



ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED

志道國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1220)

INTERIM REPORT 2016

* 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 2016 (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 2016

| | Notes | Six months ended 30 September | |
|--|-------|----------------------------------|---------------------------------|
| | | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| REVENUE | 4,5 | 11,156 | 41,308 |
| Cost of sales | | (2,463) | (38,116) |
| Gross profit | | 8,693 | 3,192 |
| Other income and gains | 5 | 5 | 4 |
| General and administrative expenses | | (5,564) | (4,882) |
| PROFIT/(LOSS) BEFORE TAX | 6 | 3,134 | (1,686) |
| Income tax expense | 7 | (1,175) | (29) |
| PROFIT/(LOSS) FOR THE PERIOD | | 1,959 | (1,715) |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | (152) | (128) |
| NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | | (152) | (128) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 1,807 | (1,843) |

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

For the six months ended 30 September 2016

| | Notes | Six months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|
| | | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Profit/(loss) attributable to: | | | |
| Owners of the Company | | 1,959 | (1,715) |
| Non-controlling interests | | – | – |
| | | 1,959 | (1,715) |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 1,807 | (1,843) |
| Non-controlling interests | | – | – |
| | | 1,807 | (1,843) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 8 | | |
| Basic | | 0.10 cent | (0.10) cent |
| Diluted | | 0.10 cent | (0.10) cent |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

| | Notes | At 30 September 2016 (Unaudited) HK\$'000 | At 31 March 2016 (Audited) HK\$'000 |
|---|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 314 | 339 |
| CURRENT ASSETS | | | |
| Inventories | | 1,253 | 584 |
| Trade receivables | 10 | 13,147 | 95,409 |
| Loan and interest receivables | 11 | 51,142 | 103,224 |
| Prepayments, deposits and other receivables | 12 | 33,101 | 4,004 |
| Cash and cash equivalents | | 367,095 | 259,378 |
| Total current assets | | 465,738 | 462,599 |
| CURRENT LIABILITIES | | | |
| Trade payables | 13 | 378 | 75 |
| Other payables and accruals | | 3,131 | 3,296 |
| Tax payables | | 1,221 | 52 |
| Total current liabilities | | 4,730 | 3,423 |
| NET CURRENT ASSETS | | 461,008 | 459,176 |
| Net assets | | 461,322 | 459,515 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | | 19,800 | 19,800 |
| Reserves | | 441,522 | 439,715 |
| Total equity | | 461,322 | 459,515 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

| | Attributable to owners of the Company | | | | | | Total HK\$'000 | 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 | Share option reserve HK\$'000 | Accumulated losses HK\$'000 | | | |
| 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) |
| Acquisition of subsidiaries | - | - | (30) | - | - | - | (30) | 30 | - |
| Issue of shares | 3,300 | 321,750 | - | - | - | - | 325,050 | - | 325,050 |
| Shares issue expenses | - | (675) | - | - | - | - | (675) | - | (675) |
| At 30 September 2015 (Unaudited) | 19,800 | 485,687* | -* | (19)* | -* | (44,278)* | 461,190 | - | 461,190 |
| At 1 April 2016 (Audited) | 19,800 | 485,679 | - | (105) | 70,377 | (116,236) | 459,515 | - | 459,515 |
| Profit for the period | - | - | - | - | - | 1,959 | 1,959 | - | 1,959 |
| Other comprehensive income for the period: | | | | | | | | | |
| Exchange difference on translation of foreign operations | - | - | - | (152) | - | - | (152) | - | (152) |
| At 30 September 2015 (Unaudited) | 19,800 | 485,679* | -* | (257)* | 70,377* | (114,277)* | 461,322 | - | 461,322 |

* These reserve accounts comprise the consolidated reserves of approximately HK\$441,522,000 (30 September 2015: HK\$441,390,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

| | Six months ended 30 September 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
|---|---|---------------------------------|
| Net cash flows from/(used in) operating activities | 107,717 | (2,821) |
| Net cash flows from investing activities | 5 | 2 |
| Net cash flows from financing activities | – | 324,375 |
| Net increase in cash and cash equivalents | 107,722 | 321,556 |
| Cash and cash equivalents at beginning of period | 259,378 | 43,365 |
| Effect of foreign exchange rate changes, net | (5) | (121) |
| Cash and cash equivalents at end of period | 367,095 | 364,800 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 367,095 | 364,800 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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, Hong Kong.

The principal activity of the Company is investment holdings. The principal activities of the Group are engaged in trading of aluminium products, supply of aluminium products in the construction projects and the operation of the 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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2016 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**”) (including HKAS 34 “Interim Financial Reporting”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and accounting principles generally accepted in Hong Kong. In addition, the condensed consolidated financial statements include applicable disclosures required by Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). They have been prepared under the historical cost convention. These condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

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 2016.

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 2016.

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

3. APPLICATION OF NEW AND REVISED HKFRS

In the current interim period, the Group has adopted the following new amendments to existing standards 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 HKFRS 10, HKFRS 12 and HKAS 28 (2011) | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKAS 27 (2011) | Equity Method in Separate Financial Statements |
| Annual Improvements to 2012–2014 cycle | Amendments to a number of HKFRSs |

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

| | Six months ended | |
|--|---|---------------------------------|
| | 30 September 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Segment revenue | | |
| Transactions with external customers: | | |
| Trading of aluminium products | – | 39,600 |
| Construction projects | 3,706 | 1,708 |
| Money Lending | 7,450 | – |
| | 11,156 | 41,308 |
| Segment results | | |
| Trading of aluminium products | (2,294) | 23 |
| Construction projects | (522) | (172) |
| Money Lending | 7,082 | – |
| | 4,266 | (149) |
| Interest income | 5 | 2 |
| Corporate and other unallocated expenses | (1,137) | (1,539) |
| | 3,134 | (1,686) |

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 | |
|-------------------------|----------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Customer A ¹ | 3,706 | – |
| Customer B ² | 1,705 | – |
| Customer C ³ | – | 39,600 |

¹ Revenue from construction projects segment

² Revenue from money lending segment

³ Revenue from trading of aluminium products segment

5. 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) the loan interest income from its money lending business during the Period.

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

| | Six months ended | |
|--|-------------------------|--------------------|
| | 30 September | |
| | 2016 | 2015 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Revenue | | |
| Trading of aluminium products | – | 39,600 |
| Construction projects | 3,706 | 1,708 |
| Money Lending | 7,450 | – |
| Total revenue | 11,156 | 41,308 |
| Other income and gains | | |
| Interest income | 5 | 2 |
| Others | – | 2 |
| Total other income and gains | 5 | 4 |
| Total revenue, other income and gains | 11,161 | 41,312 |

6. PROFIT/(LOSS) BEFORE TAX

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

| | Six months ended 30 September 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
|--|---|---------------------------------|
| Cost of construction and inventories sold* | 2,463 | 38,116 |
| Depreciation | 13 | 6 |
| Employee benefits expenses (including directors' remuneration): | | |
| Wages and salaries | 2,663 | 2,451 |
| Pension scheme contributions | 184 | 150 |
| | 2,847 | 2,601 |
| Minimum lease payments under operating leases on land and buildings | 900 | 942 |
| Interest income | (5) | (2) |

* Depreciation of the property, plant and equipment of approximately HK\$7,000 for the Period (six months ended 30 September 2015: HK\$4,000) was included in "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 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

The People's Republic of China ("PRC") enterprise income tax is calculated at 25% (six months ended 30 September 2015: 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 | |
|--|----------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Current tax — Hong Kong Charge for the Period | 1,170 | 4 |
| Current tax — PRC Under-provision in previous periods | 5 | 25 |
| Total tax charge for the Period | 1,175 | 29 |

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

The calculation of basic earnings/(loss) per share amounts is based on the unaudited profit of approximately HK\$1,959,000 for the Period (six months ended 30 September 2015: loss of approximately HK\$1,715,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,980,000,000 ordinary shares in issue during the Period (six months ended 30 September 2015: 1,718,524,590).

The calculation of diluted earnings/(loss) per share amounts is based on the unaudited profit of approximately HK\$1,959,000 for the Period (six months ended 30 September 2015: loss of approximately HK\$1,715,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,980,000,000 ordinary shares in issue during the Period (six months ended 30 September 2015: 1,718,524,590) used in the basic earnings/(loss) per share calculation, as adjusted for the share options assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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 Period) 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 dilutive effect only when the average market price of ordinary shares exceeds the exercise price of the share options. During the Period, there is no dilutive event as the average market price of ordinary shares did not exceed its exercise price of the share options.

9. DIVIDENDS

The Board did not recommend the payment of any dividend for the Period (six months ended 30 September 2015: Nil).

10. TRADE RECEIVABLES

| | At 30 September 2016 (Unaudited) HK\$'000 | At 31 March 2016 (Audited) HK\$'000 |
|-------------------|---|---|
| Trade receivables | 13,147 | 95,409 |

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 2016 (Unaudited) HK\$'000 | At 31 March 2016 (Audited) HK\$'000 |
|-------------------|---|---|
| Within 1 month | 1,447 | 13,709 |
| 1 to 2 months | – | – |
| 2 to 3 months | – | 6,300 |
| Over 3 months | 11,700 | 75,400 |
| Trade receivables | 13,147 | 95,409 |

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

| | At 30 September 2016 (Unaudited) HK\$'000 | At 31 March 2016 (Audited) HK\$'000 |
|-------------------------------|---|---|
| Neither past due nor impaired | 1,447 | 20,009 |
| Less than 1 month past due | – | – |
| 1 to 3 months past due | – | – |
| Over 3 months past due | 11,700 | 75,400 |
| | 13,147 | 95,409 |

Receivables that were neither past due nor impaired relate to one (31 March 2016: two) customer for whom there was no recent history of 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 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. LOAN AND INTEREST RECEIVABLES

| | At 30 September 2016 (Unaudited) HK\$'000 | At 31 March 2016 (Audited) HK\$'000 |
|---|---|---|
| Loan receivables | 50,310 | 101,840 |
| Interest receivables | 832 | 1,384 |
| Impairment | – | – |
| Net carrying amounts | 51,142 | 103,224 |
| Less: Current portion of loan and interest receivables | (51,142) | (103,224) |
| Non-current portion of loan and interest receivables | – | – |

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

| | At 30 September 2016 (Unaudited) HK\$'000 | At 31 March 2016 (Audited) HK\$'000 |
|---|---|---|
| Receivables: | | |
| Within 3 month | 40,832 | 21,384 |
| 3 months to 1 year | 10,310 | 81,840 |
| Over 1 year | – | – |
| Less: Current portion of loan and interest receivables | 51,142 | 103,224 |
| | (51,142) | (103,224) |
| Non-current portion of loan and interest receivables | – | – |

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

| | At 30 September 2016 (Unaudited) HK\$'000 | At 31 March 2016 (Audited) HK\$'000 |
|-------------------------------|---|---|
| Neither past due nor impaired | 50,809 | 103,224 |
| Less than 1 month past due | 333 | – |
| 1 to 3 months past due | – | – |
| | 51,142 | 103,224 |

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

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | At 30 September 2016 (Unaudited) HK\$'000 | At 31 March 2016 (Audited) HK\$'000 |
|--------------------------|---|---|
| Prepayments | 140 | 56 |
| Trade deposits | 1,557 | 1,557 |
| Utility deposits | 594 | 598 |
| Other receivables (Note) | 32,366 | 3,349 |
| | 34,657 | 5,560 |
| Less: impairment | (1,556) | (1,556) |
| | 33,101 | 4,004 |

Note: Other receivables include a refundable deposit of HK\$30,000,000 paid during the Period in relation to the discloseable transaction on the acquisition of the entire interest and shareholder's loan of the target company which has a subsidiary mainly engaged to in provision of financing guarantee services in Guizhou of the PRC (the "Discloseable Transaction") as disclosed in the announcement of the Company dated 13 September 2016. As of the date of this report, the Discloseable Transaction has not completed yet.

13. 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 2016 (Unaudited) HK\$'000 | At 31 March 2016 (Audited) HK\$'000 |
|----------------|---|---|
| Within 1 month | 205 | 55 |
| 1 to 2 months | 40 | – |
| 2 to 3 months | 113 | 19 |
| Over 3 months | 20 | 1 |
| | 378 | 75 |

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

BUSINESS REVIEW

For the Period, the general economic trends remained challenging and was continuously affecting the Group's aluminium products trading businesses. In view of the uncertainty during the Period, the Group shifted its resources to the money lending business in Hong Kong from the aluminium products trading business in the PRC. As a result, the revenue of the Group decreased to approximately HK\$11.2 million, compared to that of approximately HK\$41.3 million for the same period last year.

