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

2019
Interim Report

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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 2019, investment advisory income, financial advisory income and interest income from lending business of HK$7.85 million (2018: Nil), HK$0.10 million (2018: Nil) and HK$0.75 million (2018: HK$0.03 million) were recognised respectively.

- In the Second Quarter Fiscal 2019 and Interim Period 2019, there was a net exchange loss of HK$4.50 million (2018: HK$9.82 million) and HK$11.79 million (2018: HK$15.67 million) respectively, mostly driven by the foreign exchange revaluation of the Group's Renminbi bank balances.

- Operating expenses for the three months and six months ended 30 September 2019 significantly reduced to HK$12.36 million (2018: HK$38.76 million) and HK$21.59 million (2018: HK$141.16 million) respectively. The major expenses components for the Interim Period 2019 were staff cost of HK$9.95 million (2018: HK$64.47 million), professional fee of HK$6.09 million (2018: HK$20.74 million) and rental expenses of HK$2.03 million (2018: HK$24.83 million). The decrease was mainly attributable to significant reduction in staff cost, professional fee and rental expenses.

- The resultant pre-tax loss for the Interim Period 2019 was HK$19.09 million, compared to a pre-tax loss of HK$145.92 million for the corresponding six months period in 2018.

- The Group recorded total comprehensive loss of HK$8.05 million (2018: HK$38.73 million) for the Second Quarter Fiscal 2019, and HK$18.98 million (2018: HK$143.41 million) for the Interim Period 2019 respectively. Basic losses per share for the Interim Period 2019 was HK0.54 cent (2018: HK4.03 cents).

- The loan receivable at FVTPL was defaulted on 7 March 2019. The fair value of the loan receivable at FVTPL was approximately HK$166.24 million as at 30 September 2019 (31 March 2019: HK$167.99 million).

- Total assets as at 30 September 2019 was approximately HK$700.70 million (31 March 2019: HK$714.88 million).

- Net assets value as at 30 September 2019 was approximately HK$686.18 million (31 March 2019: HK$705.18 million).

- The Board does not recommend payment of an interim dividend for the Interim Period 2019 (2018: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2019

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 2019") and six months ended 30 September 2019 (the "Interim Period 2019"), together with the comparative unaudited figures for the corresponding periods in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2019

	Notes	Three months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue					
Corporate advisory income	5	**5,307**	–	**7,945**	–
Loan interest income	5	**382**	30	**748**	30
Total revenue		**5,689**	30	**8,693**	30
Net investment (loss) income	6	**(52)**	6,826	**(1,325)**	7,412
Interest income	6	**3,519**	2,930	**7,039**	3,505
Other losses	6	**(4,619)**	(9,853)	**(11,905)**	(15,702)
Operating expenses		**(12,359)**	(38,764)	**(21,594)**	(141,160)
Loss before tax	7	**(7,822)**	(38,831)	**(19,092)**	(145,915)
Income tax (expense) credit	8	**–**	(8)	**(1)**	2,659
Loss for the period		**(7,822)**	(38,839)	**(19,093)**	(143,256)
Other comprehensive gain (loss):					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		**(231)**	112	**116**	(153)
Total comprehensive loss for the period		**(8,053)**	(38,727)	**(18,977)**	(143,409)
Losses per share attributable to owners of the Company	9				
– Basic (HK cents)		**(0.22)**	(1.09)	**(0.54)**	(4.03)
– Diluted (HK cents)		**(0.22)**	(1.09)	**(0.54)**	(4.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	**30 September 2019 HK$'000 (Unaudited)**	31 March 2019 HK$'000 (Audited)
Non-current assets			
Plant and equipment	*11*	**275**	851
Loan receivables		**16,664**	16,002
Right-of-use assets		**8,869**	–
Deposits	*12*	**2,341**	2,341
Total non-current assets		**28,149**	19,194
Current assets			
Trade receivables	*13*	**3,504**	52
Financial assets at fair value through profit or loss ("FVTPL")	*14*	**170,820**	174,814
Other assets and receivables		**11,815**	40,573
Amount due from intermediate holding company	*15*	**561**	–
Prepaid tax		**2,597**	2,597
Cash held on behalf of clients	*16*	**3**	3
Bank balances and cash	*17*	**483,255**	477,651
Total current assets		**672,555**	695,690
Non-current liabilities			
Lease liabilities		**4,984**	–
Total non-currents liabilities		**4,984**	–
Current liabilities			
Trade payables	*18*	**3**	3
Other payables and accruals	*19*	**2,363**	5,200
Tax payable		**3,293**	4,499
Lease liabilities		**3,886**	–
Total current liabilities		**9,545**	9,702
Net current assets		**663,010**	685,988
Net assets		**686,175**	705,182
Equity			
Equity attributable to owners of the Company			
Share capital	*20*	**35,505**	35,505
Reserves		**650,670**	669,677
Total equity		**686,175**	705,182

