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 RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The board of directors (the "**Board**") of Zhidao International (Holdings) Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2015 (the "**Year**"), together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**96,515**	139,091
Cost of sales		**(85,833)**	(128,382)
Gross profit		**10,682**	10,709
Other income and gains	*4*	**122**	86
Impairment of goodwill	*5*	**(573)**	(670)
Impairment of intangible asset	*5*	**(252)**	—
Impairment of trade receivables	*5,9*	—	(6,000)
Written off of retention receivables	*5*	**(6,222)**	—
General and administrative expenses		**(9,799)**	(9,873)
LOSS BEFORE TAX	*5*	**(6,042)**	(5,748)
Income tax expense	*6*	**(723)**	(756)
LOSS FOR THE YEAR		**(6,765)**	(6,504)

** For identification purposes only*

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

	Notes	*For the year ended 31 March* **2015** ***HK$'000***	2014 *HK$'000*
LOSS FOR THE YEAR		**(6,765)**	(6,504)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**—**	(49)
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**—**	(49)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(6,765)**	(6,553)
Loss attributable to:			
Owners of the Company		**(6,765)**	(6,504)
Non-controlling interests		**—**	—
		(6,765)	(6,504)
Total comprehensive income attributable to:			
Owners of the Company		**(6,765)**	(6,553)
Non-controlling interests		**—**	—
		(6,765)	(6,553)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK$ (0.01)**	HK$ (0.01)
Diluted		**HK$ (0.01)**	HK$ (0.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**284**	316
Goodwill		**—**	573
Intangible assets		**—**	252
Retention receivables		**—**	—
Total non-current assets		**284**	1,141
CURRENT ASSETS			
Inventories		**437**	843
Trade receivables	*9*	**94,545**	98,925
Prepayments, deposits and other receivables	*10*	**4,267**	4,212
Retention receivables		**325**	19,993
Amounts due from customers on construction contracts		**—**	—
Tax recoverable		**433**	—
Cash and cash equivalents		**43,365**	37,862
Total current assets		**143,372**	161,835
CURRENT LIABILITIES			
Trade payables	*11*	**72**	862
Other payables and accruals	*12*	**3,904**	3,836
Retention payables		**325**	650
Dividend payables		**697**	10,070
Tax payables		**—**	361
Total current liabilities		**4,998**	15,779
NET CURRENT ASSETS		**138,374**	146,056
TOTAL ASSETS LESS CURRENT LIABILITIES		**138,658**	147,197
NON-CURRENT LIABILITIES			
Retention payables		**—**	—
Total non-current liabilities		**—**	—
Net assets		**138,658**	147,197
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*13*	**16,500**	16,500
Reserves		**122,188**	130,727
Total shareholders' fund		**138,688**	147,227
Non-controlling interests		**(30)**	(30)
Total equity		**138,658**	147,197

Notes:

1. CORPORATE INFORMATION

Zhidao International (Holdings) Limited (the "**Company**") is a limited liability company incorporated in Bermuda on 8 July 1997. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is situated at Unit 3328D, 33th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holdings. The principal activities of the Group are engaged in trading of aluminium products and raw materials and in supply of aluminium products to construction projects.

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.

2.1 BASIS OF PREPARATION

These consolidated financial statements 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**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

<u>Basis of consolidation</u>
The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries in the annual report. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs and new interpretation for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies
Amendment to HKFRS 2 included in Annual Improvements 2010-2012 Cycle	Definition of Vesting Condition [1]
Amendment to HKFRS 3 included in Annual Improvements 2010-2012 Cycle	Accounting for Contingent Consideration in a Business Combination [1]
Amendment to HKFRS 13 included in Annual Improvements 2010-2012 Cycle	Short-term Receivables and Payables
Amendment to HKFRS 1 included in Annual Improvements 2011-2013 Cycle	Meaning of Effective HKFRSs

[1] *Effective from 1 July 2014*

Other than as further explained below, the adoption of these new and revised HKFRSs has had no significant financial effect on the consolidated financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central cleaning house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKAS 1	Disclosure Initiative [1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statement [1]
HKFRS 9	Financial Instruments [3]
Amendments HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture [1]
Amendments HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidated Exception[1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations [1]
HKFRS 14	Regulatory Deferral Accounts [1]
HKFRS 15	Revenue with Contracts from Customers [2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants [1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

[1] *Effective for annual periods beginning on or after 1 January 2016*
[2] *Effective for annual periods beginning on or after 1 January 2017*
[3] *Effective for annual periods beginning on or after 1 January 2018*

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 March 2016. The Group is in the process of making an assessment of the impact of these changes.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the trading of aluminium products segment – sales of aluminium products; and

(b) the construction projects segment - supply of aluminium products in the construction projects.

