



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
2018



* For identification purpose only

INTERIM FINANCIAL STATEMENTS

The board of directors (the “**Board**”) of Zhidao International (Holdings) Limited (the “**Company**”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2018 (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 2018

		Six months ended 30 September	
	Notes	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
REVENUE	4,5	38,595	15,191
Cost of sales		(28,705)	(7,020)
Gross profit		9,890	8,171
Other income and gains	5	24,010	2,513
General and administrative expenses		(8,846)	(4,991)
Impairment of receivables for default guarantee payments and receivables from guarantee customers		–	(8,352)
PROFIT/(LOSS) FROM OPERATIONS		25,054	(2,659)
Written back of impairment of associates		–	56
Share of losses of associates		–	(417)
Impairment of amount due from associates		(814)	–
PROFIT/(LOSS) BEFORE TAX	6	24,240	(3,020)
Income tax expense	7	(360)	(928)
PROFIT/(LOSS) FOR THE PERIOD		23,880	(3,948)

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

For the six months ended 30 September 2018

	Notes	Six months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (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		2,405	1,750
Release of translation reserve upon the disposal of a subsidiary		(5,887)	–
NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(3,482)	1,750
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		20,398	(2,198)
Profit/(loss) attributable to:			
Owners of the Company		22,476	(3,948)
Non-controlling interests		1,404	–
		23,880	(3,948)
Total comprehensive income attributable to:			
Owners of the Company		18,994	(2,198)
Non-controlling interests		1,404	–
		20,398	(2,198)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	8	1.21 cent	(0.20) cent
Diluted		1.21 cent	(0.20) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		159	4,342
Investment property		–	3,493
Prepayments	13	–	462
Interests in associates		17,686	18,500
Total non-current assets		17,845	26,797
CURRENT ASSETS			
Inventories		764	–
Trade receivables	10	5,500	8,500
Loan and interest receivables	11	156,711	27,471
Receivables for default guarantee payments and receivables from guarantee customers	12	–	15,625
Prepayments, deposits and other receivables	13	86,329	73,926
Tax recoverable		124	484
Financial assets at fair value through profit or loss	14	85,675	51,980
Pledged bank deposits	15	–	35,823
Cash and cash equivalents	15	148,954	265,630
Total current assets		484,057	479,439
CURRENT LIABILITIES			
Bank loan	15	14,322	–
Other payables and accruals		11,999	2,732
Liabilities from guarantees	16	–	48,357
Total current liabilities		26,321	51,089
NET CURRENT ASSETS		457,736	428,350
TOTAL ASSETS LESS CURRENT LIABILITIES		475,581	455,147
Net assets		475,581	455,147

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2018

	Notes	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital		19,800	19,800
Reserves		454,341	435,347
Equity attributable to owners of the Company		474,141	455,147
Non-controlling interests		1,440	–
Total equity		475,581	455,147

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Regulatory reserve HK\$'000	Accumulated losses HK\$'000		
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
At 1 April 2018 (Audited)	19,800	485,679	6,626	27,926	-	(84,884)	-	455,147
Profit for the period	-	-	-	-	-	22,476	1,404	23,880
Disposal of a subsidiary	-	-	(5,887)	-	-	-	-	(5,887)
Other comprehensive income for the period:	-	-	-	-	-	-	-	-
Exchange difference on translation of foreign operations	-	-	2,405	-	-	-	-	2,405
Total comprehensive income for the period	-	-	(3,482)	-	-	22,476	1,404	20,398
Adjustments relating to changes in interests in a subsidiary	-	-	-	-	-	-	(12)	(12)
Acquisition of a subsidiary	-	-	-	-	-	-	48	48
At 30 September 2018 (Unaudited)	19,800	485,679*	3,144*	27,926*	-*	(62,408)*	1,440*	475,581

* These reserve accounts comprise the consolidated reserves of approximately HK\$455,781,000 (30 September 2017: 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 2018

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash flows used in operating activities	(194,354)	(110,035)
Net cash flows from/(used in) investing activities	69,293	(15,442)
Net cash flows from financing activities	14,322	–
Net decrease in cash and cash equivalents	(110,739)	(125,477)
Cash and cash equivalents at beginning of period	265,630	290,287
Effect of foreign exchange rate changes, net	(5,937)	1,548
Cash and cash equivalents at end of period	148,954	166,358
Analysis of balances of cash and cash equivalents		
Cash and bank balances	148,954	166,358

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 Room 2606, 26/F, C C Wu Building, 302–308 Hennessy Road, Wan Chai, 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. During the period, the Company has disposed the business of the provision of financing guarantee service in the People's Republic of China.

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 2018 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 2018.

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 2018.

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:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

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 profit/(loss) 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Segment revenue		
Transactions with external customers:		
Trading of aluminium products	–	–
Construction projects	33,831	7,722
Money lending	4,513	6,236
Financing guarantee services	251	1,233
	38,595	15,191
Segment results		
Trading of aluminium products	(130)	(1,124)
Construction projects	2,846	(216)
Money lending	2,183	5,151
Financing guarantee services	14	(7,928)
	4,913	(4,117)
Interest income	7	721
Corporate and other unallocated income	23,994	1,786
Corporate and other unallocated expenses	(4,674)	(1,410)
	24,240	(3,020)
Profit/(loss) before tax	24,240	(3,020)

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 2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Customer A ¹	–	7,722
Customer B ²	20,929	–
Customer C ³	6,085	–
Customer D ⁴	4,479	–
Customer E ⁵	–	1,705
	31,493	9,427

^{1,2,3,4} Revenue from construction projects segment

⁵ 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Trading of aluminium products	–	–
Construction projects	33,831	7,722
Loans interest income	4,513	6,236
Guarantee fee income	251	1,233
	38,595	15,191
Other income and gains		
Interest income	7	721
Net unrealised gain arising on revaluation of financial assets at fair value through profit or loss	13,632	1,381
Dividend income	211	105
Rental income	9	62
Gain on disposal of subsidiaries (note 17)	10,141	25
Others	10	219
	24,010	2,513
Total revenue, other income and gains	62,605	17,704

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of construction *	28,705	7,020
Depreciation of property, plant and equipment	25	61
Depreciation of investment property	19	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	2,181	2,500
Pension scheme contributions	66	221
	2,247	2,721
Minimum lease payments under operating leases on land and buildings	787	901
Net unrealised gain arising on revaluation of financial assets at fair value through profit or loss	(13,632)	(1,381)
Dividend income	(211)	(105)
Rental income	9	(62)
Gain on disposal of subsidiaries (note 17)	(10,141)	(25)
Gain on disposal of property, plant and equipment	–	(13)
Interest income	(7)	(721)

* Depreciation of the property, plant and equipment of approximately Nil for the Period (six months ended 30 September 2017: HK\$3,000) 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 2017: 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 2017: 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax — Hong Kong Charge for the Period	360	854
Current tax — PRC Charge for the Period	—	18
Under-provision in previous periods	—	56
Total tax charge for the Period	360	928

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\$23,880,000 for the Period (six months ended 30 September 2017: loss of approximately HK\$3,948,000) 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 2017: 1,980,000,000).

The calculation of diluted earnings/(loss) per share amounts is based on the unaudited profit of approximately HK\$23,880,000 for the Period (six months ended 30 September 2017: loss of approximately HK\$3,948,000) 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 2017: 1,980,000,000) 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 2017: Nil).

10. TRADE RECEIVABLES

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Trade receivables	5,500	9,780
Less: Impairment	–	(1,280)
Net carrying amounts	5,500	8,500

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 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Within 1 month	–	–
1 to 2 months	–	–
2 to 3 months	–	–
Over 3 months	5,500	8,500
Trade receivables	5,500	8,500

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

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Neither past due nor impaired	–	–
Less than 1 month past due	–	–
1 to 3 months past due	–	–
Over 3 months past due	5,500	8,500
	5,500	8,500

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 5% 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 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Loan receivables	152,000	24,400
Interest receivables	4,711	3,071
Less: Impairment	–	–
Net carrying amounts	156,711	27,471
Less: Current portion of loan and interest receivables	(156,711)	(27,471)
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 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Receivables:		
Within 3 months	84,874	–
3 months to 1 year	47,748	4,410
Past due	24,089	23,061
Less: Current portion of loan and interest receivables	156,711 (156,711)	27,471 (27,471)
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 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Neither past due nor impaired	132,622	4,410
Less than 1 month past due	–	–
1 to 3 months past due	–	–
Over 3 months past due	24,089	23,061
	156,711	27,471

Loan and interest receivables that were neither past due nor impaired relate to ten debtors (31 March 2018: one debtor) for whom there was no recent history of default. Loan and interest receivables that were past due but not impaired relate to one debtor (31 March 2018: one debtor) and the Group has a high concentration of credit risk accordingly. Based on the past experience, the directors of the Company are of the opinion that no provision for impairment is necessary as the balance is considered fully recoverable.

Note (a): Included in loan and interest receivables was HK\$24,089,000 (31 March 2018: HK\$23,061,000) which was secured by 20% equity interest of a private secondary school in the PRC (the “**Underlying Securities**”) and was due for repayment on 5 November 2016. The Group has commenced a legal proceeding against the borrower for recovery of the loan. Based on the valuation of the Underlying Securities, the directors of the Company are of the opinion that the loan is fully recoverable and therefore, no impairment was provided as at 30 September 2018 and 31 March 2018.

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 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Receivables for default guarantee payments	–	44,713
Less: Impairment	–	(33,944)
	–	10,769
Receivables from guarantee customers	–	8,026
Less: Impairment	–	(3,925)
	–	4,101
Premium receivables from guarantee customers	–	14,870
	–	755
Net carrying amounts	–	15,625
Less: Current portion of the receivables for default guarantee payments and receivables from guarantee customers	–	(15,625)
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 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Default:		
Less than 6 months past due	–	10,769
6 to 12 months past due	–	–
Over 1 year past due	–	–
	–	10,769

(ii) Receivables from guarantee customers

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Neither past due nor impaired	–	4,101

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 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
At beginning of period	37,869	11,846
Impairment losses recognised (note 6)	–	24,870
Exchange difference	–	1,153
Full disposal for the period	(37,869)	–
At end of period	–	37,869

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Prepayments	22,633	754
Trade deposits	–	1,556
Utility deposits	491	757
Other receivables	20,074	33,094
Deposit for the mining project (Note)	43,131	43,131
	86,329	79,292
Less: Impairment	–	(4,904)
Less: Non-current portion of prepayments	–	(462)
Current portion of prepayments, deposits and other receivables	86,329	73,926

Note: Amount represented deposit paid for sourcing and acquisition of certain project machines for engineering, development and construction of the mining project in Pakistan.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Financial assets held for trading — Equity securities listed in Hong Kong, at market value	85,675	51,980

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

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Cash and bank balances	148,954	265,530
Time deposit	—	35,823
	148,954	301,453
Less pledged deposits	—	(35,823)
	148,954	265,630

16. LIABILITIES FROM GUARANTEES

	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
Deferred income	–	475
Provisions for guarantee losses	–	47,882
	–	48,357

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	47,882	37,838
Provision for the period	–	10,499
Full disposal for the period	(47,882)	–
At end of period	–	47,882

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

- (a) On 4 April 2018, the Group entered into a sale and purchase agreement with DENG CHUNLI, a PRC citizen and an Independent Third Party, pursuant to which, the Group disposed (the “**Disposal**”) of 100% equity interest in its subsidiary, Fu Ya Investments Limited, which hold 100% equity interest in other subsidiaries (“**Fu Ya Group**”), at an aggregate consideration of HK\$50,000,000. The Disposal has been completed on 4 June 2018 (the “**Disposal Date**”).

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

	HK\$'000
Net assets of Fu Ya Group	39,870
Less: Consideration	<u>50,000</u>
Gain on disposal of subsidiaries	<u>10,130</u>

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

	HK\$'000
Cash consideration	30,000
Promissory note	20,000
Cash and bank balances disposed of	<u>–</u>
Net inflow of cash and cash equivalent included in cash flows from investing activities	<u>50,000</u>

- (b) During the period, the Company disposed of 49% equity interests of its subsidiary, Fast Excel Limited (“**FEL**”), to an independent third party (the “**Buyer**”) at a cash consideration of HK\$49. Upon completion of the disposal, the equity interests in FEL held by the Group decreased from 100% to 51%, and a gain on partial disposal (the “**Gain on Disposal**”) of FEL of approximately HK\$11,000 was recognised.

BUSINESS REVIEW

For the six months ended 30 September 2018, the Group recorded a revenue of approximately HK\$38.6 million, representing an approximately 154% increase in comparison to approximately HK\$15.2 million for the same period in 2017. With the Group's strategy to expand the construction projects business, the revenue from construction projects segment increased from approximately HK\$7.7 million for the six months ended 30 September 2017 to approximately HK\$33.8 million for the same period in 2018.

As a result of the higher revenue, the Group recorded a higher gross profit for the period at approximately HK\$9.9 million (2017: approximately HK\$8.2 million), representing an approximately 21% increase. The gross margin for the six months ended 30 September 2018 was approximately 25.6% (2017: approximately 53.8%).

During the period, the Group continued the strategy in expanding the construction projects business and money lending business. The Group recorded no revenue from the trading of aluminium products business during the period (2017: Nil). Although the aluminium trading business may not be the Group's focus, the management of the Group will still keep reviewing the current business model and looking for appropriate opportunities to improve the current aluminium trading business.

The Group's construction projects segment recorded a revenue of approximately HK\$33.8 million for the period (2017: HK\$7.7 million). Gross margin of the construction projects segment recorded an increase to approximately 12.9% for the period, in comparison to approximately 9.1% for the same period of last year. The Group has been seeking new business opportunities in the construction projects segment and it is expected that the result of the construction projects segment will continue to grow in the next few years.

Revenue and gross profit of the money lending segment, which were mainly interest income with no direct interest expense, were both approximately HK\$4.5 million for the period, representing a decrease of approximately 27.6% from HK\$6.2 million for the same period in 2017.

As disclosed in an announcement on 27 April 2018, the management of the Group considered that the financing guarantee services made slow progress in expansion of its business and the financial performance of its business was not as satisfactory as the Group expected, the Group entered into a disposal agreement to dispose of the entire interest in the financing guarantee services business. The disposal was subsequently completed on 4 June 2018.

PROSPECTS

The management expects to further expand the Group's focus on the construction projects business and the money lending businesses. The Group will grow the construction projects business by identifying potential acquisition targets and pursue projects mainly in Hong Kong and Macau market. In addition, the management will continue seeking new business and investment opportunities in different areas which could bring potential and long-term value to the Group and its shareholders.

On 26 October 2018, the Company published an announcement regarding the decision of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to suspend trading in the shares of the Company (the "**Shares**") under Rule 6.01(3) of the Listing Rules and proceed with the cancellation of the Company's listing under Rule 6.01A(1) of the Listing Rules (the "**Decision**") after having considered, among others, the following:

1. the scale of the Company's existing businesses, namely, (i) supply of aluminium products in construction projects (the "**Construction Projects Business**") and (ii) provision of loan financing has, for years, remained small, and the Stock Exchange considers that the Company has not demonstrated that these two businesses are businesses of substance and are viable and sustainable;
2. the revenue and profit projection as provided to the Stock Exchange may not be achievable as most of the projected revenue from the Construction Projects Business is not supported by signed agreements; and
3. the operation of the Company's assets, which is mainly comprised of cash and pledged bank deposits, may not enable the Group to carry out businesses with a sufficient level of operations to justify the continued listing of the Company's securities.

The Company is required to re-comply with Rule 13.24 of the Listing Rules and will have a remedial period of 18 months to re-comply with the Listing Rule. If the Company fails to do so by the expiry of the 18-month period (i.e. 25 April 2020), the Stock Exchange will proceed with cancellation of the Company's listing.

And on 5 November 2018, the Company published an announcement regarding the Decision and the Company's request to the Listing Committee of the Stock Exchange for the Decision to be referred to the Listing Committee for review (the "**Review Request**") pursuant to Rule 2B.06(1) of the Listing Rules. The management of the Group believes the current strategy and potential growth will equip the Company to satisfy the requirement of the Listing Rules, but the shareholders of the Company and potential investors should be reminded that the outcome of such Review Request is uncertain.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2018, the Group had cash and bank balances of approximately HK\$149.0 million (31 March 2018: HK\$265.6 million) while net assets was approximately HK\$475.6 million (31 March 2018: HK\$455.1 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was 10.4 as at 30 September 2018 (31 March 2018: 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 2017: 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 2017: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group had 13 (31 March 2018: 32) 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 2018	Granted during the Period	Exercised during the Period	Lapsed/ Cancelled during the Period	Outstanding as at 30 September 2018	Exercise price HK\$
Directors								
Chan Yin Tsung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	-	-	-	4,166,666	1.20
Li Kam Chung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	-	-	-	4,166,666	1.20
Kwok Lap Fung Beeson	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	-	-	-	4,166,666	1.20
Employees	2 March 2016	2 March 2016 to 1 March 2021	39,600,000	-	-	-	39,600,000	1.20
			52,099,998	-	-	-	52,099,998	

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

As at 30 September 2018, 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
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 2018, 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)	450,000,000	22.73%
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)	292,367,369	14.77%
HK DYF Int'l Holding Group Limited	Beneficial owner (Note B)	292,367,369	14.77%

Notes:

- Ms. Xu Jiao ("**Ms. Xu**") was deemed to be interested in these shares through her controlling interest in Kwok Tao Capital Investment Limited ("**Kwok Tao**"). Kwok Tao was owned as to 79% by Ms. Xu. Besides, 50,000,000 shares were beneficially owned by Goldstar Success Limited ("**Goldstar**"). Goldstar was in turn wholly-owned by Ms. Xu.
- 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 owned as to 74.55% by 深圳市鼎益豐.

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 2018.

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.

SUBSEQUENT EVENT

On 26 October 2018, the Company published an announcement regarding the decision of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) to suspend trading in the shares of the Company (the “**Shares**”) under Rule 6.01(3) of the Listing Rules and proceed with the cancellation of the Company’s listing under Rule 6.01A(1) of the Listing Rules (the “**Decision**”) after having considered, among others, the following:

1. the scale of the Company’s existing businesses, namely, (i) supply of aluminium products in construction projects (the “**Construction Projects Business**”) and (ii) provision of loan financing has, for years, remained small, and the Stock Exchange considers that the Company has not demonstrated that these two businesses are businesses of substance and are viable and sustainable;
2. the revenue and profit projection as provided to the Stock Exchange may not be achievable as most of the projected revenue from the Construction Projects Business is not supported by signed agreements; and
3. the operation of the Company’s assets, which is mainly comprised of cash and pledged bank deposits, may not enable the Group to carry out businesses with a sufficient level of operations to justify the continued listing of the Company’s securities.

The Company is required to re-comply with Rule 13.24 of the Listing Rules and will have a remedial period of 18 months to re-comply with the Listing Rule. If the Company fails to do so by the expiry of the 18-month period (i.e. 25 April 2020), the Stock Exchange will proceed with cancellation of the Company’s listing.

And on 5 November 2018, the Company published an announcement regarding the Decision and the Company’s request to the Listing Committee of the Stock Exchange for the Decision to be referred to the Listing Committee for review (the “**Review Request**”) pursuant to Rule 2B.06(1) of the Listing Rules. The directors of the Company (the “**Directors**”) remind the shareholders of the Company (the “**Shareholders**”) and potential investors that the outcome of such Review Request is uncertain.

Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules.

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
Fung Kwok Kit
Chairman

Hong Kong, 30 November 2018

BOARD OF DIRECTORS

Executive Directors

Mr. Fung Kwok Kit, *Chairman*
Mr. Zhong Can
Mr. Kwong Kin Fai, Eric

Independent Non-executive Directors

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