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Retained profits (Accumulated loss) HK$'000	Total HK$'000
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 gain 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
At 1 April 2018	35,505	706,245	9,000	(2,631)	242,295	990,414
Loss for the period	–	–	–	–	(143,256)	(143,256)
Other comprehensive loss for the period	–	–	–	(153)	–	(153)
Total comprehensive loss for the period	–	–	–	(153)	(143,256)	(143,409)
At 30 September 2018 (Unaudited)	35,505	706,245	9,000	(2,784)	99,039	847,005

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(4,618)	261,146
INVESTING ACTIVITIES			
Purchase of plant and equipment		–	(100)
Proceeds from disposal of plant and equipment		–	447
Proceeds from disposal of a subsidiary		–	14,694
Repayment of convertible loan receivable at FVTPL		2,354	–
Interest received from bank deposits		7,039	3,535
Dividend income received		127	–
Release of restricted bank balances		130	–
NET CASH FROM INVESTING ACTIVITIES		9,650	18,576
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,032	279,722
Bank balances and cash less restricted bank balances at 1 April		472,159	245,260
Effect of exchange rates changes on the bank balances and cash held in foreign currencies		700	142
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		477,891	525,124
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	14	296,637	63,810
Short term bank deposits with original maturity within three months	14	181,254	461,314
Bank balances and cash as stated in the condensed consolidated statement of cash flows		477,891	525,124
Restricted bank balances		5,364	–
Bank balances and cash as stated in the condensed consolidated statement of financial position		483,255	525,124

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 5 January 2010 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 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. 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 2019 (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$").

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of its office properties, outlets and signboards that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use) and are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets *(Continued)*

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities *(Continued)*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected to apply a practical expedient as set out in HKFRS 16 to contracts that were previously identified as leases according to HKAS 17 or HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease. As a result, the Group will not apply these standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. The Group has measured (i) the lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and; (ii) the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied 12 months HIBOR of 2.28% at the date of initial application.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	**11,132**
Less:	
Discounting effects using relevant incremental borrowing rates	**(352)**
Lease liabilities as at 1 April 2019	**10,780**
Analysed as	
– Current	**3,842**
– Non-current	**6,938**
	10,780

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Notes	**Right-of-use assets** HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		10,441
Amounts included in plant and equipment under HKAS 17		
– Restoration and reinstatement costs	(a)	399
		10,840
By class:		
– Land and buildings		10,840

Notes:

(a) In relation to the leases of office properties that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in plant and equipment amounting to HK$0.4 million as at 1 April 2019 were included as right-of-use assets.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The change in accounting policy affected the following items in condensed consolidated statement of financial position on 1 April 2019:

	HK$'000
Increase in right-of-use assets	10,840
Decrease in plant and equipment	(399)
Increase in lease liabilities	(10,780)
Decrease in deferred rent liabilities	309

The net impact on accumulated loss on 1 April 2019 was an increase of HK$30,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

4. 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.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations that are first effective or available for early adoption for the current accounting period of the Company. The adoption of these new and revised HKFRSs has no material effect on the Interim Financial Statements, and there have otherwise been no significant changes to the accounting policies applied in the Interim Financial Statements.

Except as described in note 3, the principal accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the preparation of the Group's audited annual financial statements for the year ended 31 March 2019 (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.

5. 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 loan financing services. 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 entity-wide disclosures, major customers and geographic information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group does not have any plan for investing in alternative investments opportunities in the current period.

Revenue represents the net amounts received and receivable for the provision of corporate advisory services and loan financing services.

