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## ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED

志道國際(控股)有限公司\*

*(Incorporated in Bermuda with limited liability)*

*(Stock code : 01220)*

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board of directors (the “**Board**”) of Zhidao International (Holdings) Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2016 (the “**Year**”), together with the comparative figures for the corresponding period in 2015 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		<i>For the year ended 31 March</i>	
		<b>2016</b>	2015
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>REVENUE</b>	4	<b>64,999</b>	96,515
Cost of sales		<u>(57,283)</u>	<u>(85,833)</u>
Gross profit		<b>7,716</b>	10,682
Other income and gains	4	<b>307</b>	122
Impairment of goodwill	5	—	(573)
Impairment of intangible asset	5	—	(252)
Written off of retention receivables	5	—	(6,222)
Equity-settled share options expenses	5	<b>(70,377)</b>	—
General and administrative expenses		<u>(10,772)</u>	<u>(9,799)</u>
<b>LOSS BEFORE TAX</b>	5	<b>(73,126)</b>	(6,042)
Income tax expense	6	<u>(547)</u>	<u>(723)</u>
<b>LOSS FOR THE YEAR</b>		<u><b>(73,673)</b></u>	<u>(6,765)</u>

\* For identification purposes only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)**

	<i>For the year ended 31 March</i>	
	<b>2016</b>	2015
<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>LOSS FOR THE YEAR</b>	<u><b>(73,673)</b></u>	<u>(6,765)</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(214)</u>	<u>—</u>
<b>NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u><b>(214)</b></u>	<u>—</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>(73,887)</b></u>	<u>(6,765)</u>
Loss attributable to:		
Owners of the Company	(73,673)	(6,765)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u><b>(73,673)</b></u>	<u>(6,765)</u>
Total comprehensive income attributable to:		
Owners of the Company	(73,887)	(6,765)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u><b>(73,887)</b></u>	<u>(6,765)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		
	8	
Basic	<u><b>(3.98) cents</b></u>	<u>(0.52) cent</u>
Diluted	<u><b>(3.98) cents</b></u>	<u>(0.52) cent</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<i>At 31 March</i>	
		<b>2016</b>	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		339	284
Goodwill		—	—
Intangible asset		—	—
Retention receivables		—	—
<b>Total non-current assets</b>		<b><u>339</u></b>	<b><u>284</u></b>
<b>CURRENT ASSETS</b>			
Inventories		584	437
Trade receivables	9	95,409	94,545
Loan and interest receivables	10	103,224	—
Prepayments, deposits and other receivables	11	4,004	4,267
Retention receivables		—	325
Tax recoverable		—	433
Cash and cash equivalents		259,378	43,365
<b>Total current assets</b>		<b><u>462,599</u></b>	<b><u>143,372</u></b>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	75	72
Other payables and accruals	13	3,296	3,904
Retention payables		—	325
Dividend payables		—	697
Tax payables		52	—
<b>Total current liabilities</b>		<b><u>3,423</u></b>	<b><u>4,998</u></b>
<b>NET CURRENT ASSETS</b>		<b><u>459,176</u></b>	<b><u>138,374</u></b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>459,515</u></b>	<b><u>138,658</u></b>
<b>NON-CURRENT LIABILITY</b>			
Retention payables		—	—
<b>Total non-current liability</b>		<b><u>—</u></b>	<b><u>—</u></b>
<b>Net assets</b>		<b><u>459,515</u></b>	<b><u>138,658</u></b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	14	19,800	16,500
Reserves		439,715	122,188
<b>Total shareholders' fund</b>		<b>459,515</b>	138,688
Non-controlling interests		—	(30)
<b>Total equity</b>		<b><u>459,515</u></b>	<b><u>138,658</u></b>

Notes:

## 1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in Bermuda on 8 July 1997. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is situated at Unit 3328D, 33th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holdings. The Group is principally engaged in trading of aluminium products and supply of aluminium products in the construction projects. During the Year, the Group extended its business into the operation of money lending business.

