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 2013

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 2013 (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 2013

		Six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
REVENUE	*4,5*	**95,629**	123,677
Cost of sales		**(90,028)**	(110,564)
Gross profit		**5,601**	13,113
Other income and gains	*5*	**86**	57
General and administrative expenses		**(4,749)**	(5,722)
PROFIT BEFORE TAX	*6*	**938**	7,448
Income tax expense	*7*	**(250)**	(17)
PROFIT FOR THE PERIOD		**688**	7,431

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
For the six months ended 30 September 2013

		Six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**688**	7,431
Profit attributable to:			
Owners of the Company		**688**	7,431
Non-controlling interests		**—**	—
		688	7,431
Total comprehensive income attributable to:			
Owners of the Company		**688**	7,431
Non-controlling interests		**—**	—
		688	7,431
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK cent 0.09**	HK cent 0.93
Diluted (Restated)		**HK cent 0.04**	HK cent 0.45

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

	Note	**At 30 September 2013 (Unaudited)** *HK$'000*	At 31March 2013 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**331**	357
Goodwill		**1,243**	1,243
Intangible asset		**252**	252
Retention receivables		**11,490**	19,993
Total non-current assets		**13,316**	21,845
CURRENT ASSETS			
Inventories		**759**	693
Trade receivables	*10*	**115,910**	103,351
Prepayments, deposits and other receivables		**8,981**	36,909
Retention receivables		**9,097**	1,441
Cash and cash equivalents		**34,500**	37,965
Total current assets		**169,247**	180,359
CURRENT LIABILITIES			
Trade payables	*11*	**4,314**	18,393
Other payables and accruals		**3,038**	2,777
Dividend payables		**7,817**	5,550
Tax payables		**663**	424
Total current liabilities		**15,832**	27,144
NET CURRENT ASSETS		**153,415**	153,215
TOTAL ASSETS LESS CURRENT LIABILITIES		**166,731**	175,060
NON-CURRENT LIABILITIES			
Retention payables		**10,040**	16,790
Total non-current liabilities		**10,040**	16,790
Net assets		**156,691**	158,270
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**16,500**	16,500
Reserves		**140,221**	141,800
Total shareholders’ fund		**156,721**	158,300
Non-controlling interests		**(30)**	(30)
Total equity		**156,691**	158,270

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda on 8 July 1997 and 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.

The principal activities of the Group were supplying aluminium products to construction projects in addition to trading of aluminium products and raw materials.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2013 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 under the historical cost convention.

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 2013.

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 2013.

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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new HKFRSs**") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2013 and are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*

HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

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

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Segment revenue		
Revenue from external customers:		
Trading of aluminium products	**91,897**	30,422
Construction projects	**3,732**	93,255
	95,629	123,677
Segment results		
Trading of aluminium products	**2,491**	(222)
Construction projects	**(464)**	9,479
	2,072	9,257
Interest income	**1**	6
Corporate and other unallocated expenses	**(1,090)**	(1,815)
Profit before tax	**938**	7,448

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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A[2]	**44,064**	30,422
Customer B[2]	**43,710**	—
Customer C[1]	—	88,658

[1] Revenue from construction projects segment
[2] Revenue from trading of aluminium products segment

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and an appropriate proportion of contract revenue of construction contracts during the Period.

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

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Trading of aluminium products	**91,897**	30,422
Construction projects	**3,732**	93,255
Total revenue	**95,629**	123,677
Other income and gains		
Interest income	**1**	6
Others	**85**	51
Total other income and gains	**86**	57
Total revenue, other income and gains	**95,715**	123,734

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of construction and inventories sold*	**90,028**	110,564
Depreciation	**7**	1
Foreign exchange difference, net	**41**	26
Minimum lease payments under operating leases on land and buildings	**625**	638
Employee benefits expenses (including directors' remuneration):		
-Wages and salaries	**3,220**	3,724
-Pension scheme contributions	**144**	121
	3,364	3,845
Interest income	**(1)**	(6)