With the higher margin of the Group's money lending business, the gross profit for the Period was approximately HK\$8.7 million, a substantial increase in comparison to that of approximately HK\$3.2 million for the same period last year. The gross margin for the Period was approximately 77.9% (six months ended 30 September 2015: approximately 7.7%).

With the re-allocation of financial resources from the trading of aluminium products business to the money lending business, the Group did not record any revenue from its trading of aluminium products segment during the Period (six months ended 30 September 2015: approximately HK\$39.6 million).

Revenue from the Group's construction projects segment was approximately HK\$3.7 million for the Period, an approximately 117.0% increase from that of approximately HK\$1.7 million for the same period last year. Gross margin of the construction projects segment was recorded a decrease to approximately 33.5% for the Period, in comparison to approximately 46.4% for the same period last year.

Revenue of the money lending segment, which was mainly interest income, was approximately HK\$7.5 million for the Period. Since there was no direct interest costs, the gross profit of the money lending business was also HK\$7.5 million, contributing approximately 85.7% of total gross profit of the Group.

PROSPECTS

The management expects the uncertain economic environment will continue affect the returns from the trading of aluminium products and construction projects segments. While the Group will continue to seek and carefully evaluate business opportunities in these two segments, the management believes the money lending business will be the major source of profit for the rest of the financial year.

On 13 September 2016, the Company announced an acquisition of a business engaged in the provision of financing guarantee services in Guizhou, the PRC. The management believes, upon completion of this acquisition, the provision of financing guarantee services may become another growth opportunity for the money lending business. 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2016, the Group had cash and bank balances of approximately HK\$367.1 million (31 March 2016: HK\$259.4 million) while net assets was approximately HK\$461.3 million (31 March 2016: HK\$459.5 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was nil as at 30 September 2016 (31 March 2016: Nil).

USE OF PROCEEDS

An equity fund raising activity on placing of new shares (the “**Placing**”) under general mandate were completed in August 2015 and the cash position of the Group has been strengthened by approximately HK\$324 million (the “**Net Proceeds**”). Details of the Placing are set out in note 24 to the annual report for the year ended 31 March 2016.

As disclosed in the announcement of the Company dated 4 December 2015, the Board has expressed its intention 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 the annual report for the year ended 31 March 2016, a wholly owned subsidiary of the Company, Wealthy Hero Holdings Limited, was granted a money lenders licence in November 2015. The Board has assigned HK\$200 million in the Group’s money lending business as loan disbursements while HK\$53.8 million has applied as at the date of this report.

The Board has currently budgeted approximately HK\$150 million for potential acquisition(s) in the next twelve months, including the utilisation of the remaining balance of the Net Proceeds of approximately HK\$124 million, of which HK\$70 million is reserved for the acquisition of the provision of financing guarantee services business as disclosed in the announcement of the Company dated on 13 September 2016. As at the date of this report, the Board is conducting a preliminary evaluation of a potential investment in online retailing business and no agreement has been made with the aforesaid potential target on any such investment.

The plan to further 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. The entire Net Proceeds is therefore currently expected to be fully utilized in the next twelve months.

Details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds, and the utilisation of the Net Proceeds as at the reporting date are summarised below:

| Proposed use of Net Proceeds | Original allocation (Note 1) (Approximately) HK\$'000 | Revised allocation (Note 2) (Approximately) HK\$'000 | Utilisation as at the reporting date (Approximately) HK\$'000 | Remaining balance after revised allocation (Approximately) HK\$'000 |
|-------------------------------|--|---|---|---|
| Funding potential acquisition | 150,000 | 124,000 | 30,000 (Note 3) | 94,000 (Note 5) |
| General working capital | 174,000 | – | – | – |
| Money lending business | – | 200,000 | 165,040 (Note 4) | 34,960 (Note 6) |
| | 324,000 | 324,000 | 195,040 | 128,960 |

Note 1: As disclosed in the announcements of the Company dated 10 August 2015, 24 August 2015 and 4 December 2015 (collectively, the “**Announcements**”), the Board has budgeted approximately HK\$150 million for potential acquisition(s). The remaining balance of the Net Proceeds of approximately HK\$174 million would be allocated as general working capital.

Note 2: As disclosed in the Announcements, the Board has changed the intended use of the Net Proceeds as (i) approximately HK\$124 million for funding potential acquisition(s) by the Group in the future, and (ii) approximately HK\$200 million for developing the money lending business of the Group.

Note 3: As disclosed in the announcement of the Company dated 13 September 2016 in relation to the Discloseable Transaction, a wholly-owned subsidiary of the Company entered into an acquisition agreement to acquire the entire interest and shareholder’s loan of a target company at an aggregate consideration of HK\$70 million, which shall be settled in cash. As at the reporting date, HK\$30 million was used to pay as a refundable deposit according to the acquisition agreement.

Note 4: As disclosed in this report, the loan receivables as at 30 September 2016 was approximately HK\$50,310,000 (31 March 2016: approximately HK\$101,840,000). The new loan disbursement for the Period was amounted to approximately HK\$39,700,000 (year ended 31 March 2016: approximately HK\$121,840,000), with repayment of approximately HK\$91,230,000 during the Period (year ended 31 March 2016: approximately HK\$20,000,000). For the period between 30 September 2016 and the reporting date, there was an additional new loan disbursement of HK\$3,500,000, in aggregate to an amount of approximately HK\$165,040,000 million used as loan disbursement in the money lending business. The aforesaid amounts repaid would be used as general working capital of the money lending business.

Note 5: In respect of the remaining unutilised proceeds, the Company intends to apply HK\$40 million for the completion of the Discloseable Transaction, which is expected to be completed before the end of December 2016.

Note 6: In respect of the remaining unutilised proceeds, there is currently no customer identified for any amount for loan disbursement.

FOREIGN EXCHANGE EXPOSURE

As at 30 September 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.

DIVIDEND

The Board did not recommend the payment of any dividend for the Period (six months ended 30 September 2015: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group had 55 (31 March 2016: 55) 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. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. 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.

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 contribute to the Group and/or 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.

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

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

| | Date of grant | Exercise period | Outstanding as at 1 April 2016 | Granted during the Period | Exercised during the Period | Lapsed/Cancelled during the Period | Outstanding as at 30 September 2016 | Exercise price HK\$ |
|------------------|----------------------|------------------------------|--------------------------------|---------------------------|-----------------------------|------------------------------------|-------------------------------------|---------------------|
| Directors | | | | | | | | |
| | Tung Yee Shing | 2 March 2016 to 1 March 2021 | 19,800,000 | - | - | - | 19,800,000 | 1.20 |
| | Cheung Oi Chun | 2 March 2016 to 1 March 2021 | 19,800,000 | - | - | - | 19,800,000 | 1.20 |
| | Chan Yin Tsung | 2 March 2016 to 1 March 2021 | 4,166,666 | - | - | - | 4,166,666 | 1.20 |
| | Li Kam Chung | 2 March 2016 to 1 March 2021 | 4,166,666 | - | - | - | 4,166,666 | 1.20 |
| | Kwok Lap Fung Beeson | 2 March 2016 to 1 March 2021 | 4,166,666 | - | - | - | 4,166,666 | 1.20 |
| Employees | | | | | | | | |
| | | 2 March 2016 to 1 March 2021 | 79,200,000 | - | - | - | 79,200,000 | 1.20 |
| | | | 131,299,998 | - | - | - | 131,299,998 | |

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

As at 30 September 2016, the interests or short positions of the Directors, chief executives of the Company or their associates 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) adopted by the Company for the Period were as follows:

LONG POSITION IN THE SHARES AND UNDERLYING SHARES

Ordinary shares of HK\$0.01 each of the Company

| Name of Directors | Number of underlying shares held under share options | Approximate percentage of the issued share capital of the Company |
|-----------------------|--|---|
| Tung Yee Shing | 19,800,000 | 1.00% |
| Cheung Oi Chun | 19,800,000 | 1.00% |
| Chan Yin Tsung | 4,166,666 | 0.21% |
| Li Kam Chung | 4,166,666 | 0.21% |
| Kwok Lap Fung, Beeson | 4,166,666 | 0.21% |

Save as disclosed above, none of the Directors and chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 2016, 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 (“**HK DYF**”) which was wholly-owned by 深圳市鼎益豐. 3,690,000 shares were beneficially owned by Singapore DYF Int’l Capital Management Pte. Ltd. which was 95.00% owned by HK DYF.

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 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted 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 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, risk management 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.

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, 25 November 2016

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