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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

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

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

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

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

HIGHLIGHTS

- The Group recorded a revenue of approximately RMB121.6 million (2019: approximately RMB11.3 million) for the nine months ended 31 December 2020, representing 972% increase as compared to the corresponding period in 2019. Such significant increase was mainly attributable to the revenue generated from KingNine Group in the Third Quarter Fiscal 2020 after the Completion.
- Profit attributable to owners of the Company for the nine months ended 31 December 2020 was approximately RMB7.6 million, as compared to loss of approximately RMB23.9 million for the corresponding period in 2019.
- During the Third Quarter Fiscal 2020 and the nine months ended 31 December 2020, basic earnings per share were RMB0.47 cent (2019: loss per share of RMB0.19 cent) and RMB0.20 cent (2019: loss per share of RMB0.67 cent), respectively.
- The Board does not recommend payment of a dividend for the nine months ended 31 December 2020 (2019: Nil).

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 unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months (the “Third Quarter Fiscal 2020”) and nine months ended 31 December 2020, together with the comparative unaudited figures for the corresponding periods in 2019, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2020

		Three months ended 31 December		Nine months ended 31 December	
		2020	2019	2020	2019
	Notes	RMB'000 (Unaudited)	RMB'000 (Unaudited and restated)	RMB'000 (Unaudited)	RMB'000 (Unaudited and restated)
Revenue	4	120,566	3,608	121,581	11,341
Cost of services		(77,893)	—	(77,893)	—
Gross profit		42,673	3,608	43,688	11,341
Other income and losses, net	5	10,546	3,476	26,920	(2,031)
Marketing expenses		(1,593)	—	(1,593)	—
Research and development expenses		(3,328)	—	(3,328)	—
Administrative expenses		(19,994)	(13,913)	(48,908)	(33,021)
Finance costs	6	(3,151)	(43)	(3,214)	(145)
Profit (loss) before tax	7	25,153	(6,872)	13,565	(23,856)
Income tax expense	8	(5,446)	—	(5,446)	(1)
Profit (loss) for the period		19,707	(6,872)	8,119	(23,857)
Profit (loss) for the period attributable to:					
— Owners of the Company		19,237	(6,872)	7,649	(23,857)
— Non-controlling interests		470	—	470	—
		19,707	(6,872)	8,119	(23,857)

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2020	2019	2020	2019
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Earnings (losses) per share attributable to ordinary equity holders of the Company	9				
— Basic (<i>RMB cents</i>)		<u>0.47</u>	<u>(0.19)</u>	<u>0.20</u>	<u>(0.67)</u>
— Diluted (<i>RMB cents</i>)		<u>0.47</u>	<u>(0.19)</u>	<u>0.20</u>	<u>(0.67)</u>
Profit (loss) for the period		19,707	(6,872)	8,119	(23,857)
Other comprehensive (expense) income:					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		<u>(39,037)</u>	<u>(4,232)</u>	<u>(38,441)</u>	<u>26,791</u>
Total comprehensive (expense) income for the period		<u>(19,330)</u>	<u>(11,104)</u>	<u>(30,322)</u>	<u>2,934</u>
Total comprehensive (expense) income for the period attributable to:					
— Owners of the Company		<u>(19,800)</u>	<u>(11,104)</u>	<u>(30,792)</u>	<u>2,934</u>
— Non-controlling interests		<u>470</u>	<u>—</u>	<u>470</u>	<u>—</u>
		<u>(19,330)</u>	<u>(11,104)</u>	<u>(30,322)</u>	<u>2,934</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2020

	Attributable to owners of the Company								Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Retained profits (Accumulated losses) RMB'000	Total	Non- controlling interests RMB'000	
							RMB'000	RMB'000	
At 1 April 2020	29,848	584,350	7,944	-	66,196	(39,708)	648,630	-	648,630
Profit for the period	-	-	-	-	-	7,649	7,649	470	8,119
Other comprehensive expense for the period	-	-	-	-	(38,441)	-	(38,441)	-	(38,441)
Total comprehensive expense for the period	-	-	-	-	(38,441)	7,649	(30,792)	470	(30,322)
Transfer to statutory reserve	-	-	-	7,740	-	(7,740)	-	-	-
Issue of new shares	5,547	360,528	-	-	-	-	366,075	-	366,075
Acquisition of subsidiaries	-	-	-	-	-	-	-	13,804	13,804
At 31 December 2020 (Unaudited)	<u>35,395</u>	<u>944,878</u>	<u>7,944</u>	<u>7,740</u>	<u>27,755</u>	<u>(39,799)</u>	<u>983,913</u>	<u>14,274</u>	<u>998,187</u>
At 1 April 2019 (restated)	29,848	584,350	7,944	-	23,878	(41,121)	604,899	-	604,899
Loss for the period	-	-	-	-	-	(23,857)	(23,857)	-	(23,857)
Other comprehensive income for the period	-	-	-	-	26,791	-	26,791	-	26,791
Total comprehensive income for the period	-	-	-	-	26,791	(23,857)	2,934	-	2,934
At 31 December 2019 (Unaudited and restated)	<u>29,848</u>	<u>584,350</u>	<u>7,944</u>	<u>-</u>	<u>50,669</u>	<u>(64,978)</u>	<u>607,833</u>	<u>-</u>	<u>607,833</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investments holding. Its subsidiaries (together with the Company collectively referred to as the "Group") are principally engaged in investment holding, provision of corporate advisory services, investment advisory and asset management services, proprietary investments and money lending. After the completion of the acquisition of KingNine Holdings Limited ("KingNine") and its subsidiaries (collectively, the "KingNine Group") on 15 October 2020 (the "Acquisition"), which constituted a very substantial acquisition and connected transaction of the Company under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), the Group's principal activities also include the provision of the following services in the People's Republic of China (the "PRC"):

- (a) Back-office services (primarily provision of customer service solutions, and setting up of contact service systems and centres);
- (b) Comprehensive marketing services; and
- (c) Data centre services.

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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months and nine months ended 31 December 2020 ("Third Quarterly Financial Statements") have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of the GEM Listing Rules.

Prior to October 2020, the Company regarded Hong Kong dollar ("HK\$") as the functional currency. Upon the completion of the acquisition of the KingNine Group, whose functional currency is Renminbi ("RMB"), in October 2020, the primary economic environment in which the Company operates has been substantially changed and it is more appropriate to use RMB as the functional currency. Accordingly, the Company has determined the change of the functional and presentation currencies from HK\$ to RMB starting from 1 October 2020.

The change in functional currency of the Company was applied prospectively from the date of change in accordance with Hong Kong Accounting Standard (“HKAS”) 21 “The Effect of Changes in Foreign Exchange Rates”. Comparative figures have been restated to reflect the change in the Group’s presentation currency.

For the purpose of re-presentation of the consolidated financial statements of the Group from HK\$ to RMB, the assets and liabilities are translated into RMB at the closing rates as of the respective reporting dates. Income and expenses are translated at the average exchange rates for the respective periods. Share capital, share premium and reserves are translated at the exchange rates at the date when the amount were determined (i.e. historical exchange rates).

3. PRINCIPAL ACCOUNTING POLICIES

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

The HKICPA has issued a number of amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. The adoption of these amendments has no material effect on the Third Quarterly Financial Statements, and there have otherwise been no significant changes to the accounting policies applied in the Third Quarterly Financial Statements. Other than additional accounting policies resulting from application of the amendments to HKFRS and the change of functional and presentation currencies as set out in note 2 above, the accounting policies and methods of computation used in the Third Quarterly 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 Third Quarterly 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.

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 in the provision of i) back-office services; ii) comprehensive marketing services; iii) data centre services and iv) corporate advisory services and v) 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’s revenue from major services.

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

An analysis of the Group's revenue by major services and geographical location are as follows:

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
By major services:				
Back-office services	115,535	–	115,535	–
Comprehensive marketing services	136	–	136	–
Data centre services	4,447	–	4,447	–
Corporate advisory services	84	3,236	355	10,303
Loan interest income	364	372	1,108	1,038
	<u>120,566</u>	<u>3,608</u>	<u>121,581</u>	<u>11,341</u>
A point in time	5,128	3,236	5,400	10,303
Over time	115,438	372	116,181	1,038
	<u>120,566</u>	<u>3,608</u>	<u>121,581</u>	<u>11,341</u>
By geographical location:				
The PRC	120,118	–	120,118	–
Others	448	3,608	1,463	11,341
	<u>120,566</u>	<u>3,608</u>	<u>121,581</u>	<u>11,341</u>

Revenue by geographical location is based on the location where the services are rendered.

5. OTHER INCOME AND LOSSES, NET

An analysis of the Group's other income and losses, net is as follows:

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Net investment income (loss)				
Net fair value gain (loss) on financial assets at fair value through profit or loss ("FVTPL")	32	568	2,528	(724)
Dividend income	—	—	63	113
	<u>32</u>	<u>568</u>	<u>2,591</u>	<u>(611)</u>
Interest income				
Interest income from financial assets at amortised cost				
— Bank deposits	540	1,297	2,952	3,553
Interest income from financial assets at FVTPL				
— Structured deposit	231	2,077	3,879	6,083
	<u>771</u>	<u>3,374</u>	<u>6,831</u>	<u>9,636</u>
Other income and losses				
Government grants and subsidies	3,587	—	4,014	—
Value-Add Tax ("VAT") refund	4,696	—	4,696	—
Gain (loss) on exchange differences	2,702	(466)	10,030	(10,953)
Loss on disposal of a subsidiary	—	—	—	(103)
Net impairment losses	(1,386)	—	(1,386)	—
Others	144	—	144	—
	<u>9,743</u>	<u>(466)</u>	<u>17,498</u>	<u>(11,056)</u>
Total	<u>10,546</u>	<u>3,476</u>	<u>26,920</u>	<u>(2,031)</u>

6. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited and restated)	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited and restated)
Interest on bank borrowings	282	–	282	–
Interest on other borrowings from a related company	406	–	406	–
Interest on lease liabilities	332	43	395	145
Interest on deferred consideration payable	2,131	–	2,131	–
	<u>3,151</u>	<u>43</u>	<u>3,214</u>	<u>145</u>

7. PROFIT (LOSS) BEFORE TAX

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

	Three months ended 31 December		Nine months ended 31 December	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited and restated)	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited and restated)
Employee benefit expenses (including directors' remuneration)	59,481	5,016	71,505	13,864
Amounts capitalised	(3,056)	–	(3,056)	–
	<u>56,425</u>	<u>5,016</u>	<u>68,449</u>	<u>13,864</u>
Legal and professional fees	4,053	6,696	15,851	12,117
Depreciation of plant and equipment	4,276	54	4,334	212
Depreciation of right-of-use assets	2,626	877	4,433	2,630
Amortisation of intangible assets	4,135	–	4,135	–

8. INCOME TAX (EXPENSE) CREDIT

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Hong Kong Profits Tax	(258)	–	(258)	–
PRC Enterprise Income tax (“EIT”)	(11,613)	–	(11,613)	(1)
	<u>(11,871)</u>	<u>–</u>	<u>(11,871)</u>	<u>(1)</u>
Current tax	(11,871)	–	(11,871)	(1)
Deferred tax	6,425	–	6,425	–
	<u>6,425</u>	<u>–</u>	<u>6,425</u>	<u>–</u>
Income tax (expense) credit	<u>(5,446)</u>	<u>–</u>	<u>(5,446)</u>	<u>(1)</u>

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 basic tax rate of the Group’s PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the “EIT Law”) and implementation regulations of the EIT Law. During the three months ended 31 December 2020, certain subsidiaries of the Group qualified as advanced technology enterprises and have obtained approvals from the relevant tax authorities for the reduction of the applicable tax rate to 15%.

9. EARNINGS (LOSSES) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Earnings (losses) attributable to owners of the Company for the purposes of basic earnings (losses) per share	<u>19,237</u>	<u>(6,872)</u>	<u>7,649</u>	<u>(23,857)</u>
Number of shares (in thousands)				
Weighted average number of ordinary shares in issue for the purposes of basic earnings (losses) per share	<u>4,091,429</u>	<u>3,550,497</u>	<u>3,731,463</u>	<u>3,550,497</u>

Diluted earnings (losses) per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive, potential ordinary shares. Dilutive earnings (losses) per share amount were the same as basic earnings (losses) per share amount for all periods as there were no potential dilutive ordinary shares outstanding.

10. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2020 (2019: Nil).

11. PURCHASE OF SUBSIDIARY COMPANIES

As disclosed in the announcement dated 10 September 2020 published by the Company, it entered into a share purchase deed with regard to the Acquisition which constituted a very substantial acquisition and connected transaction of the Company under the GEM Listing Rules.

The completion of the Acquisition (the "Completion") took place on 15 October 2020. Following the Completion, KingNine has become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the KingNine Group have been 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 following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised for the Acquisitions completed on 15 October 2020:

	RMB'000 (Unaudited)
Purchase consideration transferred:	
Cash and cash equivalents paid	390,000
Deferred consideration payable	256,149
Fair value of 638,022,754 ordinary shares of the Company issued	366,075
	<u>1,012,224</u>
Fair value:	
Plant and equipment	24,836
Intangible assets	185,947
Right-of-use assets	24,897
Equity instrument at fair value through other comprehensive income	4,563
Deferred tax assets	4,057
Inventories	2,006
Accounts and other receivables	556,481
Other current assets	524
Cash and bank balances	45,771
Borrowings	(55,000)
Accounts and other payables	(289,015)
Contract liabilities	(943)
Tax payable	(9,936)
Lease liabilities	(26,084)
Deferred tax liabilities	(41,757)
	<u>426,347</u>
Net identifiable assets acquired	426,347
Non-controlling interests	(13,804)
Goodwill	<u>599,681</u>
Total consideration	<u>1,012,224</u>
Net cash outflow arising from the Acquisition:	
Cash and cash equivalents paid	(390,000)
Cash and cash equivalents acquired	45,771
	<u>(344,229)</u>
Total net cash outflow	<u>(344,229)</u>

12. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY FINANCIAL STATEMENTS

The Third Quarterly Financial Statements were approved and authorised for issue by the Board on 8 February 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Material acquisition of subsidiaries

As disclosed in the announcement dated 10 September 2020 published by the Company, it entered into a share purchase deed on 10 September 2020 (the “Share Purchase Deed”) with regard to the acquisition of the entire issued capital of KingNine Holdings Limited (“KingNine”) (the “Acquisition”) which constituted a very substantial acquisition and connected transaction of the Company under the GEM Listing Rules.

According to the Share Purchase Deed, the total consideration for the entire issued share capital of the KingNine is RMB850 million, of which approximately RMB180 million be settled by allotment and issuance of the Company’s shares, RMB250 million be settled in the form of a closing fund and RMB420 million be settled in the form of cash. Up to 31 December 2020, the Company had issued 638,022,754 shares as the consideration shares, fully settled the closing fund and paid RMB140 million as the tranche I of the cash consideration. In accordance with the Share Purchase Deed, the tranche II to tranche V of the cash consideration in the aggregated amount of RMB280 million (subject to the adjustment as set out in the Share Purchase Deed) will be paid in four installments of RMB70 million each on 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024 respectively.

KingNine and its subsidiaries (collectively, the “KingNine Group”) is an emerging leading outsourced customer service provider with its principal place of business located in the People’s Republic of China (the “PRC”) which mainly provide back-office services (through the Contractual Arrangements as defined below), comprehensive marketing services and data centre services.

DaLian Kingwisoft Technology Co., Ltd.* (大連金慧融智科技股份有限公司) (the “OPCO”) and its subsidiaries (collectively the “OPCO Group”), which are among the entities acquired in the Acquisition, engage in business of provision of value-added telecommunications services that is subject to restrictions imposed by relevant PRC laws on foreign investors of foreign-invested telecommunication enterprises which engage in the provision of value-added telecommunications services.

* *English translation of the company’s name is for reference only.*

Due to such restrictions under the relevant PRC laws, and as advised by the PRC legal adviser of the Company, it was not viable for KingNine to directly hold any equity ownership in the OPCO Group. Instead, KingNine, in line with common practice in industries in the PRC subject to restrictions imposed by the PRC laws on relevant foreign investors and/or foreign ownership on foreign-invested enterprises, achieves effective control over, and receives the entire economic benefits generated by the OPCO Group through a series of contractual agreements entered between Kingwisoft Technology Co., Ltd.* (金慧融智科技有限公司) (the “WFOE”), an indirect wholly-owned subsidiary of KingNine established in the PRC, on one hand, and each of the OPCO and its registered shareholders, on the other hand (the “Contractual Arrangements”).

The completion of the Acquisition (the “Completion”) took place on 15 October 2020. Following the Completion, KingNine has become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the KingNine Group have been 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.

Change in functional and presentation currencies

Prior to October 2020, the Company regarded Hong Kong dollar (“HK\$”) as the functional currency. Upon the completion of the acquisition of the KingNine Group, whose functional currency is Renminbi (“RMB”), in October 2020, the primary economic environment in which the Company operates has been substantially changed and it is more appropriate to use RMB as the functional currency. Accordingly, the Company has determined the change of the functional and presentation currencies from HK\$ to RMB starting from 1 October 2020.

Such change of functional currency from HK\$ to RMB will help to minimise the impact of exchange gain/loss on the business results of the Group from the fluctuations of RMB. As a result, the consolidated financial statements for the reporting period are presented in RMB, whereas the comparative figures for the prior reporting period have been restated to align with the change in presentation currency. The change in the presentation currency and translation of the comparative amounts from HK\$ to RMB has had no material impact to the Group.

