



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



INTERIM
REPORT

2020



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This report, 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 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.

Highlights

- For the Interim Period 2020, corporate advisory income and interest income from lending business of approximately HK\$0.30 million (2019: 7.95 million) and HK\$0.82 million (2019: HK\$0.75 million) were recognised respectively.
- Net investment incomes for the Second Quarter Fiscal 2020 and Interim Period 2020 were amounted to approximately HK\$2.00 million (2019: net investment loss of HK\$0.05 million) and HK\$2.84 million (2019: net investment loss of HK\$1.33 million), respectively, mainly attributable to fair value changes on financial assets at FVTPL.
- For the Second Quarter Fiscal 2020 and Interim Period 2020, interest incomes on structured deposit were approximately HK\$2.18 million (2019: HK\$2.15 million) and HK\$4.04 million (2019: 4.50 million), respectively. In the same periods, interest income from bank deposits were approximately HK\$1.56 million (2019: HK\$1.37 million) and HK\$2.67 million (2019: HK\$2.54 million), respectively.
- In the Second Quarter Fiscal 2020 and Interim Period 2020, there was a net exchange gain of approximately HK\$8.28 million (2019: net exchange loss of HK\$4.50 million) and HK\$8.12 million (2019: net exchange loss of HK\$11.79 million) respectively, mostly driven by the foreign exchange revaluation of the Group's Renminbi bank balances.
- Operating expenses for the Second Quarter Fiscal 2020 and Interim Period 2020 increased to approximately HK\$16.06 million (2019: HK\$12.36 million) and HK\$32.1 million (2019: HK\$21.59 million) respectively. The major expenses components for the Interim Period 2020 were staff costs of HK\$13.32 million (2019: HK\$9.95 million), professional fees of HK\$13.07 million (2019: HK\$6.09 million) and rental related expenses of HK\$2.22 million (2019: HK\$2.03 million). The increases were mainly attributable to increases in professional fees incurred for the acquisition project and staff costs.
- Loss for the Second Quarter Fiscal 2020 and Interim Period 2020 were approximately HK\$1.16 million (2019: HK\$7.82 million) and HK\$12.84 million (2019: HK\$19.09 million), respectively. In the same periods, basic losses per share were HK0.03 cent (2019: HK0.22 cent) and HK0.36 cent (2019: HK0.54 cent), respectively.
- Total assets as at 30 September 2020 was approximately HK\$713.01 million (31 March 2020: HK\$731.85 million). Net assets value as at 30 September 2020 was approximately HK\$697.72 million (31 March 2020: HK\$709.89 million).
- The Board does not recommend payment of an interim dividend for the Interim Period 2020 (2019: Nil).

Condensed Consolidated Statement of Profit Or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2020

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 present the condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months (the "Second Quarter Fiscal 2020") and six months ended 30 September 2020 (the "Interim Period 2020"), together with the comparative unaudited figures for the corresponding periods in 2019, as follows:

Condensed Consolidated Statement of Profit Or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2020

	Notes	Three months ended 30 September		Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue					
Corporate advisory income	4	150	5,307	300	7,945
Loan interest income	4	419	382	824	748
Total revenue		569	5,689	1,124	8,693
Net investment income (loss)	5	2,003	(52)	2,835	(1,325)
Interest income	5	3,740	3,519	6,712	7,039
Other income and loss, net	5	8,594	(4,619)	8,590	(11,905)
Operating expenses		(16,061)	(12,359)	(32,096)	(21,594)
Loss before tax	6	(1,155)	(7,822)	(12,835)	(19,092)
Income tax expense	7	–	–	–	(1)
Loss for the period		(1,155)	(7,822)	(12,835)	(19,093)
Other comprehensive income (loss):					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		632	(231)	660	116
Total comprehensive loss for the period		(523)	(8,053)	(12,175)	(18,977)
Losses per share attributable to owners of the Company	8				
– Basic (HK cent)		(0.03)	(0.22)	(0.36)	(0.54)
– Diluted (HK cent)		(0.03)	(0.22)	(0.36)	(0.54)

Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	10	170	222
Loan receivables		17,879	17,168
Right-of-use assets		4,927	6,928
Deposits	11	2,241	2,241
Total non-current assets		25,217	26,559
Current assets			
Trade receivables	12	–	3,513
Financial assets at fair value through profit or loss ("FVTPL")	13	6,348	3,584
Other assets and receivables	14	8,292	221,542
Tax recoverable		–	2,597
Cash held on behalf of clients		–	3
Bank balances and cash	15	673,151	474,053
Total current assets		687,791	705,292
Current liabilities			
Trade payables		–	3
Other payables and accruals	16	7,454	11,433
Tax payable		2,851	3,583
Lease liabilities		3,946	3,931
Total current liabilities		14,251	18,950
Net current assets		673,540	686,342
Non-current liability			
Lease liabilities		1,038	3,007
Total non-current liability		1,038	3,007
Net assets		697,719	709,894
Equity			
Equity attributable to owners of the Company			
Share capital	17	35,505	35,505
Reserves		662,214	674,389
Total equity		697,719	709,894

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2020	35,505	706,245	9,000	(31)	(40,825)	709,894
Loss for the period	-	-	-	-	(12,835)	(12,835)
Other comprehensive income for the period	-	-	-	660	-	660
Total comprehensive loss for the period	-	-	-	660	(12,835)	(12,175)
At 30 September 2020 (Unaudited)	35,505	706,245	9,000	629	(53,660)	697,719
At 1 April 2019	35,505	706,245	9,000	(3,154)	(42,414)	705,182
Impact on initial application of HKFRS 16	-	-	-	-	(30)	(30)
Loss for the period	-	-	-	-	(19,093)	(19,093)
Other comprehensive income for the period	-	-	-	116	-	116
Total comprehensive loss for the period	-	-	-	116	(19,123)	(19,007)
At 30 September 2019 (Unaudited)	35,505	706,245	9,000	(3,038)	(61,537)	686,175

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		193,681	(4,618)
INVESTING ACTIVITIES			
Purchase of plant and equipment		(12)	–
Repayment of convertible loan receivable at FVTPL		–	2,354
Interest received		6,712	7,039
Dividend income received		70	127
Release of restricted bank balances		–	130
NET CASH FROM INVESTING ACTIVITIES		6,770	9,650
FINANCING ACTIVITIES			
Interest paid		(70)	–
Repayment of lease liabilities		(1,954)	–
CASH USED IN FINANCING ACTIVITIES		(2,024)	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		198,427	5,032
Bank balances and cash less restricted bank balances at 1 April		468,743	472,159
Effect of exchange rates changes on the bank balances and cash held in foreign currencies		673	700
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		667,843	477,891
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	15	39,954	296,637
Short term bank deposits with original maturity within three months	15	627,889	181,254
Bank balances and cash as stated in the condensed consolidated statement of cash flows		667,843	477,891
Restricted bank balances	15	5,308	5,364
Bank balances and cash as stated in the condensed consolidated statement of financial position		673,151	483,255

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The registered address and principal place of business of the Company is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands and 11/F., 8 Queen's Road Central, Hong Kong respectively. The shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investments holding. As at 30 September 2020, its subsidiaries are principally engaged in investment holding, provision of corporate advisory services, investment advisory and asset management services, proprietary investments and money lending.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2020 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standards 34 ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The functional currency of the Company, which is also the presentation currency of the Group's Interim Financial Statements, is Hong Kong dollars ("HK\$"). All values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRS”), the accounting policies and methods of computation used in the Interim Financial Statements are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020 (the “Annual Financial Statements”). However, the Interim Financial Statements do not include all of the information required for annual financial statements and they should be read in conjunction with the Annual Financial Statements.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s Interim Financial Statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of *the Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current and prior periods and/or on the disclosures set out in these Interim Financial Statements has had no material impact in the current interim period.

