



ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED
志道國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1220)

2015

INTERIM REPORT

* For identification purpose only

INTERIM FINANCIAL STATEMENTS

The board of directors (the “**Board**”) of Zhidao International (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2015 (the “**Period**”), together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Notes	Six months ended 30 September 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
REVENUE	4,5	41,308	53,983
Cost of sales		(38,116)	(47,561)
Gross profit		3,192	6,422
Other income and gains	5	4	73
General and administrative expenses		(4,882)	(4,145)
(LOSS)/PROFIT BEFORE TAX	6	(1,686)	2,350
Income tax expense	7	(29)	(636)
(LOSS)/PROFIT FOR THE PERIOD		(1,715)	1,714
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(128)	–
NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(128)	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1,843)	1,714

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 September 2015

	Notes	Six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
(Loss)/profit attributable to:			
Owners of the Company		(1,715)	1,714
Non-controlling interests		–	–
		(1,715)	1,714
Total comprehensive income attributable to:			
Owners of the Company		(1,843)	1,714
Non-controlling interests		–	–
		(1,843)	1,714
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		(0.10) HK cent	0.17 HK cent
Diluted (Restated)		(0.10) HK cent	0.10 HK cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Notes	At 30 September 2015 (Unaudited) HK\$'000	At 31 March 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		268	284
Goodwill		–	–
Intangible asset		–	–
Retention receivables		–	–
Total non-current assets		268	284
CURRENT ASSETS			
Inventories		453	437
Trade receivables	10	94,862	94,545
Prepayments, deposits and other receivables	11	4,054	4,267
Retention receivables		325	325
Tax recoverable		429	433
Cash and cash equivalents		364,800	43,365
Total current assets		464,923	143,372
CURRENT LIABILITIES			
Trade payables	12	190	72
Other payables and accruals		2,789	3,904
Retention payables		325	325
Dividend payables		697	697
Total current liabilities		4,001	4,998
NET CURRENT ASSETS		460,922	138,374
TOTAL ASSETS LESS CURRENT LIABILITIES		461,190	138,658
NON-CURRENT LIABILITIES			
Retention payables		–	–
Total non-current liabilities		–	–
Net assets		461,190	138,658

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2015

	Notes	At 30 September 2015 (Unaudited) HK\$'000	At 31 March 2015 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	19,800	16,500
Reserves		441,390	122,188
Total shareholders' fund		461,190	138,688
Non-controlling interests		–	(30)
Total equity		461,190	138,658

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Preference shares dividend reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000			
At 1 April 2014 (Audited)	16,500	164,612	30	109	(10,070)	(23,954)	147,227	(30)	147,197	
Profit for the period and total comprehensive income for the period	-	-	-	-	-	1,714	1,714	-	1,714	
Cumulative preference shares dividend	-	-	-	-	(1,774)	-	(1,774)	-	(1,774)	
Set-off upon conversion of preference shares into ordinary shares (note 13(i))	-	-	-	-	11,844	(11,844)	-	-	-	
At 30 September 2014 (Unaudited)	16,500	164,612*	30*	109*	-*	(34,084)*	147,167	(30)	147,137	
At 1 April 2015 (Audited)	16,500	164,612	30	109	-	(42,563)	138,688	(30)	138,658	
Loss for the period	-	-	-	-	-	(1,715)	(1,715)	-	(1,715)	
Other comprehensive income for the period:										
Exchange difference on translation of foreign operations	-	-	-	(128)	-	-	(128)	-	(128)	
Total comprehensive income for the period	-	-	-	(128)	-	(1,715)	(1,843)	-	(1,843)	
Acquisition of non-controlling interests	-	-	(30)	-	-	-	(30)	30	-	
Issue of shares under placement (note 13(ii))	3,300	321,075	-	-	-	-	324,375	-	324,375	
At 30 September 2015 (Unaudited)	19,800	485,687*	-*	(19)*	-*	(44,278)*	461,190	-	461,190	

* These reserve accounts comprise the consolidated reserves of approximately HK\$441,390,000 (30 September 2014: HK\$130,667,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash flows (used in)/from operating activities	(2,821)	10,674
Net cash flows from investing activities	2	1
Net cash flows from/(used in) financing activities	324,375	(11,147)
Net increase (decrease) in cash and cash equivalents	321,556	(472)
Cash and cash equivalents at beginning of period	43,365	37,862
Effect of foreign exchange rate changes, net	(121)	–
Cash and cash equivalents at end of period	364,800	37,390
Analysis of balances of cash and cash equivalents		
Cash and bank balances	364,800	37,390

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda on 8 July 1997.