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.

### 2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the Year. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control as described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements to 2010-2012 cycle	Amendments to a number of HKFRSs
Annual Improvements to 2011-2013 cycle	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of HKAS 19, the adoption of the above revised standard has had no significant financial effect on these consolidated financial statements.

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.
- (b) The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- (c) The Annual Improvements to HKFRSs 2011-2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

HKFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

HKFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

HKAS 40 Investment Property: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties.

In addition, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance, Cap.622 came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which are applicable to the Group, that have been issued but are not yet effective, in these consolidated financial statements.

HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidated Exception <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statement <sup>1</sup>
Annual Improvements to 2012-2014 Cycle	Amendments to a number of HKFRSs <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations or financial position.

### **3. OPERATING SEGMENT INFORMATION**

The principal activities of the Group are engaged in trading of aluminium products and supply of aluminium products in the construction projects. During the Year, the Group extended its business into the operation of money lending business.

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) trading of aluminium products segment – sales of aluminium products;
- (b) construction projects segment - supply of aluminium products in the construction projects; and
- (c) money lending segment – provision of loan financing.

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. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payables, dividend payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.



<b>Year ended 31 March 2016</b>	<b>Trading of aluminium products HK\$'000</b>	<b>Construction projects HK\$'000</b>	<b>Money lending HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue:</b>				
Sales to external customers	58,400	3,109	—	61,509
Loans interest income	<u>—</u>	<u>—</u>	<u>3,490</u>	<u>3,490</u>
	<u>58,400</u>	<u>3,109</u>	<u>3,490</u>	<u>64,999</u>
<b>Segment results</b>	<b><u>(33,616)</u></b>	<b><u>(1,432)</u></b>	<b><u>3,027</u></b>	<b><u>(32,021)</u></b>
Interest income				305
Corporate and other unallocated income				2
Corporate and other unallocated expenses				<u>(41,412)</u>
Loss before tax				<u>(73,126)</u>
<b>Segment assets</b>	<b>94,673</b>	<b>5,659</b>	<b>103,224</b>	<b>203,556</b>
Corporate and other unallocated assets				<u>259,382</u>
Total assets				<u>462,938</u>
<b>Segment liabilities</b>	<b>1,258</b>	<b>1,553</b>	<b>260</b>	<b>3,071</b>
Corporate and other unallocated liabilities				<u>352</u>
Total liabilities				<u>3,423</u>
<b>Other segment information:</b>				
Capital expenditure *	—	88	—	<u>88</u>
Depreciation of property, plant and equipment	—	22	—	<u>22</u>

\*The capital expenditure included additions of property, plant and equipment.

Year ended 31 March 2015	Trading of aluminium products HK\$'000	Construction projects HK\$'000	Total HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	<u>93,300</u>	<u>3,215</u>	<u>96,515</u>
<b>Segment results</b>	<u>4,376</u>	<u>(8,062)</u>	(3,686)
Interest income			2
Corporate and other unallocated expenses			<u>(2,358)</u>
Loss before tax			<u>(6,042)</u>
<b>Segment assets</b>	93,776	5,934	99,710
Corporate and other unallocated assets			<u>43,946</u>
Total assets			<u>143,656</u>
<b>Segment liabilities</b>	1,380	2,621	4,001
Corporate and other unallocated liabilities			<u>997</u>
Total liabilities			<u>4,998</u>
<b>Other segment information:</b>			
Written off of retention receivables	—	6,222	<u>6,222</u>
Impairment of goodwill	—	573	<u>573</u>
Impairment of intangible asset	—	252	<u>252</u>
Depreciation of property, plant and equipment	—	21	<u>21</u>

## Geographical information

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(a) Revenue from external customers		
Hong Kong	3,490	—
The People's Republic of China (the "PRC")	<u>61,509</u>	<u>96,515</u>
	<u><u>64,999</u></u>	<u><u>96,515</u></u>

The classification of the revenue arising from the trading of aluminium products segment and the construction projects segment is based on the location of the customer's operation.