3.1 **Impacts of application on Amendments to HKAS 1 and HKAS 8 Definition of Material**

The amendments provide a new definition of material that states information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

Notes to the Unaudited Condensed Consolidated Financial Statements

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3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs *(Continued)*

3.1 *Impacts of application on Amendments to HKAS 1 and HKAS 8 Definition of Material (Continued)*

The application of the amendments in the current period had no impact on the Interim Financial Statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the Group's consolidated financial statements for the year ending 31 March 2021.

3.2 *Accounting policies newly applied by the Group*

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no further related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

4. REVENUE AND SEGMENT INFORMATION

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

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

Revenue represents the net amounts received and receivable for the provision of corporate advisory services and money lending.

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

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Corporate advisory income	150	5,307	300	7,945
Loan interest income	419	382	824	748
	569	5,689	1,124	8,693
A point in time	150	5,307	300	7,945
Over time	419	382	824	748
	569	5,689	1,124	8,693

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

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

5. NET INVESTMENT INCOME (LOSS) / INTEREST INCOME / OTHER INCOME AND LOSS, NET

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

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net investment income (loss)				
Net fair value gain (loss) on financial assets at FVTPL	1,933	(179)	2,765	(1,452)
Dividend income	70	127	70	127
	2,003	(52)	2,835	(1,325)
Interest income				
Interest income from financial assets at amortised cost				
– Bank deposits	1,561	1,367	2,671	2,536
Interest income from financial assets at FVTPL				
– Structured deposit	2,179	2,152	4,041	4,503
	3,740	3,519	6,712	7,039
Other income and loss, net				
Loss on disposal of a subsidiary	–	(115)	–	(115)
Government subsidy income	315	–	473	–
Gain (loss) on exchange difference	8,279	(4,504)	8,117	(11,790)
	8,594	(4,619)	8,590	(11,905)

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Depreciation of plant and equipment	30	46	64	177
Depreciation of right-of-use assets	985	1,022	2,001	1,971
Legal and professional fees	6,947	4,478	13,068	6,094
Interest on lease liabilities	32	54	70	114
Employee benefit expenses (including directors' remuneration)	6,208	4,940	13,318	9,946

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

7. INCOME TAX EXPENSE

	Three months ended 30 September 2020		Six months ended 30 September 2020	
	HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
PRC Enterprise Income tax				
Under-provision in prior year	–	–	–	(1)
Income tax expense	–	–	–	(1)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit.

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 periods.

Taxes on profits assessable elsewhere have been calculated on the estimated assessable profit at rates of taxation prevailing in the countries in which the Group operates.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

8. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Three months ended 30 September 2020		Six months ended 30 September 2020	
	HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)

Losses:

Losses for the periods attributable to owners of the Company	1,155	7,822	12,835	19,093
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	Three months ended 30 September 2020		Six months ended 30 September 2020	
	2019	2019	2020	2019

Number of shares:

Weighted average number of ordinary shares for the purposes of calculating basic and diluted losses per share	3,550,496,836	3,550,496,836	3,550,496,836	3,550,496,836
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Diluted losses per share amounts were the same as basic losses per share amounts as there were no potential dilutive ordinary shares outstanding for all periods.

On 15 October 2020, the Company has issued and allotted 638,022,754 ordinary shares as the consideration shares for the acquisition which is detailed in note 21 to the unaudited condensed consolidated financial statements.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

10. PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired items of furniture, fixture and equipment with a cost of approximately HK\$12,000 (2019: nil).

11. DEPOSITS

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Rental and management fee deposits	2,236	2,236
Others	5	5
	2,241	2,241

12. TRADE RECEIVABLES

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Contract with customers	–	3,513

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

The Group's normal trading term with its customers is that payment is 90 days or due upon the issuance of invoices. 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. The trade receivables as at 31 March 2020 were aged within 90 days based on invoice date and had been received in full subsequent to the year ended 31 March 2020.

Trade receivables were assessed individually and there were no additional impairment allowance during the six months ended 30 September 2020 (2019: nil).

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

13. FINANCIAL ASSETS AT FVTPL

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Listed securities investment	6,348	3,584

These investments include listed securities in Hong Kong of HK\$2,346,000 (31 March 2020: HK\$2,328,000) and listed securities in the USA of HK\$4,002,000 (31 March 2020: HK\$1,256,000), which are level 1 financial instruments and the fair value are based on the quoted bid prices in an active market. There are no significant unobservable inputs.

14. OTHER ASSETS AND RECEIVABLES

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Other assets and receivables	8,292	221,542

The balance as at 31 March 2020 included the consideration receivable of approximately HK\$217,120,000 in connection with the assignment of the Group's convertible loan receivable. The amount had been received in full subsequent to the year ended 31 March 2020.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

15. BANK BALANCES AND CASH

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Restricted bank balances	5,308	5,310
Short-term bank deposits		
– with original maturity within three months	627,889	209,950
Bank balances and cash	39,954	258,793
	673,151	474,053

16. OTHER PAYABLES AND ACCRUALS

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Other payables and accruals	7,454	11,433

All other payables are non-interest-bearing and have a term of one month to twelve months.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	10,000,000,000	100,000
Issued and fully paid:		
As at 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	3,550,416,836	35,505

On 15 October 2020, the Company has issued and allotted 638,022,754 ordinary shares as the consideration shares for the acquisition which is detailed in note 21 to the unaudited condensed consolidated financial statements.

18. RELATED PARTY TRANSACTIONS

Compensation of key management personnel including executive directors and key management of the Group:

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term employees benefits	2,614	1,888	5,035	3,581
Retirement benefit scheme contributions	15	4	29	9
Total compensation paid to key management personnel	2,629	1,892	5,064	3,590

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

19 FAIR VALUE OF MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The information about how the fair value of these financial assets are determined (in particular, the valuation techniques and inputs used) are disclosed in respective notes.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed statement of financial position approximate their fair value.

During the six months ended 30 September 2020 and year ended 31 March 2020, there were no transfers between Level 1, Level 2 and Level 3.

Fair value hierarchy as at 30 September 2020

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial assets at FVTPL	6,348	–	–	6,348
	6,348	–	–	6,348

Fair value hierarchy as at 31 March 2020

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial assets at FVTPL	3,584	–	–	3,584
	3,584	–	–	3,584

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2020

20. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly or indirectly affect the operations of the Group. On the other hand, the Hong Kong government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including some of the Group's potential customers have delayed or suspended their financing plans due to the epidemic, resulting in the Group's loss of some business opportunities.

21. CAPITAL COMMITMENT AND EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcement dated 10 September 2020 published by the Company, it has entered into a share purchase deed with regard to the acquisition of the entire issued capital of KingNine Holdings Limited (the "Target Company") which through its subsidiaries mainly provides internet based back-office services, internet integrated marketing services and smart data solutions in Mainland China (the "Acquisition").

According to the share purchase deed, the total consideration for the entire issued share capital of the Target Company is RMB850 million, of which approximately RMB180 million be settled by allotment and issuance of the Company's new shares, RMB420 million be settled in the form of cash, and RMB250 million be settled in the form of a closing fund.

The completion of the Acquisition (the "Completion") has taken place on 15 October 2020. Following the Completion, the Target Company has become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company and its subsidiaries (collectively, the "Target Group") will be consolidated into the consolidated financial statements of the Company.

Please refer to the Company's announcements dated 19 August 2019, 10 September 2020, 15 October 2020 and the Company's circular dated 18 September 2020 for further details of the Acquisition. As the initial accounting for the business combination has not been complete on the date of this report and as permitted under *HKFRS 3*, not all the disclosures required under *HKFRS 3* are disclosed in this report.

22. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 9 November 2020.

Management Discussion and Analysis

BUSINESS REVIEW

The outbreak of the novel coronavirus epidemic has caused huge impact on economic activities. The Group's business is mainly conducted in Mainland China and Hong Kong. Some of the Group's potential customers have delayed or suspended their financing plans due to the epidemic, resulting in the Group's loss of some business opportunities. However, the Group has continued to try its best to provide corresponding services to its customers through remote conference and the provision of off-site services. This quarter, financial advisory contract amounted to HK\$1.20 million was signed. The Group will continue to look for more institutional customers and provide diversified financial services to them, including investment consulting, asset management, corporate consulting, corporate financing and proprietary investment.

As disclosed in the announcement dated 10 September 2020 published by the Company, it has entered into a share purchase deed with regard to the acquisition of the entire issued capital of KingNine Holdings Limited (the "Target Company") which through its subsidiaries mainly provides internet based back-office services, internet integrated marketing services and smart data solutions in Mainland China (the "Acquisition").

The completion of the Acquisition (the "Completion") has taken place on 15 October 2020. Following the Completion, the Target Company has become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company and its subsidiaries (collectively, the "Target Group") will be consolidated into the consolidated financial statements of the Company. Please refer to the Company's announcements dated 19 August 2019, 10 September 2020 and 15 October 2020, and the Company's circular dated 18 September 2020 for further details of the Acquisition.

The Board considers that the Acquisition provides a good opportunity for the Group to diversify its business and revenue sources, thereby increasing the shareholders' value.

Management Discussion and Analysis

FINANCIAL REVIEW

For the Interim Period 2020, corporate advisory income and interest income from lending business of approximately HK\$0.30 million (2019: 7.95 million) and HK\$0.82 million (2019: HK\$0.75 million) were recognised respectively.

Net investment incomes for the Second Quarter Fiscal 2020 and Interim Period 2020 were amounted to approximately HK\$2.00 million (2019: net investment loss of HK\$0.05 million) and HK\$2.84 million (2019: net investment loss of HK\$1.33 million), respectively, mainly attributable to fair value changes on financial assets at FVTPL.

For the Second Quarter Fiscal 2020 and Interim Period 2020, interest incomes on structured deposit were approximately HK\$2.18 million (2019: HK\$2.15 million) and HK\$4.04 million (2019: 4.50 million), respectively. In the same periods, interest income from bank deposits were approximately HK\$1.56 million (2019: HK\$1.37 million) and HK\$2.67 million (2019: HK\$2.54 million), respectively.

In the Second Quarter Fiscal 2020 and Interim Period 2020, there was a net exchange gain of approximately HK\$8.28 million (2019: net exchange loss of HK\$4.50 million) and HK\$8.12 million (2019: net exchange loss of HK\$11.79 million) respectively, mostly driven by the foreign exchange revaluation of the Group's Renminbi bank balances.

Operating expenses for the Second Quarter Fiscal 2020 and Interim Period 2020 increased to approximately HK\$16.06 million (2019: HK\$12.36 million) and HK\$32.1 million (2019: HK\$21.59 million) respectively. The major expenses components for the Interim Period 2020 were staff costs of HK\$13.32 million (2019: HK\$9.95 million), professional fees of HK\$13.07 million (2019: HK\$6.09 million) and rental related expenses of HK\$2.22 million (2019: HK\$2.03 million). The increases were mainly attributable to increases in professional fees incurred for the acquisition project and staff costs.

Loss for the Second Quarter Fiscal 2020 and Interim Period 2020 were approximately HK\$1.16 million (2019: HK\$7.82 million) and HK\$12.84 million (2019: HK\$19.09 million), respectively. In the same periods, basic losses per share were HK0.03 cent (2019: HK0.22 cent) and HK0.36 cent (2019: HK0.54 cent), respectively.

As at 31 March 2020, included in the balance of other assets and receivables was the consideration receivable of approximately HK\$217.12 million in connection with the assignment of the Group's convertible loan receivable in the year ended 31 March 2020. The amount had been received in full subsequent to the year ended 31 March 2020, resulting in a decrease in other assets and receivables and an increase in bank balance and cash.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Total assets as at 30 September 2020 was approximately HK\$713.01 million (31 March 2020: HK\$731.85 million). Net assets value as at 30 September 2020 was approximately HK\$697.72 million (31 March 2020: HK\$709.89 million).

Liquidity and financial resources

The Group continued to adopt a prudent financial management strategy and maintained a healthy liquidity position. The Group's bank balances and cash maintained at HK\$673.15 million as at 30 September 2020 (31 March 2020: HK\$474.05 million). As at 30 September 2020, the Group had net current assets of HK\$673.54 million (31 March 2020: HK\$686.34 million).

The Group's operations and investments were financed principally by revenue 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 30 September 2020 (31 March 2020: nil).

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

Capital structure

There has been no change in the capital structure of the Company during the Interim Period 2020. The capital source of the Company comprises only ordinary shares.

Total equity attributable to owners of the Company amounted to HK\$697.72 million as at 30 September 2020 (31 March 2020: HK\$709.89 million). This decrease was mainly attributable to the increase in accumulated loss during the Interim Period 2020.

Capital Commitments

The Group's and the Company's commitments as at 30 September 2020 are set out in note 21 to the unaudited condensed consolidated financial statements. Save for aforementioned, the Group and the Company did not have any significant commitment as at 30 September 2020 and 31 March 2020.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Employees and remuneration policies

As of 30 September 2020, the Group employed 24 employees including executive Directors. Total staff costs (including Directors' emoluments) for the Interim Period 2020 amounted to approximately HK\$13.32 million (2019: HK\$9.95 million). Employees' remuneration packages are decided based on their job responsibilities, local market benchmarks and industry trends. Employee discretionary bonus is distributable according to the performance of the respective subsidiaries and employees concerned.

Charge on the Group's assets

As at 30 September 2020, the Group did not have any charge on its assets (31 March 2020: nil).

Contingent liabilities

As at 30 September 2020, the Group had no material contingent liabilities (31 March 2020: nil).

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group had no material acquisitions and disposals of subsidiaries and affiliated companies during the Interim Period 2020.

Future plans for material investments or capital assets

As mentioned in the Business Review section of this report, the Company has entered into a share purchase deed with regard to the acquisition of the entire issued capital of the Target Company which through its subsidiaries mainly provides internet based back-office services, internet integrated marketing services and smart data solutions in Mainland China. The Completion of the Acquisition has taken place on 15 October 2020.

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

Management Discussion and Analysis

OUTLOOK

On 19 October 2020, according to National Bureau of Statistics of China, the growth rates of GDP in the first three quarters have turned from negative to positive, representing a year-on-year growth of 0.7%. Based on each quarter, the growth rate in the first quarter dropped 6.8% year-on-year, and in the second quarter, it increased by 3.2%, and increased by 4.9% in the third quarter. Although the GDP growth rate in the third quarter was below the market expectation, China's economy was still outstanding in its recovery among the major economies in the world. As the pandemic remains a wide suppression on the global economy, the International Monetary Fund predicts that China will be the only major economy that registers positive growth this year, with an expected growth rate of 1.9% in the whole year, while the global economy will shrink by 4.4%. The World Bank also estimates that China's economy will grow in a rate of 2%.

Over the past year or so, Hong Kong's economy has experienced in turn material events, namely the Sino-US trade war, anti-extradition issue and the epidemic. Hong Kong's economy has fluctuated wildly as result of these events. It is analysed that Hong Kong's economy is not very likely to rebound in a short term. The Hong Kong Government announced earlier that the total economic output in this second quarter dropped 9% as compared to the same period in last year, and its data also predicted that the economy for the whole year would shrink by 6% to 8%.

Against this background, the Group has committed to diversify development strategies. On the one hand, the Group will continue to develop businesses such as corporate advisory and corporate financing services. On the other hand, the Company has completed the acquisition of Target Company on 15 October 2020, which will benefit the business development of the Group and bring more stable income stream and development opportunities for the Group, thereby increasing shareholders' value.

Other Information

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Interim Period 2020 (2019: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2020, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("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 or 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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

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

As at 30 September 2020, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Zhong Zhi Xin Zhuo Capital Company Limited ("Zhongzhi Xinzhuo") (Note)	Beneficial owner	2,159,552,102	60.82%
Kang Bang Qi Hui (HK) Company Limited ("Kang Bang (HK)") (Note)	Beneficial owner	455,820,525	12.84%
Tian Xi Capital Company Limited ("Tian Xi Capital") (Note)	Interest of controlled corporation	2,615,372,627	73.66%
Zhong Zhi Ze Yun Capital Company Limited ("Ze Yun Capital") (Note)	Interest of controlled corporation	2,615,372,627	73.66%
Mr. XIE Zhikun ("Mr. Xie") (Note)	Interest of controlled corporation	2,615,372,627	73.66%

Note: Each of Zhongzhi Xinzhuo and Kang Bang (HK) is a wholly-owned subsidiary of Tian Xi Capital. Ze Yun Capital, a company wholly-owned by Mr. Xie, controls 100% of the voting power at general meetings of Tian Xi Capital. As such, each of Tian Xi Capital, Ze Yun Capital and Mr. Xie is deemed to be interested in an aggregate of 2,615,372,627 shares of the Company held by Zhongzhi Xinzhuo and Kang Bang (HK) by virtue of the SFO. On 15 October 2020, Zhongzhi Xinzhuo increased the number of Shares to 2,409,823,718 Shares after the allotment of 250,271,616 new shares of the Company in relation to the Acquisition. In aggregate with the shares of the Company held by Kang Bang (HK), the total 2,865,644,243 shares represents approximately 68.41% of the total issued share capital of the Company on 15 October 2020.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Save as disclosed above, as at 30 September 2020, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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 Interim Period 2020.

COMPETING BUSINESS

As at 30 September 2020, none of the Directors was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Mr. Xie, a controlling shareholder of the Company, holding approximately 73.66% of the total issued share capital of the Company as at 30 September 2020 through Zhongzhi Xinzhuo and Kang Bang (HK), indirectly holds 100% equity interest in 中植資本管理有限公司 ("Zhongzhi Capital"). Zhongzhi Capital's key business include private equity investments in the primary market, private placement, mergers and acquisitions of overseas businesses and funds which may compete or are likely to compete with the business of the Group.

COMPETING BUSINESS (Continued)

Mr. Xie also holds indirect interests in the following companies, which are corporations licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities: (1) 80% indirect interest in Tang Wealth International Limited, which mainly provides private banking services, including providing asset allocation and investment consultancy services, including agency sales of public funds and private equity funds, issue of private equity funds or asset management etc. but is not engaged in traditional investment services; and (2) 45.1% indirect interest in Hang Tang International Capital Management Limited, which mainly provides asset management and funds distribution services. Mr. Xie is also the sole shareholder of ZhongTai Financing (Hong Kong) Limited, which holds a Money Lenders Licence and conducts money lending business.

Save as disclosed above, none of the Directors, the controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any direct or indirect interest in a business which competes or is likely to compete with the business of the Group as at 30 September 2020.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries to all the relevant Directors who confirmed their compliance with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the Interim Period 2020. No incident of non-compliance was noted by the Company during the Interim Period 2020.

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 Interim Period 2020.

Other Information

REVIEW OF UNAUDITED FINANCIAL RESULTS

The Audit Committee has reviewed the Interim Financial Statements and is of the opinion that the preparation of those statements complies with the applicable accounting standards and that adequate disclosures have been made.

EVENT AFTER THE REPORTING PERIOD

Please refer to details as set out in note 21 to the unaudited condensed consolidated financial statements of this report.

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

Hong Kong, 9 November 2020

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