The principal activities of the Group were trading of aluminium products and raw materials in addition to supplying aluminium products to construction projects.

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 23 September 1997.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). They have been prepared under the historical cost convention.

These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2015.

Except as described below, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2015.

These condensed consolidated financial statements have not been audited, but have been reviewed by the audit committee of the Company.

3. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

In the current interim period, the Group has adopted the following amendments to standards and annual improvements issued by the HKICPA, which are applicable to the Group, for the first time for the current financial period’s condensed consolidated financial statements:

Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Annual Improvements 2012	Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements 2013	Annual Improvements to HKFRSs 2011–2013 Cycle

The adoption of the amendments to standards and annual improvements has had no significant effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

The Group has not applied any new or revised standards, interpretations and amendments to standards that have been issued but are not yet effective for the current financial period.

4. OPERATING SEGMENT INFORMATION

The Group’s chairman, who is the chief operating decision maker, monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group’s profit/(loss) before tax from continuing operations except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Segment revenue		
Sales to external customers:		
Trading of aluminium products	39,600	52,500
Construction projects	1,708	1,483
	41,308	53,983
Segment results		
Trading of aluminium products	23	3,729
Construction projects	(172)	(406)
	(149)	3,323
Interest income	2	1
Corporate and other unallocated expenses	(1,539)	(974)
(Loss)/profit before tax	(1,686)	2,350

Information about major customer

Revenue from customers of the corresponding periods contributing over 10% of the total revenue are as follows:

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Customer A*	39,600	52,500

* Revenue from trading of aluminium products segment

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and an appropriate proportion of contract revenue of construction contracts during the period.

An analysis of revenue, other income and gains is as follows:

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Trading of aluminium products	39,600	52,500
Construction projects	1,708	1,483
Total revenue	41,308	53,983
Other income and gains		
Interest income	2	1
Others	2	72
Total other income and gains	4	73
Total revenue, other income and gains	41,312	54,056

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 September 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of construction and inventories sold*	38,116	47,561
Depreciation	6	10
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	2,451	2,739
Pension scheme contributions	150	137
	2,601	2,876
Minimum lease payments under operating leases on land and buildings	942	621
Interest income	(2)	(1)

* Depreciation of the property, plant and equipment of approximately HK\$4,000 for the Period (six months ended 30 September 2014: HK\$4,000) was included in the "cost of construction and inventories sold" in the condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

PRC enterprise income tax is calculated at 25% (six months ended 30 September 2014: 25%) on the estimated assessable profits for the Period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax — Hong Kong Charge for the Period	4	615
Current tax — People's Republic of China ("PRC") Under-provision in previous periods	25	21
Total tax charge for the period	29	636

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share amounts is based on the unaudited (loss)/profit for the reporting period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the reporting period.

The calculations of basic (loss)/earnings per share are based on:

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
(Loss)/earnings		
(Loss)/profit for the reporting period attributable to ordinary equity holders of the Company, used in the basic (loss)/earnings per share calculation	(1,715)	1,714
	Number of shares Six months ended 30 September	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the reporting period used in basic (loss)/earnings per share calculation	1,718,524,590	967,213,115

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share amounts is based on the unaudited (loss)/profit for the reporting period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares used in the basic (loss)/earnings per share calculation, as adjusted for the weighted average number of convertible preference shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of diluted (loss)/earnings per share for the reporting periods are based on:

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
(Loss)/earnings (Loss)/profit for the reporting period attributable to ordinary equity holders of the Company, used in the basic (loss)/earnings per share calculation	(1,715)	1,714

	Number of shares Six months ended 30 September	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the reporting period used in basic (loss)/earnings per share calculation	1,718,524,590	967,213,115
Effect on dilution — weighted average number of ordinary shares Convertible preference shares	—	682,786,885
Weight average number of ordinary shares for the purpose of diluted (loss)/earnings per share	1,718,524,590	1,650,000,000

9. DIVIDENDS

No dividend has been declared or paid by the Company during the Period (six months ended 30 September 2014: Nil).

10. TRADE RECEIVABLES

	At 30 September 2015 (Unaudited) HK\$'000	At 31 March 2015 (Audited) HK\$'000
Trade receivables	94,862	94,545

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

The Group allows a credit period normally 0 to 90 days to its trade customers. An aging analysis of the trade receivables as at the end of the reporting period, based on the date of invoice, is as follows:

	At 30 September 2015 (Unaudited) HK\$'000	At 31 March 2015 (Audited) HK\$'000
Within 1 month	11,862	11,445
1 to 2 months	9,900	10,200
2 to 3 months	9,900	10,200
Over 3 months	63,200	62,700
	94,862	94,545
Trade receivables	94,862	94,545

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	At 30 September 2015 (Unaudited) HK\$'000	At 31 March 2015 (Audited) HK\$'000
Neither past due nor impaired	31,662	31,845
Less than 1 month past due	9,900	10,200
1 to 3 months past due	–	–
Over 3 months past due	53,300	52,500
	94,862	94,545

Receivables that were neither past due nor impaired relate to two customers for whom there was no recent history default.

Receivables that were past due but not impaired relate to a single customer and the Group has a significant concentration of credit risk accordingly. Based on the past experience, the directors of the Company (the "Directors") are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2015 (Unaudited) HK\$'000	At 31 March 2015 (Audited) HK\$'000
Prepayments	67	202
Trade deposits	1,557	4,995
Utility deposits	600	603
Other receivables	3,386	23
	5,610	5,823
Less: impairment	(1,556)	(1,556)
	4,054	4,267

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2015 (Unaudited) HK\$'000	At 31 March 2015 (Audited) HK\$'000
Within 1 month	22	65
1 to 2 months	167	–
2 to 3 months	–	6
Over 3 months	1	1
	190	72

The trade payables are non-interest-bearing and are normally settled on 30 to 60-day terms.

13. SHARE CAPITAL

	At 30 September 2015 (Unaudited) HK\$'000	At 31 March 2015 (Audited) HK\$'000
Authorized:		
2,800,000,000 ordinary shares of HK\$0.01 each	28,000	28,000
850,000,000 preference shares of HK\$0.01 each	8,500	8,500
	36,500	36,500
Issued and fully paid:		
1,980,000,000 (31 March 2015: 1,650,000,000) ordinary shares of HK\$0.01 each	19,800	16,500
Nil (31 March 2015: Nil) preference shares of HK\$0.01 each	–	–
	19,800	16,500

During the Period and the year ended 31 March 2015, the movement of the ordinary shares and preference shares are as follows:

	Ordinary shares	Preference shares
At 1 April 2014	800,000,000	850,000,000
Conversion from preference shares to ordinary shares (note (i))	850,000,000	(850,000,000)
At 31 March 2015 and 1 April 2015	1,650,000,000	–
Issue of shares under placement (note (ii))	330,000,000	–
At 30 September 2015	1,980,000,000	–

Note:

- (i) The preference shares with a paid-up value of HK\$0.133 per share, were non-redeemable and did not bear any voting right. The preference shares carried a fixed cumulative preferential dividend at a rate of 4% per annum on the initial subscription price of HK\$0.133 each out of the funds of the Company available for distribution and 1 preference share can be convert into 1 fully-paid ordinary share of the Company commencing on the first anniversary from the date of the resumption of the Company on 11 January 2012. On 26 August 2014 (the "**Conversion Date**"), the holders of the preference shares converted all the preference shares into the ordinary shares of the Company and 850,000,000 ordinary shares of HK\$0.01 each were issued and allotted accordingly. As at the Conversion Date, cumulative preference shares dividend of HK\$11,844,000 was accrued in the preference shares dividend reserve which has been set-off against the retained earnings upon conversion of preference shares.
- (ii) As disclosed in the announcements of the Company dated 10 August 2015 and 24 August 2015 (the "**Placing Announcements**"), 330,000,000 ordinary shares of HK\$0.01 each were issued at HK\$0.985 per share through placement to various placees, who and whose ultimate beneficial owners are third parties independent of the Company and not connected with the Company and its connected persons, with gross proceeds of HK\$325,050,000 and transaction costs of approximately HK\$675,000 are recognised in equity. These placing shares were issued under the general mandate granted to the Directors by the Company's shareholders at the Company's annual general meeting held on 29 August 2014.

BUSINESS REVIEW

The slowdown of the Chinese and Hong Kong economy adversely affected the Group's current business of the trading of aluminium products and construction projects. During the Period, turnover of the Group was approximately HK\$41.3 million, or a 23.5% decrease from that in the same period of 2014. In addition, the Group recorded a lower gross profit margin during the Period. The gross profit for the Period was HK\$3.2 million, which was 50.3% lower than that in the same period of 2014.

Regarding the segment of trading of aluminium products, the turnover was HK\$39.6 million for Period, compared to HK\$52.5 million in the same period of 2014. The segment of trading of aluminium products recorded a minor profit before tax for the Period.

The construction project segment of the Group continued to face challenges from the slow economic growth. The turnover of the construction project segment was approximately HK\$1.7 million for the Period, a small increase from HK\$1.5 million for the same period in 2014. The segment of construction projects recorded a loss before tax of HK\$0.2 million for the Period, compared to a loss before tax of HK\$0.4 million for the same period last year.

PROSPECTS

The management believes that the economy will remain uncertain and challenging. In addition to the current businesses, the Group has been actively seeking business and investment opportunities. With the completion of the placement of new shares in August 2015, the Group has sufficient financial resources to expand its scope of businesses.

A wholly owned subsidiary of the Group, Wealthy Hero Holdings Limited, was granted a money lenders licence in November 2015. The management is currently evaluating opportunities in the money lending business and expects this will have contribution to the Group's turnover and profitability in the next twelve months.

The management will continue its effort in identifying and pursuing new businesses and investment opportunities in different areas which could bring potential and long-term value to the Group and its shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2015, the Group had cash and bank balances of HK\$364.8 million (31 March 2015: HK\$43.4 million) while net assets was HK\$461.2 million (31 March 2015: HK\$138.7 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was nil as at 30 September 2015 (31 March 2015: Nil).

Details of the movements in the share capital of the Company during the Period are set out in note 13 to the condensed consolidated financial statements.

USE OF PROCEEDS

Reference is made to the Placing Announcements, an equity fund raising activity on placing of new shares (the "**Placing**") under general mandate were completed in August 2015. The cash position of the Group has been strengthened by approximately HK\$324 million (the "**Net Proceeds**"). Details of the fund raising activity are set out in note 13 to the condensed consolidated financial statements.

As disclosed in the relevant Placing Announcements, the Net Proceeds from the Placing was disclosed to be intended (i) for funding potential acquisition in the future; and (ii) for the general working capital of the Group to meet any future business development plans and obligations.

As at 30 September 2015 and the date of the report, the Net Proceeds has yet been utilized. The Net Proceeds were retained in cash and cash equivalents in the condensed consolidated statement of financial position of the Company of HK\$364.8 million as at 30 September 2015.

The Board currently intends to use the Net Proceeds (i) for funding potential acquisition(s) by the Group in the future, and (ii) for developing the money lending business of the Group.

As disclosed in “**PROSPECTS**” above, a wholly owned subsidiary of the Company, Wealthy Hero Holdings Limited, was granted a money lenders licence in November 2015. The Board currently plans to apply approximately HK\$200 million in developing the Group’s money lending business as loan disbursements in the next twelve months.

The Board has currently budgeted approximately HK\$150 million for potential acquisition(s) in the next twelve months. As at the date of the report, the Board is in preliminary discussion with three potential targets to explore potential acquisitions or investment opportunities and/or business cooperation, out of which two potential targets are in the supply of construction materials business in the PRC and the other potential target is in the loan guarantee services business in the PRC. As at the date of the report, no agreement has been made with any of the aforesaid potential targets on any such acquisitions.

The plan to develop the money lending business and the potential acquisition(s) budget is expected to utilize approximately HK\$350 million cash from the Group, which is supported by the entire Net Proceeds and the remaining from the working capital from the Group’s trading business. The entire Net Proceeds is therefore currently expected to be fully utilized in the next twelve months.

The Board believes that the change in the use of Net Proceeds as disclosed above will help harnessing the future development for the Group as a whole. As such, the Board believes that the change is fair and reasonable and in the interests of the Company and its shareholders as a whole.

SHARE OPTION SCHEME

The existing share option scheme was approved and adopted by the shareholders of the Company at the special general meeting held on 31 August 2015 (“**Share Option Scheme**”). The primary purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Further details of the Share Option Scheme are as disclosed in the circular of the Company dated 30 July 2015.

During the Period, no options was granted, lapsed, exercised or cancelled under the Share Option Scheme.

FOREIGN EXCHANGE EXPOSURE

As at 30 September 2015, the majority of the Group's assets and liabilities were denominated in Hong Kong dollars. The Board considered its exposure to foreign exchange risk was insignificant, therefore no financial instruments was made to hedge such exposure.

DIVIDEND

No dividend has been declared or paid by the Company for the ordinary shareholders during the Period (six months ended 30 September 2014: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2015, the Group had 45 (31 March 2015: 43) employees. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and individual qualifications and performance.

The emolument policy for the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company was in compliance with all the Corporate Governance Code (“**CG Code**”) as stipulated in Appendix 14 of the Listing Rules throughout the Period except for the following deviations as explained:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title “chief executive officer”. The Board is of the view that currently vesting the roles of chairman and chief executive officer in Mr. Tung Yee Shing provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee comprising of the three independent non-executive directors, namely Mr. Chan Yin Tsung, Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson, with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are (i) to review, in draft form, the Company’s annual report and accounts, and half-yearly report and providing advice and comments thereon to the Board; and (ii) to review and supervise the Company’s financial reporting and internal control procedures. Mr. Chan Yin Tsung is the chairman of the audit committee.

The audit committee had reviewed the unaudited condensed consolidated financial statements of the Group for the Period, including the accounting principles and practices adopted by the Group and the adequacy of internal control system. The committee is satisfied with the review and the Board is also satisfied with the committee’s report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2015, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (“SFO”)) which were 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 are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company for the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2015, so far as is known to any Directors or chief executive of the Company, other than the interests disclosed above in respect of the Directors and the chief executive, the following substantial shareholders had 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 as otherwise notified to the Company and the Stock Exchange:

LONG POSITION IN THE SHARES AND UNDERLYING SHARES

Ordinary shares of HK\$0.01 each of the Company

Substantial shareholder	Capacity	Number of ordinary shares	Approximate percentage of the issued share capital of the Company
Ng Ting Wai	Interest of controlled corporation (Note a)	450,000,000	22.73%
Kwok Tao Capital Investment Limited	Beneficial owner	400,000,000	20.20%
	Interest of controlled corporation (Note a)	50,000,000	2.53%
		450,000,000	22.73%
深圳市鼎益豐資產管理股份有限公司	Interest of controlled corporation (Note b)	219,190,000	11.07%
HK DYF Int'l Holding Group Limited	Beneficial owner	215,500,000	10.88%
	Interest of controlled corporation (Note b)	3,690,000	0.19%
		219,190,000	11.07%

Notes:

- (a) Mr. Ng Ting Wai (“**Mr. Ng**”) was deemed to be interested in these shares through his controlling interest in Kwok Tao Capital Investment Limited (“**Kwok Tao**”). 50,000,000 shares were beneficially owned by Goldstar Success Limited, which was owned as to 70.00% by Prosper Wing Limited and as to 30.00% by Kwok Tao. Kwok Tao was in turn wholly-owned by Mr. Ng.
- (b) 深圳市鼎益豐資產管理股份有限公司 (“**深圳市鼎益豐**”) was deemed to be interested in these shares through its controlling interest in HK DYF Int’l Holding Group Limited which was wholly-owned by 深圳市鼎益豐, and in turn 新加坡鼎益豐國際資本管理私營有限公司 was 95% owned by HK DYF Int’l Holding Group Limited.

Save as disclosed above, no other parties had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange as at 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

By order of the Board
Zhidao International (Holdings) Limited
Tung Yee Shing
Chairman

Hong Kong, 20 November 2015

BOARD OF DIRECTORS

Executive Directors

Mr. Tung Yee Shing, *Chairman*
Ms. Cheung Oi Chun

Independent Non-executive Directors

Mr. Chan Yin Tsung
Mr. Li Kam Chung
Mr. Kwok Lap Fung, Beeson