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

	Three months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Investment advisory income	**5,207**	–	**7,845**	–
Financial advisory income	**100**	–	**100**	–
Loan interest income	**382**	30	**748**	30
	5,689	30	**8,693**	30

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 2019

6. NET INVESTMENT (LOSS) INCOME/INTEREST INCOME/OTHER LOSSES

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

	Three months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Net investment (loss) income				
Net fair value (loss) gain on financial assets measured at FVTPL	**(179)**	6,826	**(1,452)**	7,412
Dividend income	**127**	–	**127**	–
	(52)	6,826	**(1,325)**	7,412
Interest income				
Interest income from financial assets				
– Bank deposits	**3,519**	2,930	**7,039**	3,505
Other losses				
Loss on disposal of a subsidiary	**(115)**	–	**(115)**	–
Loss on disposal of plant and equipment	**–**	(36)	**–**	(36)
Loss on exchange difference	**(4,504)**	(9,817)	**(11,790)**	(15,666)
	(4,619)	(9,853)	**(11,905)**	(15,702)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

7. LOSS BEFORE TAX

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

	Three months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Depreciation	**118**	719	**250**	1,445
Minimum lease payments under operating leases on land and buildings	**1,056**	11,554	**2,051**	23,122
Employee benefit expense (including directors' remuneration)	**4,940**	13,419	**9,946**	64,467

8. INCOME TAX (EXPENSE) CREDIT

	Three months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Hong Kong Profit Tax				
Under-provision in prior year	**–**	–	**–**	(6)
PRC Enterprise Income tax				
Under-provision in prior year	**–**	–	**(1)**	–
The USA Federal, State and New York City Income Tax				
Current tax	**–**	(8)	**–**	(19)
UK Corporation Tax				
Over-provision in prior year	**–**	–	**–**	2,684
Income tax (expense) credit	**–**	(8)	**(1)**	2,659

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

8. INCOME TAX (EXPENSE) CREDIT *(Continued)*

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.

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 Directors considered the Act has no significant impact to the condensed financial statements.

The corporation tax rate in the UK is 19% for both periods.

As at 30 September 2019, the Group has tax losses of approximately HK$589,680,000 (31 March 2019: HK$526,966,000) incurred by the Company and its subsidiaries which are subject to the approval by the relevant tax authority. No deferred tax has been recognised in respect of tax losses due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

9. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Three months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Losses for the purposes of basic loss per share	**7,822**	38,839	**19,093**	143,256
	Number of shares (in thousands)			
Number of ordinary shares for the purposes of basic losses per share	**3,550,497**	3,550,497	**3,550,497**	3,550,497

Diluted 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 losses per share amount were the same as basic 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 an interim dividend for the six months ended 30 September 2019 (2018: Nil).

11. PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group did not acquired any items of furniture, fixture and equipment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

12. DEPOSITS

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Rental and management fee deposits	**2,236**	2,236
Others	**105**	105
	2,341	2,341

13. TRADE RECEIVABLES

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Trade receivables	**3,504**	52
Less: allowances	**–**	–
Total trade receivables	**3,504**	52

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

The Group's normal trading term with its customers is that payment is due in 30 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. Trade receivables of approximately HK$2,239,000 (2018: Nil) are aged over 30 days based on invoice date at the end of the reporting period and have been received in full subsequent to the period ended 30 September 2019.

Trade receivables as at 30 September 2019 were assessed individually. There were no additional impairment allowance during the period ended 30 September 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

14. FINANCIAL ASSETS AT FVTPL

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Convertible loan receivable at FVTPL *(note)*	**–**	167,986
Loan receivable at FVTPL *(note)*	**166,235**	–
Listed securities investment	**4,585**	6,828
	170,820	174,814

Note:

On 7 September 2017, ZZCI Corporate Services Limited (the "Lender"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement and a security agreement over shares with Geoswift Holding Limited (the "Borrower"), an independent third party of the Group, pursuant to which the Lender agreed to grant a loan facility of up to US$31.00 million to the Borrower for a term of 18 months at interest rate of 7% per annum ("PayEase Loan") with 3,053 shares of Geopay registered in the name of the Borrower that are mortgaged and charged in favour of the Lender as collateral ("Collateral"). The provision of the loan facility allows the Borrower to fund Geopay to finance the payment of part of the consideration for the acquisition of PayEase Beijing (HK) Limited and PayEase (Hong Kong) Limited ("PayEase Acquisition") which was completed by Geopay on 11 December 2017.

In connection with the loan facility, on 7 September 2017, the Borrower granted a call option over 2,000 shares out of 10,000 shares of Geopay to the Lender, representing a 20% interest in Geopay. The total number of outstanding shares of Geopay can be increased to 13,000 at the discretion of Geopay as permitted in the agreement, resulting in a conversion of the Group's interest over Geopay to below 20% at the time of exercise of the call option by the Group.