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

Segment assets exclude cash and cash equivalents, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payables, dividend payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

Year ended 31 March 2015	Trading of aluminium products HK$'000	Construction projects HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	**93,300**	**3,215**	**96,515**
Segment results	**4,376**	**(8,062)**	(**3,686)**
Interest income			**2**
Corporate and other unallocated expenses			**(2,358)**
Loss before tax			**(6,042)**
Segment assets	**93,776**	**5,934**	**99,710**
Corporate and other unallocated assets			**43,946**
Total assets			**143,656**
Segment liabilities	**1,380**	**2,621**	**4,001**
Corporate and other unallocated liabilities			**997**
Total liabilities			**4,998**
Other segment information:			
Written off of retention receivables	—	**6,222**	**6,222**
Impairment of goodwill	—	**573**	**573**
Impairment of intangible assets	—	**252**	**252**
Depreciation of property, plant and equipment	—	**21**	**21**

Year ended 31 March 2014	Trading of aluminium products HK$'000	Construction projects HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	133,897	5,194	139,091
Segment results	4,586	(8,000)	(3,414)
Interest income			2
Corporate and other unallocated expenses			(2,336)
Loss before tax			(5,748)
Segment assets	86,069	39,045	125,114
Corporate and other unallocated assets			37,862
Total assets			162,976
Segment liabilities	1,238	3,811	5,049
Corporate and other unallocated liabilities			10,730
Total liabilities			15,779
Other segment information:			
Impairment of trade receivables	—	6,000	6,000
Impairment of goodwill	—	670	670
Capital expenditure *	—	3	3
Depreciation of property, plant and equipment	—	43	43

*The capital expenditure included additions of property, plant and equipment.

Geographical information

	2015 *HK$'000*	2014 *HK$'000*
(a) Revenue from external customers		
Hong Kong	—	1,874
Mainland China	**96,515**	137,217
	96,515	139,091
(b) Non-current assets		
Hong Kong	—	252
Mainland China	**284**	316
	284	568

The classification of the non-current assets is based on the locations of the assets (excluded goodwill).

Information about major customer

Revenue from customers of the corresponding years contributing over 10% of the total revenue are as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A*	**93,300**	85,710
Customer B*	—	44,064

* Revenue from trading of aluminium products segment

4. 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 Year.

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

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Trading of aluminium products	**93,300**	133,897
Construction projects	**3,215**	5,194
Total revenue	**96,515**	139,091
Other income and gains		
Interest income	**2**	2
Others	**120**	84
Total other income and gains	**122**	86
Total revenue, other income and gains	**96,637**	139,177

5. LOSS BEFORE TAX

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

	2015	2014
	HK$'000	*HK$'000*
Cost of construction and inventories sold *	**85,833**	128,382
Auditors' remuneration	**550**	550
Depreciation	**21**	43
Impairment of goodwill	**573**	670
Impairment of intangible assets	**252**	—
Impairment of trade receivables	**—**	6,000
Written off of retention receivables	**6,222**	—
Loss on disposal of property, plant and equipment	**10**	—
Exchange loss, net	**—**	41
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**5,627**	6,355
Pension scheme contributions	**265**	272
	5,892	6,627
Minimum lease payments under operating leases on land and buildings	**1,479**	1,229
Interest income	**(2)**	(2)

* Depreciation of the property, plant and equipment of approximately HK$8,000 (2014: HK$28,000) for the Year are included in the "cost of construction and inventories sold" in the consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the Year.

PRC enterprise income tax is calculated at 25% (2014: 25%) on the estimated assessable profits for the Year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates:

	2015	2014
	HK$'000	*HK$'000*
Current tax - Hong Kong		
Charge for the year	**702**	746
Current tax - PRC		
Charge for the year	**—**	—
Under-provision in previous years	**21**	10
Total tax charge for the year	**723**	756

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2015	2014
	HK$'000	*HK$'000*
Loss before tax	**(6,042)**	(5,748)
Tax at the statutory tax rates	**(1,014)**	(1,059)
Expenses not deductible for tax	**1,135**	1,318
Tax losses not recognised	**603**	499
Temporary differences in respect of depreciable assets not recognised	**(2)**	(2)
Underprovision in previous years	**21**	10
Tax concession for the year of assessment	**(20)**	(10)
Tax charge at effective tax rate	**723**	756

The Group had deferred tax benefits not recognised in respect of tax losses available and decelerated depreciation for offsetting future assessable profits as follows:

	2015	2014
	HK$'000	*HK$'000*
Tax losses	**15,934**	12,277
Decelerated depreciation	**169**	180
	16,103	12,457

7. DIVIDENDS

Except for the accrual of cumulative preference shares dividend of HK$1,774,000 (2014: HK$4,520,000) during the Year, no dividend has been declared or paid by the Company for the ordinary shareholders during the Year (2014: Nil).

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

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the Year.

The calculations of basic loss per share are based on:

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss for the Year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(6,765)**	**(6,504)**

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the Year used in basic loss per share calculation	**1,307,671,233**	800,000,000

The calculation of diluted loss per share amounts is based on the loss for the Year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares used in the basic loss per share calculation, as adjusted for the weighted average number of convertible preference shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted loss per share for the years ended 31 March 2015 and 2014 is based on:

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss for the Year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(6,765)**	(6,504)

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the Year used in basic loss per share calculation	**1,307,671,233**	800,000,000
Effect on dilution – weighted average number of ordinary shares		
Convertible preference shares	—*	**—***
Weight average number of ordinary shares for the purpose of diluted loss per share	**1,307,671,233**	800,000,000

* The convertible preference shares had an anti-diluted effect on the basic loss per share for the years ended 31 March 2015 and 2014.

9. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**94,545**	104,925
Impairment	**—**	(6,000)
Net carrying amounts	**94,545**	98,925

(a) The movement in the provision for impairment of trade receivables are as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 April	**6,000**	—
Impairment loss recognised	**—**	6,000
Amount written off as uncollectible	**(6,000)**	—
At 31 March	**—**	6,000

The above provision of impairment of trade receivables is provision for individually impaired trade receivables with a carrying amount before provision of Nil (2014: HK$17,303,000) as at 31 March 2015.

(b) 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:

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**11,445**	27,252
1 to 2 months	**10,200**	15,750
2 to 3 months	**10,200**	—
Over 3 months	**62,700**	55,923
Trade receivables	**94,545**	98,925

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

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**31,845**	43,002
Less than 1 month past due	**10,200**	—
1 to 3 months past due	**—**	—
Over 3 months past due	**52,500**	44,620
	94,545	87,622

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

Receivables that were past due but not impaired relate to a single customer and the Group has a significant 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.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Prepayments	**202**	61
Trade deposits	**4,995**	5,017
Utility deposits	**603**	476
Other receivables	**23**	214
	5,823	5,768
Less: impairment	**(1,556)**	(1,556)
	4,267	4,212

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**65**	—
1 to 2 months	**—**	—
2 to 3 months	**6**	—
Over 3 months	**1**	862
	72	862

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

12. OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	*HK$'000*
Other payables	**2,965**	3,086
Accruals	**939**	750
	3,904	3,836

13. SHARE CAPITAL

	2015	2014
	HK$'000	*HK$'000*
Authorised:		
2,800,000,000 ordinary shares of HK$0.01 each	**28,000**	28,000
850,000,000 preference shares of HK$0.01 each	**8,500**	8,500
	36,500	36,500
Issued and fully paid:		
1,650,000,000 (2014: 800,000,000) ordinary shares of HK$0.01 each	**16,500**	8,000
Nil (2014: 850,000,000) preference shares of HK$0.01 each	—	8,500
	16,500	16,500

During the Year, the movement of the ordinary shares and preference shares are as follows:

	Ordinary shares	**Preference shares**
At 1 April 2014	800,000,000	850,000,000
Conversion from preference shares to ordinary shares *(note)*	850,000,000	(850,000,000)
At 31 March 2015	1,650,000,000	—

Note:

The preference shares with a paid-up value of HK$0.133 per share were non-redeemable and did not bear any voting right. The preference shares carried a fixed cumulative preferential dividend at a rate of 4% per annum on the initial subscription price of HK$0.133 each out of the funds of the Company available for distribution and 1 preference share can be converted into 1 fully-paid ordinary share of the Company commencing on the first anniversary from the date of the resumption of the Company on 11 January 2012. On 26 August 2014 ("**Conversion Date**"), the holders of the preference shares converted all the preference shares into ordinary share of the Company and 850,000,000 ordinary shares of HK$0.01 each were issued and allotted accordingly. As at the Conversion Date, the cumulative preference share dividend of HK$11,844,000 (2014: HK$10,070,000) has been accrued in the consolidated statement of financial position. According to the terms and conditions under the bye-laws of the Company in relation to the preference shares, any unpaid cumulative preference share dividend on the Conversion Date shall accrued as a debt by the Company to the previous holders of the preference shares and those amounts provided in the preference shares dividend reserve were settled against with the retained earnings upon conversion of preference shares.

14. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At 31 March 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**1,774**	1,128
2 – 5 years, inclusive	**3,035**	119
	4,809	1,247

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The uncertainty of the Chinese economy continued to give the Group a challenging environment. Since the resumption of operations in 2012, the Group has been focusing on the market in the Mainland China and Hong Kong. The economy of Mainland China is undergoing changes and has slower growth. In addition, the changes in competitive landscape in the supply of aluminium products industry in Hong Kong further harmed the Group's result. For the year ended 31 March 2015, turnover of the Group was approximately HK$96.5 million, representing a decrease of 30.6% compared to that in 2013/14.

With the decrease in turnover, thanks to the higher margin of our trading business, the Group was able to maintain the gross profit at approximately HK$10.7 million, which was comparable to that in 2013/14. For the year ended 31 March 2015, the Group had a loss attributable to owners of the Company of HK$6.8 million, increase of 4.0% compared to last year.

The Group recorded a turnover of the trading of aluminium products segment of HK$93.3 million, a 30.3% decrease compared to that in 2013/14. The segment of trading of aluminium products resulted a profit before tax of HK$4.4 million for the year, which was 4.6% lower than the profit before tax in 2013/14.

With the slower growth of the economy in China and continuously sluggish property development market in China, the construction project segment of the Group recorded a further decreased turnover of approximately HK$2.0 million for the year 2014/15, approximately 38.1% lower than that in 2013/14. The segment of construction projects recorded a loss before tax of HK$8.1 million for the Year, compared to a loss before tax of HK$8.0 million last year.

Prospects

Looking ahead, the management believes that the environment will continue to be challenging to the Group. In addition to expand its customer and supplier base by expanding the trading business, the Group will seek expansion in the construction project supply business as far as possible.

In addition, the Group will actively identify and pursue new businesses and investment opportunities which could bring potential and long-term value to the Group and its shareholders.

Scope of Work of Auditors

The figures in respect of the preliminary announcement of the Group's results for the Year have been agreed by the Group's auditors, Ascenda Cachet CPA Limited ("**Ascenda Cachet**"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Ascenda Cachet in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by Ascenda Cachet on the preliminary announcement.

Liquidity, Financial Resources and Capital Structure

As at 31 March 2015, the Group had cash and bank balances of HK$43.4 million (2014: HK$37.9 million) while net assets was HK$138.7 million (2014: HK$147.2 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was nil as at 31 March 2015 (2014: nil).

Details of the movements in the share capital of the Company during the Year are set out in note 13 to this announcement.

Foreign Exchange Exposure

As at 31 March 2015, 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.

Dividends

Except for the accrual of cumulative preferential shares dividend of HK$1,774,000 (2014: HK$4,520,000) during the Year, no dividend has been declared or paid by the Company for the ordinary shareholders during the Year (2014: Nil).

Significant Investments and Material Acquisitions

The Company did not have any significant investments or material acquisitions for the Year.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2015.

Commitments

Details of the commitments are set out in note 14 to this announcement.

Employees and Remuneration Policy

As at 31 March 2015, the Group had 43 (2014: 45) 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 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 Year.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company complied with the code provisions as stipulated in Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules throughout the Year 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. 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.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.zdihl.com). The 2015 Annual Report will be despatched to our shareholders on or before 31 July 2015 and will be available at the websites of the Stock Exchange and the Company.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") will be held on 31 August 2015. A circular containing the notice of the Annual General Meeting will be published on the Company's website and the Stock Exchange's website and sent to the shareholders of the Company in due course.

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 and internal control procedures. Mr. Chan Yin Tsung is the chairman of the audit committee.

The Audit Committee had reviewed the consolidated financial statements of the Group for the Year, 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.

By order of the Board
Zhidao International (Holdings) Limited

Tung Yee Shing
Chairman

Hong Kong, 25 June 2015

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Tung Yee Shing (Chairman) and Ms. Cheung Oi Chun, and three independent non-executive Directors, namely Mr. Chan Yin Tsung, Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson.

** For identification purposes only*