The classification of the revenue arising from money lending segment is based on the location of borrowed funds first available to their borrowers.

## (b) Non-current assets

Hong Kong	—	—
PRC	<u>339</u>	<u>284</u>
	<u><u>339</u></u>	<u><u>284</u></u>

The classification of the non-current assets is based on the locations of the assets (excluded goodwill).

## Information about major customer

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A*	<u>58,400</u>	<u>93,300</u>

\* Revenue from trading of aluminium products segment

#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of (i) goods sold, after allowances for returns and trade discounts; (ii) an appropriate proportion of contract revenue of construction contracts; and (iii) loan interest income from its money lending business during the Year.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Revenue</b>		
Trading of aluminium products	58,400	93,300
Construction projects	3,109	3,215
Loans interest income	<u>3,490</u>	<u>—</u>
<b>Total revenue</b>	<u>64,999</u>	<u>96,515</u>
<b>Other income and gains</b>		
Interest income	305	2
Others	<u>2</u>	<u>120</u>
<b>Total other income and gains</b>	<u>307</u>	<u>122</u>
Total revenue, other income and gains	<u><u>65,306</u></u>	<u><u>96,637</u></u>

## 5. LOSS BEFORE TAX

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

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of construction and inventories sold *	<b>57,283</b>	85,833
Auditors' remuneration	<b>595</b>	550
Depreciation	<b>22</b>	21
Impairment of goodwill	—	573
Impairment of intangible asset	—	252
Written off of retention receivables	—	6,222
Loss on disposal of property, plant and equipment	—	10
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	<b>5,293</b>	5,627
Pension scheme contributions	<b>287</b>	265
Equity-settled share options expenses	<b>70,377</b>	—
	<b>75,957</b>	5,892
Minimum lease payments under operating leases on land and buildings	<b>1,874</b>	1,479
Interest income	<b>(305)</b>	(2)

\* Depreciation of the property, plant and equipment of approximately HK\$10,000 (2015: HK\$8,000) for the Year was included in "cost of construction and inventories sold" in the consolidated statement of profit or loss and other comprehensive income.

## 6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising from Hong Kong during the Year.

PRC enterprise income tax is calculated at 25% (2015: 25%) on the estimated assessable profits for the Year.

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

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax - Hong Kong		
Charge for the Year	<b>486</b>	702
Current tax - PRC		
Charge for the Year	<b>36</b>	—
Under-provision in previous year	<b>25</b>	21
Total tax charge for the Year	<b>547</b>	723

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before tax	<u>(73,126)</u>	<u>(6,042)</u>
Tax at the statutory tax rates	<b>(12,106)</b>	(1,014)
Expenses not deductible for tax	<b>11,802</b>	1,135
Income not taxable for tax	<b>(50)</b>	—
Tax losses not recognised	<b>923</b>	603
Temporary differences in respect of depreciable assets not recognised	<b>(2)</b>	(2)
Underprovision in previous year	<b>25</b>	21
Tax concession for year of assessment	<u><b>(45)</b></u>	<u>(20)</u>
Tax charge at effective tax rate	<u><b>547</b></u>	<u>723</u>

The Group had deferred tax benefits not recognised in respect of tax losses available and decelerated depreciation for offsetting future assessable profits calculated at the statutory rate of 16.5% (2015: 16.5%) as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Tax losses	<b>3,552</b>	2,629
Decelerated depreciation	<u><b>26</b></u>	<u>28</u>
	<u><b>3,578</b></u>	<u>2,657</u>

## 7. DIVIDENDS

The Board did not recommend the payment of any dividend for the Year. (2015: Except for the accrual of cumulative preference shares dividend of HK\$1,774,000 during the year ended 31 March 2015, no dividend has been declared or paid by the Company for the ordinary shareholders.)

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the Year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the Year.

The calculations of basic loss per share are based on:

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b><u>Loss</u></b>		
Loss for the Year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<u>(73,673)</u>	<u>(6,765)</u>
	<b>Number of shares</b>	
	<b>2016</b>	2015
<b><u>Shares</u></b>		
Weighted average number of ordinary shares in issue during the Year used in basic loss per share calculation	<u>1,849,262,295</u>	<u>1,307,671,233</u>

The calculation of diluted loss per share amounts is based on the loss for the Year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares used in the basic loss per share calculation, as adjusted for the share options and 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 calculation of diluted loss per share for the years ended 31 March 2016 and 2015 is based on:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b><u>Loss</u></b>		
Loss for the Year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<u>(73,673)</u>	<u>(6,765)</u>
	<b>Number of shares</b>	
	<b>2016</b>	2015
<b><u>Shares</u></b>		
Weighted average number of ordinary shares in issue during the Year used in basic loss per share calculation	<b>1,849,262,295</b>	1,307,671,233
Effect on dilution – weighted average number of ordinary shares		
Convertible preference shares	—	—*
Share options	<u>—#</u>	<u>—</u>
Weight average number of ordinary shares for the purpose of diluted loss per share	<u><b>1,849,262,295</b></u>	<u>1,307,671,233</u>

\* The convertible preference shares had an anti-diluted effect on the basic loss per share for the year ended 31 March 2015.

# For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the Year) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Hence, the share options have a diluted effect only when the average market price of ordinary shares exceeds the exercise price of the share options. During the Year, there is no dilutive event as the average market price of ordinary shares did not exceed its exercise price of the share options.

## 9. TRADE RECEIVABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<b>95,409</b>	94,545
Impairment	<u>—</u>	<u>—</u>
Net carrying amounts	<u><b>95,409</b></u>	<u>94,545</u>



(a) The movements in the provision for impairment of trade receivables are as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 April	—	6,000
Impairment losses recognised	—	—
Amount written off as uncollectible	<u>—</u>	<u>(6,000)</u>
At 31 March	<u>—</u>	<u>—</u>

(b) 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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	<b>13,709</b>	11,445
1 to 2 months	—	10,200
2 to 3 months	<b>6,300</b>	10,200
Over 3 months	<u><b>75,400</b></u>	<u>62,700</u>
Trade receivables	<u><b>95,409</b></u>	<u>94,545</u>

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	<b>20,009</b>	31,845
Less than 1 month past due	—	10,200
1 to 3 months past due	—	—
Over 3 months past due	<u><b>75,400</b></u>	<u>52,500</u>
	<u><b>95,409</b></u>	<u>94,545</u>

Receivables that were neither past due nor impaired relate to two (2015: 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 high concentration of credit risk accordingly. Based on the past experience, the Board is 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.

## 10. LOAN AND INTEREST RECEIVABLES

During the Year, the Group extended its business into the operation of money lending business. The loan receivables represented the outstanding loans arose from money lending business during the Year.

Loan receivables bear interest at fixed rates and with credit periods mutually agreed between the contracting parties. Loan receivables are secured by the pledge of debtors' assets. Overdue balances are reviewed regularly and handled closely by senior management.

	<b>2016</b>	2015
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loan receivables	<b>101,840</b>	—
Interest receivables	<b>1,384</b>	—
Impairment	<u>—</u>	<u>—</u>
Net carrying amounts	<b>103,224</b>	—
Less: Current portion of loan and interest receivables	<u><b>(103,224)</b></u>	<u>—</u>
Non-current portion of loan and interest receivables	<u>—</u>	<u>—</u>

The loan and interest receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	<b>HK\$'000</b>
Receivable:		
Within 3 months	<b>21,384</b>	—
3 months to 1 year	<b>81,840</b>	—
Over 1 year	<u>—</u>	<u>—</u>
	<b>103,224</b>	—
Less: Current portion of loan and interest receivables	<u><b>(103,224)</b></u>	<u>—</u>
Non-current portion of loan and interest receivables	<u>—</u>	<u>—</u>

The aged analysis of the loan and interest receivables that are not individually nor collectively considered to be impaired is as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	<b>HK\$'000</b>
Neither past due nor impaired	<b>103,224</b>	—
Less than 1 month past due	—	—
1 to 3 months past due	<u>—</u>	<u>—</u>
	<u><b>103,224</b></u>	<u>—</u>

Loan and interest receivables that were neither past due nor impaired relate to certain debtors for whom there was no recent history of default.

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Prepayments	56	202
Trade deposits	1,557	4,995
Utility deposits	598	603
Other receivables	<u>3,349</u>	<u>23</u>
	5,560	5,823
Impairment	<u>(1,556)</u>	<u>(1,556)</u>
	<u><u>4,004</u></u>	<u><u>4,267</u></u>

## 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	55	65
1 to 2 months	—	—
2 to 3 months	19	6
Over 3 months	<u>1</u>	<u>1</u>
	<u><u>75</u></u>	<u><u>72</u></u>

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

## 13. OTHER PAYABLES AND ACCRUALS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other payables	2,235	2,965
Accruals	<u>1,061</u>	<u>939</u>
	<u><u>3,296</u></u>	<u><u>3,904</u></u>

## 14. SHARE CAPITAL

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Authorised:</b>		
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	<u>8,500</u>	<u>8,500</u>
	<u><b>36,500</b></u>	<u>36,500</u>
<b>Issued and fully paid:</b>		
1,980,000,000 (2015: 1,650,000,000) ordinary shares of HK\$0.01 each	<u><b>19,800</b></u>	<u>16,500</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2015	1,650,000,000	16,500	164,612	181,112
Issue of shares (note (a))	330,000,000	3,300	321,750	325,050
Less: Shares issue expenses	<u>—</u>	<u>—</u>	<u>(683)</u>	<u>(683)</u>
At 31 March 2016	<u><b>1,980,000,000</b></u>	<u><b>19,800</b></u>	<u><b>485,679</b></u>	<u><b>505,479</b></u>

Note:

- (a) On 10 August 2015, the Company entered into a placing agreement with a placing agent, pursuant to which, the Company issued and allotted (the “**Placing**”) 330,000,000 new ordinary shares of the Company (the “**Placing Shares**”) to various placees at a placing price of HK\$0.985 per Placing Share. The net proceeds from the Placing after deducting directly attributable costs of HK\$683,000 amounted to approximately HK\$324,367,000 and was (i) for funding of potential acquisition(s) by the Group in the future, and (ii) for developing of money lending business of the Group. The Placing was completed on 24 August 2015.

## 15. SHARE OPTION SCHEME

The Company's share option scheme (the “**Share Option Scheme**”) was newly approved and adopted by the shareholders on 31 August 2015. The Share Option Scheme is valid and effective for a period of 10 years after the date of adoption. The purpose of the Share Option Scheme is to provide incentives to the employee or consultant of the Group including any executive director of any nationality of the Company and any subsidiary (the “**Participants**”) to enable the Group to recruit and/or retain high-calibre individuals and attract human resources that are valuable to the Group. Under the Share Option Scheme, the Board may grant options to the Participants to subscribe for shares of the Company. On 2 March 2016, the Group granted 131,299,998 share options (the “**Share Options**”) to their directors and employees for a term of 5 years.

The consideration of HK\$1 is payable on the grant date of the Share Options. Share Options may be exercised by the grantees at any time before its expiry. The exercise price is determined by the directors of the Company (the “**Directors**”), and will not be less than the higher of (i) the closing price of the Company’s shares on the date of grant; (ii) the average closing price of the Company’s shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s shares.

Details of specific categories and the outstanding Share Options during the Year are as follows:

	Date of grant	Exercise period	Outstanding as at 1 April 2015	Granted during the Year	Outstanding as at 31 March 2016	Exercise price HK\$
<b><u>Directors</u></b>						
Tung Yee Shing	2 March 2016	2 March 2016 to 1 March 2021	-	19,800,000	19,800,000	1.2
Cheung Oi Chun	2 March 2016	2 March 2016 to 1 March 2021	-	19,800,000	19,800,000	1.2
Chan Yin Tsung	2 March 2016	2 March 2016 to 1 March 2021	-	4,166,666	4,166,666	1.2
Li Kam Chung	2 March 2016	2 March 2016 to 1 March 2021	-	4,166,666	4,166,666	1.2
Kwok Lap Fung Beeson	2 March 2016	2 March 2016 to 1 March 2021	-	4,166,666	4,166,666	1.2
<b><u>Employees</u></b>	2 March 2016	2 March 2016 to 1 March 2021	-	79,200,000	79,200,000	1.2
			-	131,299,998	131,299,998	

### Fair value of Share Options

The fair value of the Share Options were calculated by using a binomial option pricing model (“**Binomial model**”). Where relevant, the expected life used in the model has been adjusted based on management’s best estimates for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over past years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after the vesting date when the share price was one and a half or two and a half times the respective exercise price.

Inputs in the model:

Date of grant	2 March 2016
Grant date share price	HK\$1.20
Exercise price	HK\$1.20
Expected volatility	100%
Option life	5 years
Risk-free interest rate	1.08%
Fair value per Share Option	HK\$0.536

The Binomial model has been used to estimate the fair value of the Share Options. The variables and assumptions used in computing the fair value of the Share Options are based on the Directors’ best estimates. The value of the Share Option varies with different variables in certain subjective assumptions.

## 16. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At 31 March 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	1,655	1,774
2 – 5 years, inclusive	<u>1,380</u>	<u>3,035</u>
	<u>3,035</u>	<u>4,809</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the Year, it was observed that the Chinese government has been reforming in different aspect of its economy in order to cope with the downward pressure of the slow global recovery. However, the general business environment in China remained challenging during the Year. The Group continued to generate a substantial part of its revenue from its trading of aluminium products and construction projects in China. As a result, the revenue of the Group was decreased to approximately HK\$65.0 million from that of 2014/15 approximately HK\$96.5 million.

Gross profit for the Year was approximately HK\$7.7 million, compared to that of approximately HK\$10.7 million in 2014/15. There was a slight increase of gross margin to approximately 11.9% for the Year from that of approximately 11.1% in 2014/15.

Similar to 2014/15, the Group generated approximately 89.8% of revenue from its trading of aluminium products segment. The revenue from the trading of aluminium products segment was approximately HK\$58.4 million for the Year, compared to approximately HK\$93.3 million in 2014/15. Gross margin for the trading of aluminium products segment was approximately 5.5%, significantly dropped from approximately 10.3% in 2014/15 due to adverse business environment.

Revenue from the Group's construction projects segment was approximately HK\$3.1 million for the Year, an approximately 3.3% decrease from that in 2014/15 (2015: HK\$3.2 million). Gross margin of the construction projects segment was also recorded a slightly downward trend, which was approximately 33.0% for the Year, in comparison to approximately 33.6% in 2014/15.

With the tough business environment facing the aluminium and construction related businesses in China, the management decided to commence its money lending business in Hong Kong. The Group commenced its money lending business during the Year and recorded revenue of approximately HK\$3.5 million for the Year.

On 2 March 2016, the Company issued 131,299,998 share options to the directors and employees of the Group and recognised approximately HK\$70.4 million as equity-settled share options expenses. As a result, the Group recorded a significant increase on its loss before tax to approximately HK\$73.1 million for the Year, compared to approximately HK\$6.0 million in 2014/15.

### **PROSPECTS**

Looking forward, the Chinese and global economy remains uncertain and tough. The management expects the economic growth and demand in China will continue to be weak, and will limit the growth of the aluminium products supply and construction projects segments. While the Group will continue to seek business opportunities in these two segments, the management believes the money lending business will be the major source of profit for the next year.

As of the reporting date, the loan and interest receivables for the Group's money lending business was approximately HK\$103.2 million. The management will continue to expand the Group's loan portfolio via organic growth and potential acquisitions.

As disclosed in the announcement of the Company dated 4 December 2015, the Group has identified certain targets for acquisitions. The management will continue to identify and pursue new business and investment opportunities in different areas which could bring potential and long-term value to the Group and its shareholders.

## SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the Year have been agreed by the Group's auditors, Ascenda Cachet CPA Limited ("**Ascenda Cachet**"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Ascenda Cachet in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ascenda Cachet on the preliminary announcement.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2016, the Group had cash and bank balances of approximately HK\$259.4 million (2015: HK\$43.4 million) while net assets was approximately HK\$459.5 million (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 31 March 2016 (2015: nil).

Details of the movements in the share capital of the Company during the Year are set out in note 14 to this announcement.

### *Use of Proceeds*

Reference is made to the announcements of the Company dated 10 August 2015 and 24 August 2015 (the "**Placing Announcements**"), 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 14 to this announcement.

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 disclosed in the announcement of the Company dated 4 December 2015, the Board has changed its intention to use the Net Proceeds (i) for funding of potential acquisition(s) by the Group in the future, and (ii) for developing of the money lending business of the Group.

A wholly owned subsidiary of the Company, Wealthy Hero Holdings Limited, was granted a money lenders licence in November 2015. The Board has applied approximately HK\$126 million in the Group's money lending business as loan disbursements as at the date of this announcement, with a reserve of approximately HK\$74 million for future loan disbursement.

As at the date of this announcement, balance of the Net Proceeds of approximately HK\$198 million (the "**Balance**") has yet been utilised. The Balance was retained in cash and cash equivalents in the consolidated statement of financial position of the Company of approximately HK\$259.4 million as at 31 March 2016 as disclosed in this announcement.

The Board has currently budgeted approximately HK\$150 million for potential acquisition(s) in the next twelve months. As at the date of this announcement, the Board is in preliminary discussion with two potential targets to explore potential acquisitions or investment opportunities and/or business cooperation, out of which one 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 this announcement, no agreement has been made with any of the aforesaid potential targets on any such acquisitions.



The plan to develop money lending business and the potential acquisition(s) budget is expected to utilise approximately HK\$224 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 utilised 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. 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.

Details of the movements in the Share Options under the Share Option Scheme during the Year are set out in note 15 to this announcement.

### **FOREIGN EXCHANGE EXPOSURE**

As at 31 March 2016, 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.

### **DIVIDENDS**

The Board did not recommend the payment of any dividend for the Year. (2015: Except for the accrual of cumulative preference shares dividend of HK\$1,774,000 during the year ended 31 March 2015, no dividend has been declared or paid by the Company for the ordinary shareholders.)

### **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS**

The Company did not have any significant investments or material acquisitions for the Year.

### **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 March 2016.

### **COMMITMENTS**

Details of the commitments are set out in note 16 to this announcement.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2016, the Group had 55 (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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company 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 Year.

## **CORPORATE GOVERNANCE**

In the opinion of the Board, the Company complied with the code provisions as stipulated in Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules throughout the Year except for the following deviations:

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.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement will be published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.zdihl.com](http://www.zdihl.com)). The 2016 Annual Report will be despatched to our shareholders on or before 31 July 2016 and will be available at the websites of the Stock Exchange and the Company.

## **ANNUAL GENERAL MEETING**

It is proposed that the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") will be held on 29 August 2016. A circular containing the notice of the Annual General Meeting will be published on the Company's website and the Stock Exchange's website and sent to the shareholders of the Company in due course.

## **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 consolidated financial statements of the Group for the Year, 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.

By order of the Board  
**Zhidao International (Holdings) Limited**

**Tung Yee Shing**  
*Chairman*

Hong Kong, 24 June 2016

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Tung Yee Shing (Chairman) and Ms. Cheung Oi Chun, and three independent non-executive Directors, namely Mr. Chan Yin Tsung, Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson.*

*\* For identification purposes only*