The exercise of the call option is at the Lender's discretion and the exercise price is US$31.00 million which shall be either in cash or set off against the principal and any accrued and unpaid interest under the loan facility agreement. The option was expired on 10 June 2019.

Details of the above transaction were disclosed in the announcement of the Company dated 7 September 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

14. FINANCIAL ASSETS AT FVTPL *(Continued)*

On 3 October 2017, US$31,000,000 (equivalent to approximately HK$242,358,000) was drawn down by the Borrower. On 7 March 2019, the Borrower had defaulted the principal payment and interest of the PayEase Loan due in March 2019. The Company is seeking legal advice as to how to further protect its interest in connection with the default by the Borrower including but not limited to consider taking possession of the collateral, ie. the pledged shares of 3,053 ordinary shares of Geopay. The Group has received US$300,000 and US$750,000 on 19 June 2019 and 6 November 2019 respectively from the Borrower as partial repayment of the PayEase Loan.

Management has engaged an independent firm of professionally qualified valuers to perform a valuation of Geopay.

The PayEase Loan is a level 3 financial instrument and change in fair value of the convertible loan receivable at FVTPL are affected by the significant unobservable inputs of the valuation model including the financial forecast of Collateral business and the pre-tax discount rate used in determining the equity value of Geopay. The higher the equity value of Geopay, the higher the fair value of the convertible loan receivable at FVTPL. If the equity value of Geopay used was 5% higher/lower while all the other variables were held constant, the carrying amount of the convertible loan receivable at FVTPL would increase by approximately HK$8,312,000/decrease by approximately HK$8,312,000.

15. AMOUNT DUE FROM INTERMEDIATE HOLDING COMPANY

The balance is unsecured, interest bearing at 8% per annum and has payment term of one year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

16. CASH HELD ON BEHALF OF CLIENTS

The Group's licensed subsidiary maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of clients under the current assets section of the condensed consolidated statement of financial position, and recognised the corresponding payables to the respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use clients' monies to settle its own obligations.

17. BANK BALANCES AND CASH

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Restricted bank balances	**5,364**	5,492
Short-term bank deposits		
– with original maturity within three months	**181,254**	201,775
Bank balances and cash	**296,637**	270,384
	483,255	477,651

18. TRADE PAYABLES

Included in trade payables are payables for clients monies of approximately HK$3,000 (31 March 2019: HK$3,000) which are segregated in the trust accounts.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

19. OTHER PAYABLES AND ACCRUALS

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Other payables and accruals	**2,363**	5,200

20. SHARE CAPITAL

	Number of shares	**Amount HK$'000**
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 March 2018, 1 April 2018, 30 September 2018, 31 March 2019, 1 April 2019 and 30 September 2019	10,000,000,000	100,000
Issued and fully paid:		
As at 31 March 2018 (Audited), 1 April 2018, 30 September 2018 (Unaudited), 31 March 2019 (Audited), 1 April 2019 and 30 September 2019 (Unaudited)	3,550,416,836	35,505

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

21. RELATED PARTY TRANSACTIONS

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

	Three months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Short-term employees benefits	**1,888**	4,366	**3,581**	6,732
Retirement benefit scheme contributions	**4**	4	**9**	9
Total compensation paid to key management personnel	**1,892**	4,370	**3,590**	6,741

(b) During the period, the Group entered into the following material transactions with intermediate holding company:

	Three months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loan	**–**	–	**540**	–
Loan interest income	**11**	–	**22**	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

22. FAIR VALUE OF MEASUREMENTS OF FINANCIAL INSTRUMENTS

(i) 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 period ended 30 September 2019 and year ended 31 March 2019, there were no transfers between Level 1, Level 2 and Level 3.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

22. FAIR VALUE OF MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(Continued)*

Fair value hierarchy as at 30 September 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Held for trading investments	4,585	–	–	4,585
Loan receivable at FVTPL	–	–	166,235	166,235
	4,585	–	166,235	170,820

Fair value hierarchy as at 31 March 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Held for trading investments	6,828	–	–	6,828
Convertible loan receivable at FVTPL	–	–	167,986	167,986
	6,828	–	167,986	174,814

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

22. FAIR VALUE OF MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

(ii) Reconciliation of Level 3 fair value measurements

	30 September 2019 HK$'000	30 September 2018 HK$'000
Loan receivable at FVTPL/Convertible loan receivable at FVTPL		
Opening balance	**167,986**	249,405
Repayment	**(2,354)**	–
Change in fair value	**603**	9,996
Closing balance	**166,235**	259,401
Change in unrealised gains (losses) for the period included in profit or loss for assets held at the end of the period	**603**	9,996

In estimating the fair value of the loan receivable, the Group engaged an independent professional valuer to perform such valuation. The management of the Group works closely with the independent professional valuer to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of the asset is disclosed in note 14.

23. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 8 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Against the backdrop of Sino-US trade dispute, the PRC's GDP in the first three quarters of 2019 grew by 6.2% over the corresponding period last year, among which, 6.4%, 6.2% and 6.0% growth were recorded in the first, second and third quarter, respectively, showing a further slowdown in economy. The Sino-US trade friction is expected to continue and the current global economic environment remains tough with increasing uncertainties, putting the PRC economy under greater downward pressure. Meanwhile, the continuous social unrest and intensified social contradiction in Hong Kong also bring more uncertainties to the financial market in Hong Kong.

Under this macro background, the Group has determined diversified development strategies. On 19 August 2019, the Company and the potential sellers entered into a memorandum of understanding (the "MOU") in connection with the possible acquisition of a public company established in the PRC (the "Target Comapny"). The Target Company is principally engaged in the providing of Internet-based back-office services, Internet integrated marketing services and smart data solutions. Given the recent volatility in the financial market, the uncertainty in connection with the Sino-US trade dispute and the heightened geopolitical tension in certain regions, the Board is of the view that this possible acquisition represents an attractive opportunity for the Group to diversify its operations and income stream.

The Group still focuses on its development of corporate advisory, corporate financing, investment advisory and asset management businesses in the PRC and Hong Kong markets while determining the diversified development strategies. The Group had made further improvement in its business development. The Group had 6 new institutional clients in 2019 and recorded relevant business revenue of approximately HK$7.95 million. It will continue to seek high-quality clients and provide professional services in corporate advisory, corporate financing, investment advisory, asset management and other fields.

In relation to the announcement of the Company dated 8 March 2019, Geoswift Holding Limited (the "Borrower") was unable to repay the principal amount with interest in the sum of approximately US$34.10 million (equivalent to approximately HK$267.69 million) on 7 March 2019. The Group received US$300,000 and US$750,000 on 19 June 2019 and 6 November 2019 respectively from the Borrower as partial repayment of the loan. The Company will continue to further negotiate with the Borrower in relation to the repayment arrangement in respect of the remaining balance of the loan and the interest accrued thereon. Further announcement(s) will be made to follow up the details as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Given the Company has determined the comprehensive Internet-based services as its direction of development and in view of the future development of the Company, Ms. DUAN Di and Ms. ZHANG Yun, each a former director of the Company, tendered their resignations and proposed the sophisticated professionals in the industry as their alternates on 29 August 2019 respectively. On the same date, Mr. NIU Zhanbin has been appointed as executive Director, chairman of the Board, Chief Executive Officer, chairman of the Nomination Committee and member of the Remuneration Committee of the Company and Mr. WU Hui, Chief Operating Officer of the Group, has been appointed as executive Director of the Company.

FINANCIAL REVIEW

For the Interim Period 2019, investment advisory income, financial advisory income and interest income from lending business of HK$7.85 million (2018: Nil), HK$0.10 million (2018: Nil) and HK$0.75 million (2018: HK$0.03 million) were recognised respectively.

There was a net investment loss on financial assets of approximately HK$0.05 million (2018: income of HK$6.83 million) and HK$1.33 million (2018: income of HK$7.41 million) for the Second Quarter Fiscal 2019 and Interim Period 2019 respectively.

Interest income from bank deposits increased to approximately HK$3.52 million (2018: HK$2.93 million) and HK$7.04 million (2018: HK$3.51 million) for the Second Quarter Fiscal 2019 and Interim Period 2019 respectively.

In the Second Quarter Fiscal 2019 and Interim Period 2019, there was a net exchange loss of HK$4.50 million (2018: HK$9.82 million) and HK$11.79 million (2018: HK$15.67 million) respectively, mostly driven by the foreign exchange revaluation of the Group's Renminbi bank balances.

