



ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED

志道國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1220)

2017

Interim Report

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 2017 (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 2017

	Notes	Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE	4,5	15,191	11,156
Cost of sales		(7,020)	(2,463)
Gross profit		8,171	8,693
Other income and gains	5	2,513	5
General and administrative expenses		(4,991)	(5,564)
Impairment of receivables for default guarantee payments and receivables from guarantee customers		(8,352)	–
(LOSS)/PROFIT FROM OPERATIONS		(2,659)	3,134
Written back of impairment of associates		56	–
Share of losses of associates		(417)	–
(LOSS)/PROFIT BEFORE TAX	6	(3,020)	3,134
Income tax expense	7	(928)	(1,175)
(LOSS)/PROFIT FOR THE PERIOD		(3,948)	1,959

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

For the six months ended 30 September 2017

	Notes	Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		1,750	(152)
NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		1,750	(152)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(2,198)	1,807
(Loss)/profit attributable to:			
Owners of the Company		(3,948)	1,959
Non-controlling interests		-	-
		(3,948)	1,959
Total comprehensive income attributable to:			
Owners of the Company		(2,198)	1,807
Non-controlling interests		-	-
		(2,198)	1,807
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		(0.20) cent	0.10 cent
Diluted		(0.20) cent	0.10 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		4,117	4,350
Investment property		3,304	3,254
Prepayments	13	513	577
Interests in associates		19,379	19,740
Total non-current assets		27,313	27,921
CURRENT ASSETS			
Inventories		–	942
Trade receivables	10	9,796	10,164
Loan and interest receivables	11	178,804	69,454
Receivables for default guarantee payments and receivables from guarantee customers	12	18,480	26,297
Prepayments, deposits and other receivables	13	27,040	27,302
Financial assets at fair value through profit or loss	14	21,236	–
Pledged bank deposits		33,936	37,306
Cash and cash equivalents		166,358	290,287
Total current assets		455,650	461,752
CURRENT LIABILITIES			
Trade payables	15	–	1,716
Other payables and accruals		2,060	2,364
Liabilities from guarantees	16	34,843	38,189
Tax payables		2,050	1,196
Total current liabilities		38,953	43,465
NET CURRENT ASSETS		416,697	418,287
TOTAL ASSETS LESS CURRENT LIABILITIES		444,010	446,208
Net assets		444,010	446,208

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2017

	Notes	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital		19,800	19,800
Reserves		424,210	426,408
Total equity		444,010	446,208

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company						Total equity HK\$'000
	Issued capital	Share premium account	Translation reserve	Share option reserve	Regulatory reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2016 (Audited)	19,800	485,679	(105)	70,377	-	(116,236)	459,515
Profit for the period	-	-	-	-	-	1,959	1,959
Other comprehensive income for the period:							
Exchange difference on translation of foreign operations	-	-	(152)	-	-	-	(152)
Total comprehensive income for the period	-	-	(152)	-	-	1,959	1,807
At 30 September 2016 (Unaudited)	19,800	485,679*	(257)*	70,377*	-	(114,277)*	461,322
At 1 April 2017 (Audited)	19,800	485,679	212	59,764	63	(119,310)	446,208
Loss for the period	-	-	-	-	-	(3,948)	(3,948)
Other comprehensive income for the period:							
Exchange difference on translation of foreign operations	-	-	1,750	-	-	-	1,750
Total comprehensive income for the period	-	-	1,750	-	-	(3,948)	(2,198)
Transfer of share option reserve upon lapsing of share option	-	-	-	(10,613)	-	10,613	-
At 30 September 2017 (Unaudited)	19,800	485,679*	1,962*	49,151*	63*	(112,645)*	444,010

* These reserve accounts comprise the consolidated reserves of approximately HK\$424,210,000 (30 September 2016: HK\$441,522,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended	
	30 September	2016
	(Unaudited)	(Unaudited)
	2017	2016
	HK\$'000	HK\$'000
Net cash flows (used in)/from operating activities	(110,035)	107,717
Net cash flows (used in)/from investing activities	(15,442)	5
Net cash flows from financing activities	–	–
Net (decrease)/increase in cash and cash equivalents	(125,477)	107,722
Cash and cash equivalents at beginning of period	290,287	259,378
Effect of foreign exchange rate changes, net	1,548	(5)
Cash and cash equivalents at end of period	166,358	367,095
Analysis of balances of cash and cash equivalents		
Cash and bank balances	166,358	367,095

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 holding. The Group is principally engaged in (i) trading of aluminium products; (ii) supply of aluminium products in the construction projects; (iii) money lending business; and (iv) provision of financing guarantee services.

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 2017 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 2017.

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 2017.

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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses

The adoption of the amendments to standards 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 HKFRSs 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 (loss)/profit before tax except that interest income, finance costs, gain on disposal of subsidiaries, written back of impairment of associates and share of losses of associates, as well as head office and corporate income and expenses are excluded from such measurement.

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Segment revenue		
Transactions with external customers:		
Trading of aluminium products	–	–
Construction projects	7,722	3,706
Money lending	6,236	7,450
Financing guarantee services	1,233	–
	15,191	11,156
Segment results		
Trading of aluminium products	(1,124)	(2,294)
Construction projects	(216)	(522)
Money lending	5,151	7,082
Financing guarantee services	(7,928)	–
	(4,117)	4,266
Interest income	721	5
Corporate and other unallocated income	1,786	–
Corporate and other unallocated expenses	(1,410)	(1,137)
(Loss)/profit before tax	(3,020)	3,134

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
	2017	(Unaudited)
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A ¹	7,722	3,706
Customer B ²	1,705	1,705
	9,427	5,411

¹ Revenue from construction projects segment

² Revenue from money lending segment

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Trading of aluminium products	–	–
Construction projects	7,722	3,706
Loans interest income	6,236	7,450
Guarantee fee income	1,233	–
	15,191	11,156
Other income and gains		
Interest income	721	5
Net unrealised gain arising on revaluation of financial assets at fair value through profit or loss	1,381	–
Dividend income	105	–
Rental income	62	–
Gain on disposal of subsidiaries (note 17)	25	–
Others	219	–
	2,513	5
Total revenue, other income and gains	17,704	11,161

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of construction *	7,020	2,463
Depreciation of property, plant and equipment	61	13
Depreciation of investment property	36	–
Impairment of receivables for default guarantee payments and receivables from guarantee customers (note 12)	8,352	–
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	2,500	2,663
Pension scheme contributions	221	184
	2,721	2,847
Minimum lease payments under operating leases on land and buildings	901	900
Net unrealised gain arising on revaluation of financial assets at fair value through profit or loss	(1,381)	–
Dividend income	(105)	–
Rental income	(62)	–
Gain on disposal of subsidiaries (note 17)	(25)	–
Gain on disposal of property, plant and equipment	(13)	–
Interest income	(721)	(5)

* Depreciation of the property, plant and equipment of approximately HK\$3,000 for the Period (six months ended 30 September 2016: HK\$7,000) was included in "cost of construction" 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 2016: 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 2016: 25%) on the estimated assessable profits arising in the PRC during 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax — Hong Kong Charge for the Period	854	1,170
Current tax — PRC Charge for the Period	18	–
Under-provision in previous periods	56	5
Total tax charge for the Period	928	1,175

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

The calculation of basic (loss)/earnings per share amounts is based on the unaudited loss of approximately HK\$3,948,000 for the Period (six months ended 30 September 2016: profit of approximately HK\$1,959,000) 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 2016: 1,980,000,000).

The calculation of diluted (loss)/earnings per share amounts is based on the unaudited loss of approximately HK\$3,948,000 for the Period (six months ended 30 September 2016: profit of approximately HK\$1,959,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,980,000,000 ordinary shares (six months ended 30 September 2016: 1,980,000,000) used in the basic (loss)/earnings 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 2016: Nil).

10. TRADE RECEIVABLES

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Trade receivables	9,796	10,164
Less: Impairment	–	–
Net carrying amounts	9,796	10,164

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 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Within 1 month	–	1,664
1 to 2 months	1,296	–
2 to 3 months	–	–
Over 3 months	8,500	8,500
Trade receivables	9,796	10,164

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

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Neither past due nor impaired	1,296	1,664
Less than 1 month past due	-	-
1 to 3 months past due	-	-
Over 3 months past due	8,500	8,500
	9,796	10,164

Receivables that were neither past due nor impaired relate to a single 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

The loan receivables represented outstanding loans arose from the money lending business during the Period.

Loan receivables bear interest at fixed rates for the range from 6% to 18% per annum, 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.

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Loan receivables	174,900	68,000
Interest receivables	3,904	1,454
Less: Impairment	-	-
Net carrying amounts	178,804	69,454
Less: Current portion of loan and interest receivables	(178,804)	(69,454)
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 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Receivables:		
Within 3 months	130,305	23,797
3 months to 1 year	22,058	24,500
Past due	26,441	21,157
	178,804	69,454
Less: Current portion of loan and interest receivables	(178,804)	(69,454)
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 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Neither past due nor impaired	152,363	48,297
Less than 1 month past due	225	169
1 to 3 months past due	4,548	512
Over 3 months past due	21,668	20,476
	178,804	69,454

Loan and interest receivables that were neither past due nor impaired relate to certain debtors for whom there were no recent history of default. Loan and interest receivables that were past due but not impaired relate to two (31 March 2017: one) customers and the Group has a high concentration of credit risk accordingly. Based on the past experience, the Directors are of the opinion that no provision for impairment is necessary as the balance is considered fully recoverable.

12. RECEIVABLES FOR DEFAULT GUARANTEE PAYMENTS AND RECEIVABLES FROM GUARANTEE CUSTOMERS

The receivables from default guarantee payments and receivables from guarantee customers represented the corresponding receivables in respect of a provision that the holder of the financial guarantee contract probably called upon the Group or the claims on the Group is expected to exceed the amount currently carried in deferred income regarding the guarantee during the Period.

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Receivables for default guarantee payments	27,608	26,894
Less: Impairment	(16,704)	(8,137)
	10,904	18,757
Receivables from guarantee customers	10,767	10,489
Less: Impairment	(3,808)	(3,709)
	6,959	6,780
	17,863	25,537
Premium receivables from guarantee customers	617	760
Net carrying amounts	18,480	26,297
Less: Current portion of the receivables for default guarantee payments and receivables from guarantee customers	(18,480)	(26,297)
Non-current portion of the receivables for default guarantee payments and receivables from guarantee customers	-	-

An aged analysis of the receivables for default guarantee payments and receivables from guarantee customers at the end of the reporting period, based on the date the guarantee being defaulted and net of provision, is as follows:

(i) Receivables for default guarantee payments

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Default:		
Less than 6 months past due	–	15,932
6 to 12 months past due	10,904	2,825
Over 1 year past due	–	–
	10,904	18,757

(ii) Receivables from guarantee customers

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Neither past due nor impaired	6,959	6,780

Impairment losses in respect of receivables for default guarantee payments and receivables from guarantee customers are recorded using an allowance unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against receivables for default guarantee payments and receivables from guarantee customers.

The movement in the provision for the impairment for receivables for default guarantee payments and receivables from guarantee customers, are as follows:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
At beginning of period	11,846	–
Impairment losses recognised (note 6)	8,352	11,846
Exchange difference	314	–
At end of period	20,512	11,846

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Prepayments	690	747
Trade deposits	1,557	3,455
Utility deposits	491	491
Other receivables (Note)	26,371	24,742
	29,109	29,435
Less: Impairment	(1,556)	(1,556)
Less: Non-current portion of prepayments	(513)	(577)
Current portion of prepayments, deposits and other receivables	27,040	27,302

Note: Included in other receivables was amount due from 安順市永玖貿易有限公司 (“永玖貿易”) of approximately Renminbi (“RMB”) 5,026,000 (equivalent to approximately HK\$5,830,000) arising from a previous guarantee contract, of which, the Group has commenced a legal proceeding against 永玖貿易 in Guizhou to recover such receivable. The amount due from 永玖貿易 is secured by certain properties in the PRC. Accordingly, the Directors are of the opinion that the amount due from 永玖貿易 is fully recoverable and therefore, no impairment was provided as at 30 September 2017.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Financial assets held for trading — Equity securities listed in Hong Kong, at market value	21,236	—

The fair values of listed securities are based on their quoted closing prices in an active market.

15. 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 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Within 1 month	—	768
1 to 2 months	—	193
2 to 3 months	—	197
Over 3 months	—	558
	—	1,716

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

16. LIABILITIES FROM GUARANTEES

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Deferred income	830	806
Provisions for guarantee losses	34,013	37,383
	34,843	38,189

The movement in the provision for guarantee losses, is as follows:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
At beginning of period	37,383	–
Provision for the period	–	37,383
Written back for the period	(4,362)	–
Exchange difference	992	–
At end of period	34,013	37,383

Where the Group issues a guarantee, the fair value of the guarantee contract issued is initially recognised as deferred income within liabilities from guarantees. The fair value of guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services (i.e. the premium received). The fair value of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from guarantees issued.

The provisions for guarantee losses are recognised when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

17. DISPOSAL OF SUBSIDIARIES

On 19 June 2017, the Group entered into a sale and purchase agreement with Star Century Ventures Corp., an independent third party, pursuant to which, the Group disposed (the "**Disposal**") of 100% equity interest in its subsidiary, Noble Dynasty Holdings Limited, which hold 100% equity interest in other subsidiaries ("**Noble Dynasty Group**"), at a cash consideration of HK\$25,210. The Disposal has been completed on 19 June 2017 (the "**Disposal Date**").

The assets and liabilities of Noble Dynasty Group as at the Disposal Date was as follows:

	HK\$'000
Net assets of Noble Dynasty Group	–
Less: Consideration	25
Gain on disposal of subsidiaries	25

An analysis of the net inflow of cash and cash equivalents in respect of the Disposal is as follows:

	HK\$'000
Cash consideration	25
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalent included in cash flows from investing activities	25

BUSINESS REVIEW

While the global economy improved continuously during the first half of 2017/18, the increasingly tightened geopolitical tensions resulted in a substantial uncertainty on the global and local economic conditions. Albeit the increasing demand and price of aluminium in comparison to last year, the Group was conservative in re-entering the trading business of aluminium before the emerging of a more steady recovery trend. The Group continued its focus at the money lending business. Total revenue of the Group for the six months ended 30 September 2017 was approximately HK\$15.2 million, an approximately 36.2% increase from the same period of 2016/17.

The gross margin of the Group as a whole decreased from approximately 77.9% (gross profit of approximately HK\$8.7 million) in the first half of 2016/17 to approximately 53.8% (gross profit of approximately HK\$8.2 million) for the same period of 2017/18, as a result of higher revenue of a lower-margin construction project business.

With the re-allocation of financial resources from the trading of aluminium products business, the Group did not record any revenue from its trading of aluminium products segment during the Period (2016/17: Nil).

The Group was in the final phases in a number of construction projects during the Period and has recorded a revenue of the construction projects segment of approximately HK\$7.7 million for the first half of 2017/18, an approximately 108.4% increase from the same period of the year 2016/17. As a result of higher aluminium price, gross margin of the construction projects segment substantially decreased from approximately 33.5% last year to approximately 9.1% during the first half of this financial year.

Revenue and gross profit of the money lending segment, which were mainly interest income with no direct interest expense, were both approximately HK\$6.2 million for the first half of 2017/18, contributing approximately 41.1% of total revenue and approximately 76.3% of total gross profit of the Group. Revenue and gross profit of the money lending segment was down by approximately 16.3% during the Period due to a slight decrease in the average loan disbursement and lower interest rate.

The financing guarantee services segment which the Group acquired in September 2016 contributed approximately HK\$1.2 million of revenue and gross profit, without direct cost, to the Group for the first half of 2017/18. The management has been continuously reviewing the strategy and risk profile of the new financing guarantee services business, and identifying possibilities in increasing its revenue sources.

PROSPECTS

The management expects to continue its focus on the money lending businesses and simultaneously engage in the construction sector. The Group 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 2017, the Group had cash and bank balances of approximately HK\$166.4 million (31 March 2017: HK\$290.3 million) while net assets was approximately HK\$444.0 million (31 March 2017: HK\$446.2 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was nil as at 30 September 2017 (31 March 2017: Nil).

FOREIGN EXCHANGE EXPOSURE

The Directors are of the opinion that almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in HK\$ or RMB during the Period (six months ended 30 September 2016: No significant foreign currency risk as almost all of the transactions of the Group and recognised financial assets and liabilities are denominated in HK\$). The Group currently does not have a foreign currency hedging policy. However, the management will monitor the foreign exchange exposure should the need arises.

DIVIDEND

The Board did not recommend the payment of any dividend for the Period (six months ended 30 September 2016: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2017, the Group had 30 (31 March 2017: 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 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.

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 2017	Granted during the Period	Exercised during the Period	Lapsed/ Cancelled during the Period	Outstanding as at 30 September 2017	Exercise price HK\$
Directors								
	Tung Yee Shing	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	-	-	(19,800,000)	59,400,000	1.20
			111,499,998	-	-	(19,800,000)	91,699,998	

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

As at 30 September 2017, 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 Futures 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%
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 2017, 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
Xu Jiao	Interest of controlled corporation (Note a)	400,000,000	20.20%
Kwok Tao Capital Investment Limited	Beneficial owner (Note a)	400,000,000	20.20%
Shenzhen Ding Yi Feng Assets Management Co., Ltd.	Interest of controlled corporation (Note b)	303,007,369	15.30%
HK DYF Int'l Holding Group Limited	Beneficial owner	293,137,369	14.80%
	Interest of controlled corporation (Note b)	9,870,000	0.50%
		303,007,369	15.30%

Notes:

- (a) Ms. Xu Jiao was deemed to be interested in these shares through her controlling interest (79.00%) in Kwok Tao Capital Investment Limited.
- (b) Shenzhen Ding Yi Feng Assets Management Co., Ltd. was deemed to be interested in these shares through its controlling interest (74.55%) in HK DYF Int'l Holding Group Limited ("**HK DYF**"). 9,870,000 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 2017.

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, 24 November 2017

BOARD OF DIRECTORS

Executive Directors

Mr. Tung Yee Shing, *Chairman*

Mr. Fung Kwok Kit

Mr. Zhong Can

Independent Non-executive Directors

Mr. Chan Yin Tsung

Mr. Li Kam Chung

Mr. Kwok Lap Fung, Beeson