* *English translation of the company’s name is for reference only.*

Business Review

KingNine Group posted revenue of approximately RMB141 million for the Third Quarter Fiscal 2020, a year-on-year increase of 16%. Revenue from its back-office services amounted to approximately RMB136 million, accounting for 96% of the total.

The OPCO Group has won the favour of leading companies in many industries, such as Internet mobility, Internet education, e-commerce, finance & securities, and operators over the years, and has become a long-term, reliable business partner of many renowned companies. Its customer base remains stable and is expanding. Its top ten customers basically remained stable in the Third Quarter Fiscal 2020. An Internet insurance company and a world-renowned information technology company were added to the top 10 customers. In the meantime, there were several newly-added customers in Internet education, finance & securities, e-commerce, community group buying and Internet manufacturing, which take the lead in their respective industries, increasing the number of its customers to 118 from 90 as of 31 March 2020.

The outbreak of COVID-19 pandemic in early 2020 has had a comprehensive and profound impact on global economic development and social conditions. The customer service industry in which KingNine Group operates has also been hit to some extent. Relying on its deep experience in software development, IT settings and data centre operation and orderly environmental management capability, KingNine Group worked closely with customers and complied with government's epidemic prevention and control requirements. It took some positive and effective measures, including epidemic prevention and control in the workplace, flexible working arrangements (including working from home) and business interoperability in the workplace, and no case was reported across the country. KingNine Group had been operating its business smoothly and maintained profitability that is slightly higher than that over the same period of the previous year.

In addition to the restructuring of the board of directors and the board of supervisors, the OPCO established a new subsidiary in Mianyang and a branch in Wuhe in the Third Quarter Fiscal 2020. Due to the pandemic, the value-added telecommunications business license (call centre services) of the OPCO's seven subsidiaries are still in the pending stage.

KingNine Group acquired 16 new software copyrights in the Third Quarter Fiscal 2020, with accumulated 133 software copyrights granted by the National Copyright Administration of the PRC, as well as double software certifications, namely software product certification and software enterprise certification. In addition, the number of its self-operated contact service centres rose from 12 to 13, and the number of workstations rose to 6,693, an increase of 352 as compared to that as of 31 March 2020.

In terms of corporate advisory business, the outbreak of COVID-19 pandemic has hit hard the economic activities. The Group mainly conducts business in Mainland China and Hong Kong. Some of the Group's potential customers have delayed or suspended their financing plans due to the pandemic, resulting in the Group's loss of some business opportunities. However, the Group has continuously tried its best to provide its customers with the corresponding services and off-site services through teleconferences. The Group will continue looking for more institutional customers and providing them with diversified financial services, including investment advisory, asset management, corporate advisory and corporate financing.

Financial review

The Group recorded a revenue of approximately RMB121.6 million (2019: approximately RMB11.3 million) for the nine months ended 31 December 2020, representing 972% increase as compared to the corresponding period in 2019. Such significant increase was mainly attributable to the revenue generated from KingNine Group in the Third Quarter Fiscal 2020 after the Completion.

During the nine months ended 31 December 2020, the Group incurred cost of services of approximately RMB77.9 million (2019: Nil) which primarily consisted of staff costs, subcontracting fees, rental expenses, depreciation and amortisation. In addition, the Group incurred marketing, research and development expenses of approximately RMB4.9 million (2019: Nil) in aggregate in the same period. Such cost and expenses were incurred for the business of KingNine Group.

Net other income for the nine months ended 31 December 2020 was approximately RMB26.9 million (2019: Net other loss of approximately RMB2.0 million). The increase in net other income was mainly attributable to the net exchange gain of approximately RMB10.0 million (2019: Net exchange loss of approximately RMB11.0 million) as well as the value-add tax refund and government grants and subsidies of approximately RMB8.7 million (2019: Nil) in aggregate were recognized.

Administrative expenses for the nine months ended 31 December 2020 increased to approximately RMB48.9 million (2019: approximately RMB33.0 million). The major expenses components were staff costs of approximately RMB19.5 million (2019: approximately RMB13.9 million), professional fees of approximately RMB15.7 million (2019: approximately RMB12.1 million), amortization of intangible assets of approximately RMB4.0 million (2019: Nil) and depreciation of right-of-use assets of approximately RMB2.6 million (2019: approximately RMB2.6 million). The increases were mainly attributable to consolidation of KingNine Group's expenses and increases in professional fees incurred for the Acquisition and staff costs.

For the nine months ended 31 December 2020, the Group incurred finance costs of approximately RMB3.2 million (2019: approximately RMB0.1 million) which mainly consisted of interests on deferred consideration payable arising from the Acquisition and borrowings of KingNine Group.

Profit attributable to owners of the Company for the nine months ended 31 December 2020 was approximately RMB7.6 million, as compared to loss of approximately RMB23.9 million for the corresponding period in 2019.

During the Third Quarter Fiscal 2020 and the nine months ended 31 December 2020, basic earnings per share were RMB0.47 cent (2019: loss per share of RMB0.19 cent) and RMB0.20 cent (2019: loss per share of RMB0.67 cent), respectively.

Outlook

The COVID-19 pandemic has caused a huge impact on the global economy and the Chinese economy was also hit to some extent. However, the PRC Government has managed to control the pandemic rapidly. Mainland China saw a V-shaped rebound in economic development in 2020, becoming the only major economy reporting positive growth. The country's gross domestic product (GDP) stood at RMB101.60 trillion in 2020, a year-on-year growth of 2.3%. Based on each quarter, China's GDP in the first quarter contracted 6.8% quarter on quarter, while the figure in the second, third and fourth quarters went up 3.2%, 4.9% and 6.5% respectively. With the continuous and effective control of the pandemic, ongoing economic recovery and formation of a new development pattern centred on "internal circulation", consumption recovery is expected to pick up speed. The industrial policy will focus on new infrastructure, high-end manufacturing and big consumption, and efforts are stepped up to prevent financial risks in key sectors.

As KingNine Group's major customers are players in finance & securities, operators and Internet industries, all these sectors will recover quickly with the sustained economic recovery and the gradual rise of new endogenous driving forces. Meanwhile, the pandemic's profound impact on people's education, mobility, shopping and so forth will further boost the vigorous development of Internet companies, which is expected to bring more opportunities for rapid growth for KingNine Group.

From the perspective of corporate advisory business, the Group will continue exploring new customers to create more opportunities. The Group will keep a close eye on macro policy's effect on its customers' business, maintain close communication with customers, take diversified actions to actively respond, and increase its business development opportunities, so as to create more stable revenue and profitability and enhance shareholders' value.

DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 December 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 31 December 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 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 31 December 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 1)	Beneficial owner	2,409,823,718	57.53%
Kang Bang Qi Hui (HK) Company Limited (“Kang Bang (HK)”) (Note 1)	Beneficial owner	455,820,525	10.88%
Tian Xi Capital Company Limited (“Tian Xi Capital”) (Note 1)	Interest of controlled corporation	2,865,644,243	68.41%
Zhong Zhi Ze Yun Capital Company Limited (“Ze Yun Capital”) (Note 1)	Interest of controlled corporation	2,865,644,243	68.41%
Mr. XIE Zhikun (“Mr. Xie”) (Note 1)	Interest of controlled corporation	2,865,644,243	68.41%
NINEGO Corporation (“NINEGO”) (Note 2)	Beneficial Owner	274,190,219	6.55%
Mr. Hu Shilong (“Mr. Hu”) (Note 2)	Interest of controlled corporation	274,190,219	6.55%
Ms. Liu Ying Ying (“Ms. Liu”) (Note 2)	Interest of controlled corporation	274,190,219	6.55%

Notes:

- 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 2,865,644,243 shares of the Company held by Zhongzhi Xinzhuo and Kang Bang (HK) by virtue of the SFO.
- NINEGO is held by Mr. Hu as to 40.60% and Ms. Liu as to 59.40%. As such, Mr. Hu and Ms. Liu are deemed to be interested in 274,190,219 shares of the Company held by NINEGO by virtue of the SFO.

Save as disclosed above, as at 31 December 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 nine months ended 31 December 2020.

COMPETING BUSINESS

As at 31 December 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 68.41% of the total issued share capital of the Company as at 31 December 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.

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 31 December 2020.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee include reviewing and overseeing the financial reporting system, risk management and internal control systems of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Stephen MARKSCHEID (chairman of the audit committee), Mr. ZHANG Weidong and Mr. ZHANG Longgen.

The audit committee has reviewed the Third Quarterly 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.

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

Hong Kong, 8 February 2021

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

This announcement will remain on the “Latest Listed Company Information” page of the GEM website 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.