Operating expenses for the three months and six months ended 30 September 2019 significantly reduced to HK$12.36 million (2018: HK$38.76 million) and HK$21.59 million (2018: HK$141.16 million) respectively. The major expenses components for the Interim Period 2019 were staff cost of HK$9.95 million (2018: HK$64.47 million), professional fee of HK$6.09 million (2018: HK$20.74 million) and rental expenses of HK$2.03 million (2018: HK$24.83 million). The decrease was mainly attributable to significant reduction in staff cost, professional fee and rental expenses.

The resultant pre-tax loss for the Interim Period 2019 was HK$19.09 million, compared to a pre-tax loss of HK$145.92 million for the corresponding six months period in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded total comprehensive loss of HK$8.05 million (2018: HK$38.73 million) for the Second Quarter Fiscal 2019, and HK$18.98 million (2018: HK$143.41 million) for the Interim Period 2019 respectively. Basic losses per share for the Interim Period 2019 was HK0.54 cent (2018: HK4.03 cents).

The loan receivable at FVTPL was defaulted on 7 March 2019. The fair value of the loan receivable at FVTPL was approximately HK$166.24 million as at 30 September 2019 (31 March 2019: HK$167.99 million).

Trade receivables as at 30 September 2019 increased to approximately HK$3.50 million (31 March 2019: HK$0.05 million).

Total assets as at 30 September 2019 was approximately HK$700.70 million (31 March 2019: HK$714.88 million).

Net assets value as at 30 September 2019 was approximately HK$686.18 million (31 March 2019: HK$705.18 million).

The Board does not recommend payment of an interim dividend for the Interim Period 2019 (2018: Nil).

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$483.26 million as at 30 September 2019 (31 March 2019: HK$477.65 million). As at 30 September 2019, the Group had net current assets of HK$663.01 million (31 March 2019: HK$685.99 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, investment or underwriting commitments. The Group had no borrowing and the gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was nil as at 30 September 2019 (31 March 2019: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure

There has been no change in the capital structure of the Company during the Interim Period 2019. The capital of the Company comprises only ordinary shares.

Total equity attributable to owners of the Company amounted to HK$686.18 million as at 30 September 2019 (31 March 2019: HK$705.18 million). This decrease was mainly attributable to the increase in accumulated loss during the Interim Period 2019.

Capital Commitments

As at 30 September 2019, the establishment of a wholly-owned foreign funded equity investment management enterprise in Qianhai, Shenzhen for which there will be a capital contribution of US$1.60 million (31 March 2019: US$1.60 million). Save for the above, the Group and the Company did not have any significant commitment as at 30 September 2019 and 31 March 2019.

Employees and remuneration policies

As of 30 September 2019, the Group employed 21 employees including executive Directors. Total staff cost (including Directors' emoluments) for the Interim Period 2019 amounted to approximately HK$9.95 million (2017: HK$64.47 million). Employees' remuneration packages are decided based on their job responsibilities, local market benchmarks and industry trends. Employee bonus is distributable according to the performance of the respective subsidiaries and employees concerned. Moreover, the Group also provides in-house and external training programmes which are beneficial to certain job functions.

Charge on the Group's assets

As at 30 September 2019, the Group did not have any charge on its assets (2018: Nil).

Contingent liabilities

As at 30 September 2019, the Group had no material contingent liabilities (2018: 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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Advances to an entity

On 7 September 2017, ZZCI Corporate Services Limited (the "Lender"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement and a security agreement over shares with Geoswift Holding Limited (the "Borrower"), an independent third party of the Group, pursuant to which the Lender agreed to grant a loan facility of up to US$31.00 million to the Borrower for the term of 18 months at interest rate of 7% per annum while the Borrower agreed to grant a first ranking charge over 3,053 ordinary shares of Geopay Holding Limited, a subsidiary of the Borrower, in favour of the Lender. The principal amount of the loan with interest in the sum of approximately US$34.10 million (equivalent to approximately HK$267.69 million) has fallen due on 7 March 2019, but the Borrower was unable to repay the said amount on the due date, which constituted a default in repayment of the loan under such loan agreement. The Group received US$300,000 and US$750,000 on 19 June 2019 and 6 November 2019 respectively from the Borrower as partial repayment of the loan. The Company will attempt to further negotiate with the Borrower in relation to the repayment arrangement in respect of the remaining balance of the loan and the interest accrued thereon. Further announcement(s) will be made to follow up the details as and when appropriate.

Details of the above were disclosed in the announcements of the Company dated 7 September 2017 and 8 March 2019 and its 2018/19 annual report.

Future plans for material investments or capital assets

As mentioned in the Business Review of this report, on 19 August 2019, the Company, as a potential purchaser, entered into the MOU with the potential sellers in respect of the possible acquisition of the Target Company. Pursuant to the MOU, the Company intends to acquire and obtain from the potential sellers, and the potential sellers intend to sell and transfer to the Company, in each case through the contractual arrangements, the control over the operations of the Target Company and the right to enjoy approximately 92% of the entire economic benefits generated by the Target Company. Details of the MOU and this possible acquisition were disclosed in the announcement of the Company dated 19 August 2019.

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

Due to the combined effect of the continuous global trade tensions, slowdown in global economy, rising risks in some new emerging economies, tightening financial environment in developed economies, the International Monetary Fund recently cut the 2019 global growth forecast to 3.0%, the lowest growth estimate since the global financial crisis in 2008. The PRC's GDP growth slowed from 6.4% in the first quarter of 2019 to 6.0% in the third quarter, but it is expected the fiscal and monetary easing policy will help reduce the above pressure. Although the Sino-US trade friction will cast uncertainties to the global and PRC's economic growth, the PRC's economic growth and prospect are still high above the global average.

Under this background, the Group is committed to its diversified development strategies. On the one hand, the Group expects the business opportunities in corporate advisory, corporate finance and asset management is uncertain in the second half of the year. Therefore, the Group has put more efforts in talent recruitment. It engaged a licensed officer in September 2019 to intensify the development of corporate advisory and corporate finance business and entered into some service contracts with clients, which are expected to generate stable revenue for the Group for the second half of the year.

On the other hand, the Company intends to acquire the Target Company which will support the development of the Group's business and provide potential opportunities to the Group for the diversification of its business and source of revenue. The Group will push forward the possible acquisition, keep on negotiating with the potential sellers in a proactive manner and publish updated announcements when appropriate. If the possible acquisition materializes eventually, it is expected to bring more stable revenue and more development opportunities for the Group.

OTHER INFORMATION

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Interim Period 2019 (2018: Nil).

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 7 June 2010 (the "Share Option Scheme"). The principal terms of the Share Option Scheme were summarized in the section headed "Share Option Scheme" in Appendix V to the Company's prospectus dated 11 June 2010.

The purpose of the Share Option Scheme is to enable the Company to grant options to the participants as incentive or reward for their contributions to the Group.

During the Interim Period 2019, no option was granted, exercised or lapsed under the Share Option Scheme.

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 2019, 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 30 September 2019, 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 Zhou Capital Company Limited ("ZZXZ") *(Note 1)*	Beneficial owner	2,159,552,102	60.82%
Jinhui Capital Company Limited ("Jinhui") *(Note 1)*	Interest of controlled corporation	2,159,552,102	60.82%
Zhongzhi Capital (HK) Company Limited ("Zhongzhi Capital (HK)") *(Note 1)*	Interest of controlled corporation	2,159,552,102	60.82%
深圳前海中植金輝投資管理合夥企業（有限合夥）(Shenzhen Qianhai Zhongzhi Jinhui Investment Management Partnership Enterprise (Limited Partnership)*) ("Shenzhen Zhongzhi") *(Notes 1 and 3)*	Interest of controlled corporation	2,159,552,102	60.82%
Kang Bang Qi Hui (HK) Company Limited ("Kang Bang") *(Note 2)*	Beneficial owner	455,820,525	12.84%
常州康邦齊輝投資中心（有限合夥）*(Notes 2 and 3)*	Interest of controlled corporation	455,820,525	12.84%

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
西藏康邦勝博企業管理有限公司 (Tibet Kangbang Sheng Bo Business Management Company Limited*) ("Tibet Kangbang") *(Note 3)*	Interest of controlled corporation	2,615,372,627	73.66%
常州京江資本管理有限公司 (Changzhou Jingjiang Capital Management Company Limited*) ("Changzhou Jingjiang") *(Note 3)*	Interest of controlled corporation	2,615,372,627	73.66%
中植資本管理有限公司 (Zhongzhi Capital Management Company Limited*) ("Zhongzhi Capital") *(Note 3)*	Interest of controlled corporation	2,615,372,627	73.66%
中海晟融(北京)資本管理有限公司 *(Note 3)*	Interest of controlled corporation	2,615,372,627	73.66%
中海晟豐(北京)資本管理有限公司 *(Note 3)*	Interest of controlled corporation	2,615,372,627	73.66%
Mr. XIE Zhikun ("Mr. Xie") *(Note 3)*	Interest of controlled corporation	2,615,372,627	73.66%
Mr. LONG Rui Ming John ("Mr. Long") *(Note 4)*	Security interest in shares through controlled corporation	2,615,372,627	73.66%
Precious Elite Investments Limited ("Precious Elite") *(Note 4)*	Security interest in shares through controlled corporation	2,615,372,627	73.66%
Crystal Wise Investments Limited ("Crystal Wise") *(Note 4)*	Security interest in shares through controlled corporation	2,615,372,627	73.66%
Jing Gang Properties Resources Development Company ("Jing Gang") *(Note 4)*	Security interest in shares	2,615,372,627	73.66%

* *For identification purposes only*

OTHER INFORMATION

Notes:

1. ZZXZ is a wholly–owned subsidiary of Jinhui and Jinhui is a wholly–owned subsidiary of Zhongzhi Capital (HK), which in turn is wholly–owned by Shenzhen Zhongzhi. As such, each of ZZXZ, Jinhui, Zhongzhi Capital (HK) and Shenzhen Zhongzhi is deemed to be interested in the 2,159,552,102 shares in the Company by virtue of the SFO.

2. Kang Bang is a wholly–owned subsidiary of 常州康邦齊輝投資中心(有限合夥). As such, each of Kang Bang and 常州康邦齊輝投資中心(有限合夥) is deemed to be interested in the 455,820,525 shares of the Company by virtue of the SFO.

3. Shenzhen Zhongzhi is owned as to 95% by Tibet Kangbang as limited partner and 5% by Changzhou Jingjiang as general partner, and 常州康邦齊輝投資中心(有限合夥) is owned as to 99% by Changzhou Jingjiang as limited partner and 1% by Tibet Kangbang as general partner. Tibet Kangbang and Changzhou Jingjiang are wholly–owned subsidiaries of Zhongzhi Capital which in turn is owned as to 95% by 中海晟融(北京)資本管理有限公司. 中海晟融(北京)資本管理有限公司 is owned as to 99.933% by 中海晟豐(北京)資本管理有限公司 which is wholly and beneficially owned by Mr. Xie. As such, each of Tibet Kangbang, Changzhou Jingjiang, Zhongzhi Capital, 中海晟融(北京)資本管理有限公司, 中海晟豐(北京)資本管理有限公司 and Mr. Xie is deemed to be interested in an aggregate of 2,615,372,627 shares of the Company held by ZZXZ and Kang Bang by virtue of the SFO.

4. On 17 April 2019, ZZXZ and Kang Bang executed share charge with respect to an aggregate of 2,615,372,627 shares of the Company in favour of Jing Gang pursuant to a facility agreement whereby Jing Gang has agreed to make available to Jinhui a term loan facility. Jing Gang is a wholly-owned subsidiary of Crystal Wise, which in turn is wholly-owned by Precious Elite. Precious Elite is beneficially owned by Mr. Long and therefore Mr. Long is deemed to be interested in an aggregate of 2,615,372,627 shares of the Company held by Jing Gang by virtue of the SFO.

Save as disclosed above, as at 30 September 2019, 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.

OTHER INFORMATION

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 2019.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, change in information of a Director is set out below:

Name of Director	Details of changes
Mr. NIU Zhanbin	Appointed as director of certain wholly-owned subsidiaries of the Company

COMPETING BUSINESS

Zhongzhi Capital, through its wholly-owned subsidiaries, ZZXZ and Kang Bang, indirectly owns a 73.66% interest in the Company and is the controlling shareholder of the Company. 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.

Save as disclosed above, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that competed or might compete with the businesses of the Group nor any conflict of interest which any such person had or might have with the Group as at 30 September 2019.

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 2019 No incident of non-compliance was noted by the Company during the Interim Period 2019.

CORPORATE GOVERNANCE

Except for the deviation from code provision A.2.1 of the Corporate Governance Code as stated below, 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 2019. Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. NIU Zhanbin ("Mr. Niu"), has been appointed as the Chairman and the chief executive officer of our Company on 29 August 2019. The Board is of the view that it is in the best interest of our Group to have Mr. Niu taking up both roles for effective management and business development. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Director and independent non-executive Directors.

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.

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

Hong Kong, 8 November 2019

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