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ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED

志道國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 01220)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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 2012 (the “**Period**”), together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended 30 September	
		2012	2011
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Turnover	4	123,677	132,468
Cost of sales		<u>(110,564)</u>	<u>(123,223)</u>
Gross profit		13,113	9,245
Other income		57	47
General and administrative expenses		(5,722)	(1,791)
Finance costs	5	<u>—</u>	<u>(188)</u>
Profit before income tax	6	7,448	7,313
Income tax	7	<u>(17)</u>	<u>(849)</u>
Profit for the period		7,431	6,464

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)
For the six months ended 30 September 2012

		Six months ended	
		30 September	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive income			
Exchange differences on translating foreign operations		<u>—</u>	<u>67</u>
Total comprehensive income for the period		<u>7,431</u>	<u>6,531</u>
Profit attributable to owners of the Company		<u>7,431</u>	<u>6,464</u>
Total comprehensive income attributable to owners of the Company		<u>7,431</u>	<u>6,531</u>
Earnings per share			
— Basic	9	<u>HK0.93 cents</u>	<u>HK4.58 cents</u>
— Diluted	9	<u>HK0.93 cents</u>	<u>HK4.58 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

		At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		364	445
Goodwill		1,243	1,243
Intangible assets		252	252
Retention receivables		<u>21,033</u>	<u>20,974</u>
		<u>22,892</u>	<u>22,914</u>
Current assets			
Inventories		1,021	648
Trade and other receivables	10	81,402	107,418
Amounts due from customers on construction contracts		—	2,118
Income tax recoverable		379	—
Bank balances and cash		<u>85,076</u>	<u>75,490</u>
		<u>167,878</u>	<u>185,674</u>
Current liabilities			
Trade and other payables	11	16,704	40,941
Amounts due to customers on construction contracts		30	—
Income tax payable		<u>—</u>	<u>1,102</u>
		<u>16,734</u>	<u>42,043</u>
Net current assets		<u>151,144</u>	<u>143,631</u>
Total assets less current liabilities		<u>174,036</u>	<u>166,545</u>
Non-current liabilities			
Retention payables		<u>16,791</u>	<u>16,731</u>
Net assets		<u>157,245</u>	<u>149,814</u>
CAPITAL AND RESERVES			
Share capital		16,500	16,500
Reserves		<u>140,745</u>	<u>133,314</u>
Total equity		<u>157,245</u>	<u>149,814</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Pursuant to a special resolution passed at the special general meeting of the Company held on 23 May 2012 and approved by the Registrar of Companies in Bermuda and Companies Registry in Hong Kong, the name of the Company changed from “Ocean Grand Holdings Limited” to “Zhidaao International (Holdings) Limited” and a new Chinese name “志道國際(控股)有限公司” be adopted for identification purposes only in place of the previous Chinese name “海域集團有限公司”.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2012 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). They have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as appropriate.

The 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 2012.

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 2012.

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also included HKASs and Interpretations) issued by the HKICPA:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The application of the above revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Statements</i> ²
HKFRS 11	<i>Joint Arrangements</i> ²
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ²
HKFRS 13	<i>Fair Value Measurement</i> ²
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> ¹
HKAS 19 (2011)	<i>Employee Benefits</i> ²
HKAS 27 (2011)	<i>Separate Financial Statements</i> ²
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ³
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ²
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs contained in <i>Annual Improvements 2009–2011 Cycle</i> issued in June 2012 ²
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Amendments to HKFRS 10 <i>Consolidated Financial Statements</i> , HKFRS 11 <i>Joint Arrangements</i> and HKFRS 12 <i>Disclosure of Interests in Other Entities – Transition Guidance</i> ²

1 Effective for annual periods beginning on or after 1 July 2012

2 Effective for annual periods beginning on or after 1 January 2013

3 Effective for annual periods beginning on or after 1 January 2014

4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

4. TURNOVER AND OPERATING SEGMENT INFORMATION

The Company's executive directors are chief operating decision makers. Information reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance focuses on two principal business activities.

Specially, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) Trading of aluminium products; and
- (ii) Construction projects — supply of aluminium products

An analysis of the Group's revenue, contribution to operating results and segment assets by business segments is presented as follows:

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Segment revenue		
Revenue from external customers:		
Trading of aluminium products	93,255	76,274
Construction projects	<u>30,422</u>	<u>56,194</u>
	<u>123,677</u>	<u>132,468</u>
Segment results		
Trading of aluminium products	(222)	40
Construction projects	<u>9,483</u>	<u>7,476</u>
	<u>9,261</u>	<u>7,516</u>
Unallocated corporate expenses, net	(1,813)	(15)
Finance costs	<u>—</u>	<u>(188)</u>
Profit before income tax	<u>7,448</u>	<u>7,313</u>

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Segment assets		
Trading of aluminium products	32,167	31,559
Construction projects	<u>73,553</u>	<u>101,539</u>
	105,720	133,098
Unallocated assets	<u>85,050</u>	<u>75,490</u>
Total assets	<u>190,770</u>	<u>208,588</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- segment profit represents the profit earned by each segments without allocation of central administration costs and finance costs; and
- all assets are allocated to reportable segments other than bank balances and cash.

5. FINANCE COSTS

	Six months ended 30 September 2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within 5 years	—	61
Interest on bills and overdrafts	<u>—</u>	<u>127</u>
	—	188
	<u>—</u>	<u>188</u>

6. PROFIT BEFORE INCOME TAX

This is stated after charging:

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of construction and inventories sold	110,564	123,223
Depreciation of property, plant and equipment	1	7
Foreign exchange difference, net	26	12
Operating lease rentals in respect of land and buildings	638	282
Staff costs, including directors' emoluments:		
— Salaries and other benefits	3,724	963
— Retirement benefits scheme contributions	70	37

7. INCOME TAX

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong		
Hong Kong Profits Tax	—	811
The People's Republic of China (the "PRC")		
Under-provision in prior year	17	38
	17	849

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the Period.

The PRC Enterprise Income Tax is calculated at 25% (2011: 25%) on the estimated assessable profits for the Period.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2012 (2011: Nil).

9. EARNINGS PER SHARE

The calculations of basic earnings per share for the Period is based on the unaudited profit attributable to owners of the Company of approximately HK\$7,431,000 (six months ended 30 September 2011: HK\$6,464,000) and on the weighted average number of 800,000,000 (six months ended 30 September 2011 (restated as the effect of share consolidation): 141,278,000) ordinary shares in issue during the Period.

Diluted earnings per share attributable to owners of the Company for both periods are the same as the respective basic earnings per share as the Company did not have any dilutive potential ordinary shares during both periods.

The share options had no dilutive effect on ordinary shares for the six months ended 30 September 2011 because the average market price of the shares of the Company could not be determined as the share of the Company were suspended from trading on the Stock Exchange before the date of effective of the Scheme (as defined in the circular dated 31 October 2011) on 9 January 2012 and all the shares options had been subsequently lapsed upon the effective of the Scheme.

10. TRADE AND OTHER RECEIVABLES

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Trade receivables		
Trade receivables	62,077	72,613
Retention receivables	679	679
Other receivables		
Deposits, prepayments and other debtors	20,202	35,682
Provision for impairment	<u>(1,556)</u>	<u>(1,556)</u>
	<u>81,402</u>	<u>107,418</u>

Retention receivables represents certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum. No aging analysis of retention receivables is presented as the retentions are released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects in question.

The Group allows a credit period normally 0 to 90 days (31 March 2012: 0 to 90 days) to its trade customers. The aging analysis of trade receivables presented based on the invoice date as at the end of the reporting period is as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
0 to 30 days	37	29,493
31 to 60 days	12,362	29,535
61 to 90 days	10,176	—
Over 90 days	<u>39,502</u>	<u>13,585</u>
	62,077	72,613
Retention receivables	<u>679</u>	<u>679</u>
	<u><u>62,756</u></u>	<u><u>73,292</u></u>

As at 30 September 2012, trade receivables of HK\$39,502,000 (31 March 2012: HK\$13,585,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

11. TRADE AND OTHER PAYABLES

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Trade payables		
Trade payables	14,200	37,469
Other payables		
Accrued charges and other creditors	<u>2,504</u>	<u>3,472</u>
	<u><u>16,704</u></u>	<u><u>40,941</u></u>

The aging analysis of trade payables presented based on the invoice date as at the end of the reporting period is as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
0 to 30 days	144	27,794
31 to 60 days	9,033	246
61 to 90 days	231	—
Over 90 days	<u>4,792</u>	<u>9,429</u>
	<u><u>14,200</u></u>	<u><u>37,469</u></u>

BUSINESS REVIEW

The Group was principally engaged in supplying aluminium products to construction projects in addition to trading of aluminium products and raw materials through the past six months. Turnover for the period was HK\$123.7 million, a 6.6% decrease compared to HK\$132.5 million in the same period of 2011. Gross profit of the Group, on the other hand, increased to HK\$13.1 million, or 41.8% increase compared to the same period in 2011. This is a result of the Group's continuous effort in reshaping its business model and customer base with focus on higher-margin businesses within the chosen business segments: trading of aluminium products and raw materials, and supplying aluminium products to construction projects.

As a result of higher profit margin, profit attributable to shareholders of the Company was HK\$7.4 million for the period (2011: HK\$6.5 million). The trading business was slightly below its breakeven point and recorded a loss of HK\$0.2 million (please refer to note 4 to the consolidated financial statements for more detailed segment information) for the period, which is a reflection of the adverse business environment. Profit for the period was mainly the result of supplying aluminium products to construction projects. However, the Group considers that trading is a strategic business in terms of securing and expanding customer base and securing lower cost of raw materials, although it is a low margin business. Thus, we will continue our effort in managing the customer base, increase volume of trading and reshape our cost structure to ensure to strive for profit for our trading business.

PROSPECTS

Most of our customers have been adversely impacted by the economic slowdown currently experiencing in their respective countries. The lack of visibility in economic recovery, the growing uncertainties associated with the European sovereign debt crisis coupled with the forthcoming Fiscal Cliff in the United States will discourage investment initiatives and purchasing appetites. As a result, we expect an even tougher business environment in Q1/Q2, 2013.

In view of the need to meet all challenges resulted from the adverse business environment, the Group has taken decisive actions to reduce operating and sales cost in addition to optimizing financing and logistic cost in all fronts in order to strive for better margin for selected businesses. We are confident that the implemented dedicated measures will facilitate us to ride through and meet the challenges resulted from continuing economic downturn, achieve the expected year-end performance and develop a more superior business model for the prolonged unfavorable business environments.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2012, the Group had bank balances and cash of HK\$85.1 million (31 March 2012: HK\$75.5 million) while total net assets was HK\$157.2 million (31 March 2012: HK\$149.8 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was nil as at 30 September 2012 (31 March 2012: nil).

FOREIGN EXCHANGE EXPOSURE

As at 30 September 2012, 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.

CONTINGENT LIABILITIES

As at 31 March 2012, Mr. Kwan Man Wai ("**Mr. Kwan**"), a former director of the Company, is seeking leave from the court to commence, by way of counterclaim, an action against the Company for an alleged indemnity (the "**Indemnity Claim**") in relation to a writ of summons in the High Court of the Hong Kong Special Administrative Region issued by the former subsidiaries of the Company, which were under compulsory liquidation. Details of this litigation were disclosed in the Company's announcement dated 11 January 2012. The hearing date for Mr. Kwan's application for leave to proceed with the Indemnity Claim has not been fixed.

As disclosed in the 2012 Annual Report of the Company, the action commenced against Mr. Kwan should not have any business or financial effect on the Group, save for the Indemnity Claim. It is the Board's opinion that the ultimate liability arising from the dispute, if any, is unable to quantify the possible effect on the Group's financial position.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil) and no closure of the register of members will be made accordingly.

HUMAN RESOURCES

As at 30 September 2012, the Group had 57 (31 March 2012: 55) employees. The Group's remuneration policy is set up and reviewed periodically by the Company's remuneration committee and determined by reference to market terms, the Group's performance, and individual qualifications and performance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors of the Company, 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 complied with the Corporate Governance Code (“CG Code”) as stipulated in Appendix 14 of the Listing Rules throughout the Period except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title “chief executive officer”. The Board is of the view that currently vesting the roles of chairman and chief executive officer in Mr. Mung Hing Choy 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.

Code Provision E.1.3 stipulates that notice for annual general meetings should be sent to shareholders at least 20 clear business days before the meeting. The annual general meeting of the Company for the year of 2012 was held on 23 August 2012 with notice for the meeting dispatched on 31 July 2012. The notice period was less than 20 clear business days before the meeting. The Board was of the view that it was the best practicable date for the directors to attend the annual general meeting as the directors each had different business commitments and appointments thereafter. The Board confirmed that it would have better time management in the future to avoid the matter happening again.

AUDIT COMMITTEE REVIEW

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

Mung Hing Choy
Chairman

Hong Kong, 23 November 2012

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Mung Hing Choy (Chairman), Mr. Chau Shing Yim, David and Ms. Cheung Oi Chun, one non-executive Director namely Mr. Tsoi Tong Hoo, Tony and three independent non-executive Directors, namely Mr. Choi Wing Koon, Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson.