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 2016

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 2016 (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 2016

		Six months ended 30 September	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4,5*	**11,156**	41,308
Cost of sales		**(2,463)**	(38,116)
Gross profit		**8,693**	3,192
Other income and gains	*5*	**5**	4
General and administrative expenses		**(5,564)**	(4,882)
PROFIT/(LOSS) BEFORE TAX	*6*	**3,134**	(1,686)
Income tax expense	*7*	**(1,175)**	(29)
PROFIT/(LOSS) FOR THE PERIOD		**1,959**	(1,715)

** For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
For the six months ended 30 September 2016

	Notes	**Six months ended 30 September**	
		2016	2015
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(152)**	(128)
NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(152)**	(128)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,807**	(1,843)
Profit/(loss) attributable to:			
Owners of the Company		**1,959**	(1,715)
Non-controlling interests		**—**	—
		1,959	(1,715)
Total comprehensive income attributable to:			
Owners of the Company		**1,807**	(1,843)
Non-controlling interests		**—**	—
		1,807	(1,843)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**0.10 HK cent**	(0.10) HK cent
Diluted		**0.10 HK cent**	(0.10) HK cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	Notes	At 30 September 2016 (Unaudited) HK$'000	At 31 March 2016 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**314**	339
CURRENT ASSETS			
Inventories		**1,253**	584
Trade receivables	*10*	**13,147**	95,409
Loan and interest receivables	*11*	**51,142**	103,224
Prepayments, deposits and other receivables	*12*	**33,101**	4,004
Cash and cash equivalents		**367,095**	259,378
Total current assets		**465,738**	462,599
CURRENT LIABILITIES			
Trade payables	*13*	**378**	75
Other payables and accruals		**3,131**	3,296
Tax payables		**1,221**	52
Total current liabilities		**4,730**	3,423
NET CURRENT ASSETS		**461,008**	459,176
Net assets		**461,322**	459,515
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**19,800**	19,800
Reserves		**441,522**	439,715
Total equity		**461,322**	459,515

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company is investment holdings. The principal activities of the Group are engaged in trading of aluminium products, supply of aluminium products in the construction projects and the operation of the money lending business.

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 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**s") (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 2016.

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 2016.

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

3. APPLICATION OF NEW AND REVISED HKFRS

In the current interim period, the Group has adopted the following new amendments to existing standards issued by the HKICPA, which are applicable to the Group, for the first time for the current financial period's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27(2011)	Equity Method in Separate Financial Statements
Annual Improvements to 2012-2014 cycle	Amendments to a number of HKFRSs

The adoption of the amendments to standards and annual improvements 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 standards, interpretations and amendments to standards 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 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.

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Segment revenue		
Sales to external customers:		
Trading of aluminium products	—	39,600
Construction projects	**3,706**	1,708
Money Lending	**7,450**	—
	11,156	41,308

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Segment results		
Trading of aluminium products	**(2,294)**	23
Construction projects	**(522)**	(172)
Money Lending	**7,082**	—
	4,266	(149)
Interest income	**5**	2
Corporate and other unallocated expenses	**(1,137)**	(1,539)
Profit/(loss) before tax	**3,134**	(1,686)

Information about major customer

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

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A[1]	**3,706**	—
Customer B[2]	**1,705**	—
Customer C[3]	—	39,600

[1] Revenue from construction projects segment
[2] Revenue from money lending segment
[3] 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Trading of aluminium products	—	39,600
Construction projects	**3,706**	1,708
Money Lending	**7,450**	—
Total revenue	**11,156**	41,308
Other income and gains		
Interest income	**5**	2
Others	—	2
Total other income and gains	**5**	4
Total revenue, other income and gains	**11,161**	41,312

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of construction and inventories sold*	**2,463**	38,116
Depreciation	**13**	6
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**2,663**	2,451
Pension scheme contributions	**184**	150
	2,847	2,601
Minimum lease payments under operating leases on land and buildings	**900**	942
Interest income	**(5)**	(2)

* Depreciation of the property, plant and equipment of approximately HK$7,000 for the Period (six months ended 30 September 2015: HK$4,000) was included in "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 2015: 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 2015: 25%) on the estimated assessable profits for 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax - Hong Kong		
Charge for the Period	**1,170**	4
Current tax – PRC		
Under-provision in previous periods	**5**	25
Total tax charge for the period	**1,175**	29

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$1,959,000 for the Period (six months ended 30 September 2015: loss of approximately HK$1,715,000) 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 2015: 1,718,524,590).

The calculation of diluted earnings/(loss) per share amounts is based on the unaudited profit of approximately HK$1,959,000 for the Period (six months ended 30 September 2015: loss of approximately HK$1,715,000) 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 2015: 1,718,524,590) 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 2015: Nil).

10. TRADE RECEIVABLES

	At 30 September 2016 (Unaudited) ***HK$'000***	At 31 March 2016 (Audited) *HK$'000*
Trade receivables	**13,147**	95,409

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 2016 (Unaudited) ***HK$'000***	At 31 March 2016 (Audited) *HK$'000*
Within 1 month	**1,447**	13,709
1 to 2 months	—	—
2 to 3 months	—	6,300
Over 3 months	**11,700**	75,400
Trade receivables	**13,147**	95,409

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

	At 30 September 2016 (Unaudited) ***HK$'000***	At 31 March 2016 (Audited) *HK$'000*
Neither past due nor impaired	**1,447**	20,009
Less than 1 month past due	—	—
1 to 3 months past due	—	—
Over 3 months past due	**11,700**	75,400
	13,147	95,409

Receivables that were neither past due nor impaired relate to one (31 March 2016: two) 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

	At 30 September 2016 (Unaudited) ***HK$'000***	At 31 March 2016 (Audited) *HK$'000*
Loan receivables	**50,310**	101,840
Interest receivables	**832**	1,384
Impairment	—	—
Net carrying amounts	**51,142**	103,224
Less: Current portion of loan and interest receivables	**(51,142)**	(103,224)
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 2016 (Unaudited) ***HK$'000***	At 31 March 2016 (Audited) *HK$'000*
Receivables:		
Within 3 month	**40,832**	21,384
3 months to 1 year	**10,310**	81,840
Over 1 year	—	—
	51,142	103,224
Less: Current portion of loan and interest receivables	**(51,142)**	(103,224)
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 2016 (Unaudited) *HK$'000*	At 31 March 2016 (Audited) *HK$'000*
Neither past due nor impaired	**50,809**	103,224
Less than 1 month past due	**333**	—
1 to 3 months past due	—	—
	51,142	103,224

Loan and interest receivables that were neither past due nor impaired relate to certain debtors for whom there was no recent history of default.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2016 (Unaudited) *HK$'000*	At 31 March 2016 (Audited) *HK$'000*
Prepayments	**140**	56
Trade deposits	**1,557**	1,557
Utility deposits	**594**	598
Other receivables (*Note*)	**32,366**	3,349
	34,657	5,560
Less: impairment	**(1,556)**	(1,556)
	33,101	4,004

Note:
Other receivables include a refundable deposit of HK$30,000,000 paid during the Period in relation to the discloseable transaction on the acquisition of the entire interest and shareholder's loan of the target company which has a subsidiary mainly engaged to in provision of financing guarantee services in Guizhou of the PRC (the "**Discloseable Transaction**") as disclosed in the announcement of the Company dated 13 September 2016. As of the date of this announcement, the Discloseable Transaction has not completed yet.

13. TRADE PAYABLES

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

	At 30 September 2016	At 31 March 2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 month	**205**	55
1 to 2 months	**40**	—
2 to 3 months	**113**	19
Over 3 months	**20**	1
	378	75

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

BUSINESS REVIEW

For the Period, the general economic trends remained challenging and was continuously affecting the Group's aluminium trading businesses. In view of the uncertainty during the Period, the Group shifted its resources to the money lending business in Hong Kong from the aluminium products trading business in the PRC. As a result, the revenue of the Group decreased to approximately HK$11.2 million, compared to that of approximately HK$41.3 million for the same period last year.

With the higher margin of the Group's money lending business, the gross profit for the Period was approximately HK$8.7 million, a substantial increase in comparison to that of approximately HK$3.2 million for the same period last year. The gross margin for the Period was approximately 77.9% (six months ended 30 September 2015: approximately 7.7%).

With the re-allocation of financial resources from the trading of aluminium products business to the money lending business, the Group did not record any revenue from its trading of aluminium products segment during the Period (six months ended 30 September 2015: approximately HK$39.6 million).

Revenue from the Group's construction projects segment was approximately HK$3.7 million for the Period, an approximately 117.0% increase from that of approximately HK$1.7 million for the same period last year. Gross margin of the construction projects segment was recorded a decrease to approximately 33.5% for the Period, in comparison to approximately 46.4% for the same period last year.

Revenue of the money lending segment, which was mainly interest income, was approximately HK$7.5 million for the Period. Since there was no direct interest costs, the gross profit of the money lending business was also HK$7.5 million, contributing approximately 85.7% of total gross profit of the Group.

PROSPECTS

The management expects the uncertain economic environment will continue affect the returns from the trading of aluminium products and construction projects segments. While the Group will continue to seek and carefully evaluate business opportunities in these two segments, the management believes the money lending business will be the major source of profit for the rest of the financial year.

On 13 September 2016, the Company announced an acquisition of a business engaged in the provision of financing guarantee services in Guizhou, the PRC. The management believes, upon completion of this acquisition, the provision of financing guarantee services may become another growth opportunity for the money lending business. The management will continue to identify and pursue new business and investment opportunities in different areas which could bring potential and long-term value to the Group and its shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2016, the Group had cash and bank balances of approximately HK$367.1 million (31 March 2016: HK$259.4 million) while net assets was approximately HK$461.3 million (31 March 2016: HK$459.5 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was nil as at 30 September 2016 (31 March 2016: Nil).

Use of Proceeds

An equity fund raising activity on placing of new shares (the "**Placing**") under general mandate were completed in August 2015 and the cash position of the Group has been strengthened by approximately HK$324 million (the "**Net Proceeds**"). Details of the Placing are set out in note 24 to the annual report for the year ended 31 March 2016.

As disclosed in the announcement of the Company dated 4 December 2015, the Board has expressed its intention to use the Net Proceeds (i) for funding potential acquisition(s) by the Group in the future, and (ii) for developing the money lending business of the Group.

As disclosed in the annual report for the year ended 31 March 2016, a wholly owned subsidiary of the Company, Wealthy Hero Holdings Limited, was granted a money lenders licence in November 2015. The Board has assigned HK$200 million in the Group's money lending business as loan disbursements while HK$53.8 million has applied as at the date of this announcement.

The Board has currently budgeted approximately HK$150 million for potential acquisition(s) in the next twelve months, including the utilisation of the remaining balance of the Net Proceeds of approximately HK$124 million, of which HK$70 million is reserved for the acquisition of the provision of financing guarantee services business as disclosed in the announcement of the Company dated on 13 September 2016. As at the date of this announcement, the Board is conducting a preliminary evaluation of a potential investment in online retailing business and no agreement has been made with the aforesaid potential target on any such investment.

The plan to further develop the money lending business and the potential acquisition(s) budget is expected to utilize approximately HK$350 million cash from the Group, which is supported by the entire Net Proceeds and the remaining from the working capital from the Group. The entire Net Proceeds is therefore currently expected to be fully utilized in the next twelve months.

FOREIGN EXCHANGE EXPOSURE

As at 30 September 2016, 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

The Board did not recommend the payment of any dividend for the Period (six months ended 30 September 2015: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group had 55 (31 March 2016: 55) employees. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and individual qualifications and performance.

The emolument policy for the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The emoluments of the directors are decided by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market statistics

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was newly 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 contribute to the Group and/or 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.

During the Period, no share option was granted, exercised, lapsed or cancelled under the Share Option Scheme.

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 2016	Granted during the Period	Exercised during the Period	Lapsed / Cancelled during the Period	Outstanding as at 30 September 2016	Exercise price
								HK$
Directors								
Tung Yee Shing	2 March 2016	2 March 2016 to 1 March 2021	19,800,000	-	-	-	**19,800,000**	1.20
Cheung Oi Chun	2 March 2016	2 March 2016 to 1 March 2021	19,800,000	-	-	-	**19,800,000**	1.20
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	79,200,000	-	-	-	**79,200,000**	1.20
			131,299,998	-	-	-	**131,299,998**	

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. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company was in compliance with all the Corporate Governance Code as stipulated in Appendix 14 of the Listing Rules throughout the Period except for the following deviations as explained:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title "chief executive officer". The Board is of the view that currently vesting the roles of chairman and chief executive officer in Mr. Tung Yee Shing provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

AUDIT COMMITTEE REVIEW

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

The audit committee had reviewed the unaudited condensed consolidated financial statements of the Group for the Period, including the accounting principles and practices adopted by the Group and the adequacy of internal control system. The committee is satisfied with the review and the Board is also satisfied with the committee's report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

By order of the Board
Zhidao International (Holdings) Limited

Tung Yee Shing
Chairman

Hong Kong, 25 November 2016

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.