") with Mr. Gabriel Hammond, Mr. Daniel Hammond and Mr. Kenny Feng as the sellers (the "Sellers"), Mr. Gabriel Hammond as the Sellers' representative and GKD Index Partners, LLC, pursuant to which the Buyer has conditionally agreed to acquire and the Sellers have conditionally agreed to sell the equity interest in GKD Index Partners, LLC, subject to the terms and conditions therein.

Details of above transaction were disclosed in the announcement of the Company dated 14 July 2017 and 15 January 2018. A deposit of approximately US\$26,309,000 (approximately HK\$205,214,000) has been placed in an escrow account.

On 24 May 2018, upon the termination of Alerian Unit Purchase Agreement, the deposit of US\$25,000,000 (net of legal and professional fees paid) has been released and returned to the Group.

Outlook

2017's world growth rate of 3.8% was the strongest since 2011 with a notable rebound in global trade, driven by investment recovery in advanced economies and continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in bulk commodities. In April 2018, the International Monetary Fund projected 2018 and 2019 global growth rate both at 3.9%, supported by positive macro momentum, favorable market sentiment, and accommodative financial conditions which translate into growth in emerging/developing markets and resilient growth in advanced economies. China is expected to grow 6.6% and 6.4% respectively 2018 to 2019, while declining but still well above the global market average. Over the medium term, global growth is projected to decline to 3.7%.

During the 19th National Congress of the Communist Party of China held in October 2017, Chinese President Xi committed to end poverty in China by 2021, and to transform the country into a “fully developed nation” by 2049. The Chinese economy is to take gradual steps towards market reform and opening up to the outside world. Stability on the economic, political, financial and social fronts remain of paramount importance as China continues its transition from an export and investment- driven economy to a consumption and service-oriented one, with urbanization and technology being key drivers of economic growth. Government initiatives such as the Belt and Road program and the Guangdong-Hong Kong-Macau Greater Bay Area plan provide the infrastructure and policy support to facilitate the movements of people, capital, goods and services, and to balance economic growth amongst the regions. Investment will remain a powerful tool to help maintain an average GNP growth rate of 6.5% in order to achieve the goal of doubling GDP and GDP per capita by 2020 (relative to 2010) as set out in China's 13th Five-Year Plan.

By responding to the policies highlighted by the 19th National Congress, the Company has adjusted its strategy by streamlining its global presence, reemphasizing its strategic Hong Kong location and China connectivity, and by diversifying across geographies, sectors, and asset classes. 2016 was a year of foundation building, 2017 was a year of acceleration, and 2018 is a year of inflection towards a more integrated Greater China and international approach at a more balanced and steady pace to secure both short-term and long-term success. With growing investment opportunities in Greater Bay Area, Zhongzhi Capital will grow its business by leveraging its local knowledge and expertise, and will seek investment synergies by cooperating with domestic and overseas partners.

As of 31 March 2018, the IAM Agreement between the Group and Zhongzhi Capital is expired, and the Group is no longer entitled to the related investment advisory and management income, leading to potential loss by the Group in the coming quarters. Nevertheless, with the experience and momentum accumulated to date, the Group will persist in developing asset management business to maximize the value of its licensed resources. At the same time, the Group will speed up the investing and harvesting of secondary market investments in Chinese stocks listed in Hong Kong and overseas, as well as injecting strategic assets to create defensible and diversified income sources.

EVENT AFTER THE REPORTING PERIOD

On 23 May 2018, the Company had published an announcement for the transactions as mentioned below. Capitalized terms used herein shall have the same meaning as those defined in the announcement dated 23 May 2018:

- (A) (i) the parties to the Alerian Unit Purchase Agreement in relation to the acquisition of the entire issued and outstanding unit interest in GKD Index Partners, LLC (conducting its business under the name “Alerian”) agreed to terminate the Alerian Unit Purchase Agreement and (ii) the Company entered into the Ancillary Transactions (including the Loan Commitment Agreement and the Omnibus Agreement) with Aretex Capital,
- (B) Aretex Alerian Purchaser entered into an agreement with the Sellers to acquire the equity interests of Alerian (the “Aretex Alerian Acquisition”) which, among other things, facilitates the release to the Buyer of the Termination Fee (in the amount of US\$25,000,000) that was deposited by the Buyer in the Termination Fee Escrow Account pursuant to the Alerian Unit Purchase Agreement. The Company understands that the termination of the Alerian Unit Purchase Agreement, the release of the Termination Fee to the Buyer, the entering into the agreements for the Ancillary Transactions and the entering into of the Aretex Alerian Acquisition by the Sellers will occur simultaneously, and
- (C) On 24 May 2018, upon the termination of Alerian Unit Purchase Agreement, the deposit of US\$25,000,000 (net of legal and professional fees paid) has been released and returned to the Group.

Since the Ancillary Transactions are related to each other, the Ancillary Transactions would need to be aggregated as if they were one transaction. Since no applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Ancillary Transactions exceed 5%, the Ancillary Transactions are not discloseable transactions for the purposes of the GEM Listing Rules, but are disclosed pursuant to Inside Information Provisions under Part XIVA of the Securities and Future Ordinance (Cap. 571, Laws of Hong Kong) and Rule 17.10 of the GEM Listing Rules.

Aretex Capital and its affiliates are indirectly controlled by Mr. Sergio D’Angelo and Mr. Andrew Feller, who are, at the date of this announcement, directors of ZZ Capital International (UK) Limited and ZZ Capital International (US) LLC which are subsidiaries of the Company. However, these subsidiaries are insignificant subsidiaries of the Company for the purposes of the GEM Listing Rules. Accordingly, neither Mr. Sergio D’Angelo, Mr. Andrew Feller, Aretex Capital nor the affiliates of Aretex Capital are connected persons of the Company pursuant to Rule 20.08 of the GEM Listing Rules. Accordingly, the Ancillary Transactions do not constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

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 throughout the Year.

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 2018 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
DUAN Di
Chairman

Hong Kong, 22 June 2018

As at the date of this announcement, the executive Directors are Ms. DUAN Di (Chairman), Ms. ZHANG Yun (Chief Executive Officer) and Mr. CHEN Jianfeng Peter (Chief Financial Officer); and the independent non-executive Directors are Mr. Stephen MARKSCHEID, Mr. 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.