* The depreciation of the property, plant and equipment of approximately HK$22,000 for the Period (six months ended 30 September 2012: HK$86,000) are included in the "cost of construction and inventories sold" in the condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2012: 16.5%) on the estimated assessable profits arising in Hong Kong 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax - Hong Kong		
Charge for the year	**240**	—
Current tax - People's Republic of China ("**PRC**")		
Under-provision in the previous year	**10**	17
	250	17

PRC enterprise income tax is calculated at 25% (six months ended 30 September 2012: 25%) on the estimated assessable profits for the Period.

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

(a) **Basic earnings per share**

The calculation of basic earnings per share amounts for the Period was based on the unaudited profit for the Period attributable to ordinary equity holders of the Company of HK$688,000 (six months ended 30 September 2012: HK$7,431,000) and the weighted average number of ordinary shares in issue during the Period of 800,000,000 (six months ended 30 September 2012: 800,000,000).

(b) **Diluted earnings per share**

The calculation of diluted earnings per share amounts for the Period is based on the unaudited profit for the Period attributable to ordinary equity holders of the Company of HK$688,000 (six months ended 30 September 2012: HK$7,431,000). The weighted average number of ordinary shares of 1,650,000,000 (six months ended 30 September 2012 (restated): 1,650,000,000) used in the calculation is the weighted average number of 800,000,000 (six months ended 30 September 2012: 800,000,000) ordinary shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all convertible preference shares into 850,000,000 (six months ended 30 September 2012 (restated): 850,000,000) ordinary shares during that period.

Note:
The weighted average number of ordinary shares assumed the conversion of preference shares for the six months ended 30 September 2012 has been restated to reflect the time portion of the preference shares in issue during the six months ended 30 September 2012.

9. DIVIDENDS

Except for the accrual of cumulative preference shares dividend of HK$2,267,000 during the Period, no dividend has been declared or paid by the Company for the ordinary shareholders during the Period (six months ended 30 September 2012: Nil).

10. TRADE RECEIVABLES

	At 30 September 2013 (Unaudited) ***HK$'000***	At 31March 2013 (Audited) *HK$'000*
Trade receivables	**115,910**	103,351

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 and other receivables balances. Trade and other receivables are non-interest-bearing.

The Group allows a credit period normally 0 to 90 days (31 March 2013: 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 2013 (Unaudited) ***HK$'000***	At 31March 2013 (Audited) *HK$'000*
Within 1 month	**28,558**	34,755
1 to 2 months	—	—
2 to 3 months	**44,064**	—
Over 3 months	**43,288**	68,596
	115,910	103,351

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

	At 30 September 2013 (Unaudited) ***HK$'000***	At 31March 2013 (Audited) *HK$'000*
Neither past due nor impaired	**28,558**	34,755
Less than 1 month past due	—	—
1 to 3 months past due	**55,844**	15,722
Over 3 months past due	**31,508**	52,874
	115,910	103,351

Receivables that were neither past due nor impaired relate to several customers for whom there was no recent history default.

Receivables that were past due but not impaired relate to two of the independent customers 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 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. TRADE AND OTHER 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 2013 (Unaudited)	At 31March 2013 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**1,471**	715
1 to 2 months	**7**	—
2 to 3 months	—	138
Over 3 months	**2,836**	17,540
	4,314	18,393

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

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

BUSINESS REVIEW

As uncertainty remains in both global and local economy, the reporting period was on the whole a challenging period for the Group. The Group realized a profit of HK$0.7 million, a drop of 91% compared to that of HK$7.5 million for the same period of 2012. Turnover for the Period was HK$95.6 million, a drop of 23% compared to that of HK$123.7 million for the same period of 2012.

The reporting period remained challenging with both growth and setbacks for the global and Chinese economies alike. The expected adverse business environment prompted the management decisively to develop and implement an adjusted strategy of focusing on higher-margin aluminium related trading business. The Group recorded a turnover of the trading of aluminium products segment of HK$91.9 million, a 202% increase compared to that of HK$30.4 million for the same period of 2012. With the higher profit margin, this segment resulted a profit of HK$2.5 million, compared with a loss of HK$0.2 million in 2012.

The construction market in Hong Kong continues to flourish with a large number of projects commissioned in the public sector. Despite an increase in number of public housing projects, the supply of aluminium products industry continued to face fierce market competition. Regarding to the construction projects segment, the Group did not launch any new construction projects during the reporting period. Amidst the competitive operating environment, the Group has been and will be trying to capture projects with higher margin from the market. In addition to the sluggishness and uncertainties in the property development market of China, the Group recorded a turnover for the construction projects segment of HK$3.7 million, a 96% decrease compared to that of HK$93.3 million for the same period of 2012. As a result, this segment recorded a loss of HK$0.5 million, compared with a profit of HK$9.5 million in 2012.

We are in the process to finalize the development of the contemplated joint venture in Zhongshan, the PRC, between Fast Excel Limited and our strategic partner, Gold Mountain Aluminium Limited.

PROSPECTS

The first half of 2013 has seen uneven recovery in the global economy, a pattern which is likely to continue and extend into the rest of the reporting year. The Eurozone is still in recession, but financial stress has significantly eased compared with 2012, and leading economic indicators in some EU countries have been recovering. The US economy has suffered from spending cuts, but still registered positive growth underpinned by a gradually strengthening labor market and consumption. Despite of slower economic growth than before, China remains as one of the world economies with fast growth - figures released in July gave an encouraging signal on factory production, investment and real estate construction, all registering meaningful increases for the first time in the past 12 months.

Prospects for the construction projects segment are promising over the short- to medium-term, on the back of government commitments to increase the supply of public housing to around 80,000 units in Hong Kong over the next five years. We see a healthy flow of projects in the pipeline at a time when the recently improved sentiment in the property market in the Mainland and the home ownership scheme is likely to be revived in the near future.

The Group is well poised to capture the market opportunities despite the competitive tendering environment, given that our construction projects operation has long been our core competence. With due caution on the rising material and labour costs, we expect our construction projects segment will contribute more to our profitability.

The Group considers that trading is a strategic business in terms of securing and expanding customer base and securing lower cost of raw materials. Thus, we will continue our effort in managing the customer base, increasing the volume of trading and reshaping our cost structure so as to strive for profitability for our trading business.

The Group is cautiously optimistic on its areas of operations and business activities, albeit unforeseeable variations are unavoidable during the course of our business development.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2013, the Group had cash and bank balances of HK$34.5 million (31 March 2013: HK$38.0 million) while total net assets was HK$156.7 million (31 March 2013: HK$158.3 million). The Group’s gearing ratio, being a ratio of total bank and other borrowings to shareholders’ funds, was nil as at 30 September 2013 (31 March 2013: Nil).

The Company did not have any movements in its share capital during the Period.

FOREIGN EXCHANGE EXPOSURE

As at 30 September 2013, the majority of the Group’s assets and liabilities were denominated in Hong Kong dollars. The Board considered its exposure to foreign exchange risk was insignificant, therefore no financial instruments was made to hedge such exposure.

DIVIDEND

Except for the accrual of cumulative preference shares dividend of HK$2,267,000 during the Period, no dividend has been paid or declared by the Company for the ordinary shareholders during the Period (six months ended 30 September 2012: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2013, the Group had 57 (31 March 2013: 57) employees. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and individual qualifications and performance.

The emolument policy for the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market statistics.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by the directors of the Company (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 ("**CG 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. 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.

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, 22 November 2013

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Mung Hing Choy (Chairman) and Ms. Cheung Oi Chun, and three independent non-executive Directors, namely Mr. Choi Wing Koon, Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson.