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 2017

The board of directors of Zhidao International (Holdings) Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 March 2017, together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 March	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**23,437**	64,999
Cost of sales		**(7,489)**	(57,283)
Gross profit		**15,948**	7,716
Other income and gains	*4*	**5,568**	307
Equity-settled share options expenses	*5*	—	(70,377)
General and administrative expenses	*5*	**(14,445)**	(10,772)
Impairment of receivables for default guarantee payments and receivables from guarantee customers	*5*	**(11,846)**	—
Impairment of associates	*5*	**(260)**	—
LOSS BEFORE TAX	*5*	**(5,035)**	(73,126)
Income tax expense	*6*	**(8,589)**	(547)
LOSS FOR THE YEAR		**(13,624)**	(73,673)

* *For identification purposes only*

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

	Notes	2017 HK$'000	2016 HK$'000
		For the year ended 31 March	
LOSS FOR THE YEAR		**(13,624)**	(73,673)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(266)**	(214)
Release of translation reserve upon the disposal of a subsidiary		**583**	—
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**317**	(214)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(13,307)**	(73,887)
Loss attributable to:			
Owners of the Company		**(13,624)**	(73,673)
Non-controlling interests		**—**	—
		(13,624)	(73,673)
Total comprehensive income attributable to:			
Owners of the Company		**(13,307)**	(73,887)
Non-controlling interests		**—**	—
		(13,307)	(73,887)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**(0.69) cents**	(3.98) cents
Diluted		**(0.69) cents**	(3.98) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31March	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,350**	339
Investment property		**3,254**	—
Prepayment	*13*	**577**	—
Interests in associates	*9*	**19,740**	—
Total non-current assets		**27,921**	339
CURRENT ASSETS			
Inventories		**942**	584
Trade receivables	*10*	**10,164**	95,409
Loan and interest receivables	*11*	**69,454**	103,224
Receivables for default guarantee payments and receivables from guarantee customers	*12*	**26,297**	—
Prepayments, deposits and other receivables	*13*	**27,302**	4,004
Pledged bank deposits	*14*	**37,306**	—
Cash and cash equivalents	*14*	**290,287**	259,378
Total current assets		**461,752**	462,599
CURRENT LIABILITIES			
Trade payables	*15*	**1,716**	75
Other payables and accruals	*16*	**2,364**	3,296
Liabilities from guarantees	*17*	**38,189**	—
Tax payables		**1,196**	52
Total current liabilities		**43,465**	3,423
NET CURRENT ASSETS		**418,287**	459,176
TOTAL ASSETS LESS CURRENT LIABILITIES		**446,208**	459,515
Net assets		**446,208**	459,515
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*18*	**19,800**	19,800
Reserves		**426,408**	439,715
Total equity		**446,208**	459,515

Notes:

1. CORPORATE AND GROUP 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 Company and its subsidiaries (collectively, the "**Group**") is principally engaged in (i) trading of aluminium products; (ii) supply of aluminium products in the construction projects; and (iii) money lending business. During the year ended 31 March 2017 (the "**Year**"), the Group extended its business into provision of financing guarantee services in The People's Republic of China (the "**PRC**").

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 Group for the Year. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (CONTINUED)

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 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 Company 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 as described above. 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 POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of interests in Joint Operation
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27(2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 11, HKFRS 14 and certain amendments included in the Annual Improvements 2012-2014 Cycle which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the amendments are described below:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The Company is not an investment entity. Also, given that the Company is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no impact on the consolidated financial statements.

(b) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;
(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statement of profit or loss. The amendments have had no significant impact on the Group's consolidated financial statements.

(c) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(d) Amendments to HKAS 27 (2011) allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying HKFRSs and electing to change to the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements are required to apply the change retrospectively.

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 HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Annual Improvements 2014–2016 Cycle	Amendments to a number of HKFRSs[2]

[1] *Effective for annual periods beginning on or after 1 January 2017*
[2] *Effective for annual periods beginning on or after 1 January 2018*
[3] *Effective for annual periods beginning on or after 1 January 2019*
[4] *No mandatory effective date yet determined but available for adoption*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

(a) Amendments to HKFRS 2 – Classification and measurement of share-based payment transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

(b) HKFRS 9 - Financial instruments

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. During the Year, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) HKFRS 9 - Financial instruments (Continued)

(i) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(ii) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables (add any other debt instruments as applicable). The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables (add any other debt instruments as applicable) upon the adoption of HKFRS 9.

(c) Amendment to HKFRS 10 and HKAS28 (2011) – Sale or contribution of assets between an investor and its associate or joint venture

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(d) HKFRS 15- Revenue from contracts with customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

(e) HKFRS 16 - Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

(f) Amendments to HKAS 7 – Disclosure initiative

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(g) Amendment to HKAS 12 – Recognition of deferred tax Assets for unrealised losses

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017.

(h) Amendments to HKAS 40 – Transfer to investment property

The amendments clarify that, to transfer to or from, investment properties, there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred.

3. OPERATING SEGMENT INFORMATION

The principal activities of the Group are engaged in trading of aluminium products, supply of aluminium products in the construction projects and operation of money lending business. During the year, the Group extended its business into provision of financing guarantee services.

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

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

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

(c) money lending segment – provision of loan financing; and

(d) financing guarantee services segment – provision of financing guarantee services.

The Group's chairman, who is the chief operating decision maker, monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, impairment of associates, gain on disposal of a subsidiary and gain on bargain purchase as well as head office and corporate expenses are excluded from such measurement.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment assets exclude cash and cash equivalents, pledged bank deposits, interests in associates and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax 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.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2017	**Trading of aluminium products HK$'000**	**Construction projects HK$'000**	**Money lending HK$'000**	**Financing guarantee services HK$'000**	**Total HK$'000**
Segment revenue:					
Sales to external customers	—	11,328	—	—	11,328
Loans interest income	—	—	11,259	—	11,259
Guarantee fee income	—	—	—	850	850
	—	11,328	11,259	850	23,437
Segment results	(4,668)	(351)	10,399	(11,876)	(6,496)
Interest income					24
Corporate and other unallocated income					5,544
Corporate and other unallocated expenses					(4,107)
Loss before tax					(5,035)
Segment assets	8,973	7,292	69,460	56,613	142,338
Corporate and other unallocated assets					347,335
Total assets					489,673
Segment liabilities	1,075	2,233	222	38,406	41,936
Corporate and other unallocated liabilities					1,529
Total liabilities					43,465
Other segment information:					
Capital expenditure *	—	—	7	7,468	7,475
Depreciation of property, plant and equipment	—	26	—	36	62
Depreciation of investment property	—	—	—	23	23

* The capital expenditure included additions to property, plant and equipment and investment property including assets from the acquisition of subsidiaries.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2016	Trading of aluminium products HK$'000	Construction projects HK$'000	Money lending HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	58,400	3,109	—	61,509
Loans interest income	—	—	3,490	3,490
	58,400	3,109	3,490	64,999
Segment results	(33,616)	(1,432)	3,027	(32,021)
Interest income				305
Corporate and other unallocated income				2
Corporate and other unallocated expenses				(41,412)
Loss before tax				(73,126)
Segment assets	94,673	5,659	103,224	203,556
Corporate and other unallocated assets				259,382
Total assets				462,938
Segment liabilities	1,258	1,553	260	3,071
Corporate and other unallocated liabilities				352
Total liabilities				3,423
Other segment information:				
Capital expenditure *	—	88	—	88
Depreciation of property, plant and equipment	—	22	—	22

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

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**11,259**	3,490
PRC	**12,178**	61,509
	23,437	64,999

The classification of the revenue arising from the trading of aluminium products segment, the construction projects segment and the financing guarantee services is based on the location of the customer's operation.

The classification of the revenue arising from money lending segment is based on the location of borrowed funds first available to their borrowers.

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**19,747**	—
PRC	**8,174**	339
	27,921	339

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:

	2017	2016
	HK$'000	*HK$'000*
Customer A*	—	58,400
Customer B**	**3,400**	—
Customer C***	**11,328**	—
	14,728	58,400

* Revenue from trading of aluminium products segment
** Revenue from money lending segment
*** Revenue from construction project segment

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents (i) the net invoiced value of goods sold, after allowances for returns and trade discounts; (ii) an appropriate proportion of contract revenue of construction contracts; (iii) the loan interest income from money lending business; and (iv) net guarantee fee income from provision of financing guarantee services during the year.

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Trading of aluminium products	—	58,400
Construction projects	**11,328**	3,109
Loans interest income	**11,259**	3,490
Guarantee fee income	**850**	—
	23,437	64,999
Other income and gains		
Interest income	**24**	305
Gain on disposal of a subsidiary (note 21)	**3,408**	—
Gain on bargain purchase (note 20)	**2,125**	—
Others	**11**	2
	5,568	307
Total revenue, other income and gains	**29,005**	65,306

5. LOSS BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of sales *		
- cost of construction	**7,489**	2,083
- cost of inventories sold	**—**	55,200
	7,489	57,283
Auditors' remuneration	**650**	595
Depreciation of property, plant and equipment	**62**	22
Depreciation of investment property	**23**	—
Loss on disposal of property, plant and equipment	**61**	—
Impairment of receivables for default guarantee payments and receivables from guarantee customers	**11,846**	—
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**6,735**	5,293
Pension scheme contributions	**449**	287
Equity-settled share options expenses	**—**	70,377
	7,184	75,957
Minimum lease payments under operating leases on land and buildings	**1,773**	1,874
Gain on disposal of a subsidiary (note 21)	**(3,408)**	—
Interest income	**(24)**	(305)
Gain on bargain purchase (note 20)	**(2,125)**	—

* Depreciation of the property, plant and equipment of approximately HK$14,000 (2016: HK$10,000) for the Year was included in "cost of sales" 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% (2016: 16.5%) on the estimated assessable profits arising from Hong Kong during the Year.

PRC corporate income tax is calculated at 25% (2016: 25%) on the estimated assessable profits arising in the PRC 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:

	2017	2016
	HK$'000	*HK$'000*
Current tax - Hong Kong		
Charge for the Year	**1,696**	486
Under-provision in previous years	**6,718**	—
Current tax - PRC		
Charge for the Year	**322**	36
(Over-provision)/Under-provision in previous year	**(147)**	25
Total tax charge for the Year	**8,589**	547

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:

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(5,035)**	(73,126)
Tax at the statutory tax rates	**(540)**	(12,106)
Expenses not deductible for tax	**2,546**	11,802
Income not taxable for tax	**(1,365)**	(50)
Tax losses not recognised	**1,398**	923
Temporary differences in respect of depreciable assets not recognised	**(1)**	(2)
Under-provision of Hong Kong profits tax in previous years	**6,718**	25
Over-provision of PRC income tax in previous year	**(147)**	—
Tax concession for year of assessment	**(20)**	(45)
Tax charge at effective tax rate	**8,589**	547

The Group had deferred tax benefits not recognised in respect of tax losses available and decelerated depreciation for offsetting future assessable profits and accelerated depreciation calculated at the statutory rate of 16.5% (2016: 16.5%) as follows:

	2017	2016
	HK$'000	*HK$'000*
Tax losses	**3,723**	3,552
(Accelerated)/Decelerated depreciation	**(1)**	26
	3,722	3,578

7. DIVIDENDS

The board of directors (the "**Board**") did not recommend the payment of any dividend for the years ended 31 March 2017 and 2016.

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:

	2017	2016
	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	**(13,624)**	(73,673)

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the Year used in basic loss per share calculation	**1,980,000,000**	1,849,262,295

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 share options assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares..

The calculation of diluted loss per share for the years ended 31 March 2017 and 2016 is based on:

	2017	2016
	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	**(13,624)**	(73,673)

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the Year used in basic loss per share calculation	**1,980,000,000**	1,849,262,295
Effect on dilution – weighted average number of ordinary shares		
Share options*	**—**	—
Weight average number of ordinary shares for the purpose of diluted loss per share	**1,980,000,000**	1,849,262,295

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

* 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 Year) 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 diluted effect only when the average market price of ordinary shares exceeds the exercise price of the share options. During the years ended 31 March 2017 and 2016, there is no dilutive event as the average market price of ordinary shares did not exceed its exercise price of the share options.

9. INTERESTS IN ASSOCIATES

	2017	2016
	HK$'000	*HK$'000*
Unlisted shares, at cost	**181**	—
Share of net assets	—	—
Due from associates	**19,819**	—
	20,000	—
Less: Impairment	**(260)**	—
	19,740	—

Particulars of the associates are as follows:

Name	Particulars of equity interest held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
I Fun International (Holdings) Limited	Ordinary shares	British Virgin Islands	46.5%	Investment holding
I Fun (HK) Limited (formerly known as "I Do (HK) Limited")	Ordinary shares	Hong Kong	46.5%	Investment holding
貴州愛紡實業有限公司	Capital contribution	PRC	46.5%	Trading of bedroom textiles business

These associates were newly acquired on 24 March 2017 at a consideration of approximately HK$181,000. Pursuant to the shareholder agreement, the Group shall provide a shareholder's loan of HK$20,000,000 to the associates as their working capital. As at the end of the reporting period, the shareholder's loan in the amount of approximately HK$19,819,000 has been provided by the Group.

10. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**10,164**	95,409
Less: Impairment	**—**	—
Net carrying amounts	**10,164**	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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**1,664**	13,709
1 to 2 months	**—**	—
2 to 3 months	**—**	6,300
Over 3 months	**8,500**	75,400
	10,164	95,409

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

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,664**	20,009
Less than 1 month past due	**—**	—
1 to 3 months past due	**—**	—
Over 3 months past due	**8,500**	75,400
	10,164	95,409

Receivables that were neither past due nor impaired relate to a single customer 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 high concentration of credit risk accordingly. Based on the past experience, the Board is of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

11. LOAN AND INTEREST RECEIVABLES

The loan receivables represented the outstanding loans arose from money lending business during the year.

Loan receivables bear interest at fixed rates for the range from 6% to 18% per annum, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by the pledge of debtors' assets. Overdue balances are reviewed regularly and handled closely by senior management.

	2017	2016
	HK$'000	*HK$'000*
Loan receivables	**68,000**	101,840
Interest receivables	**1,454**	1,384
Less: Impairment	**—**	—
Net carrying amounts	**69,454**	103,224
Less: Current portion of loan and interest receivables	**(69,454)**	(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:

	2017	2016
	HK$'000	*HK$'000*
Receivable:		
Within 3 months	**23,797**	21,384
3 months to 1 year	**24,500**	81,840
Past due	**21,157**	—
	69,454	103,224
Less: Current portion of loan and interest receivables	**(69,454)**	(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:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**48,297**	103,224
Less than 1 month past due	**169**	—
1 to 3 months past due	**512**	—
Over 3 months past due	**20,476**	—
	69,454	103,224

Loan and interest receivables that were neither past due nor impaired relate to certain debtors for whom there were no recent history of default. Loan and interest 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 Board is of the opinion that no provision for impairment is necessary as the balance is considered fully recoverable.

12. RECEIVABLES FOR DEFAULT GUARANTEE PAYMENTS AND RECEIVABLES FROM GUARANTEE CUSTOMERS

During the Year, the Group extended its business into provision of financing guarantee services in the PRC. The receivables from default guarantee payments and receivables from guarantee customers represented the corresponding receivables in respect of a provision that the holder of the financial guarantee contract probably called upon the Group or the claims on the Group is expected to exceed the amount currently carried in deferred income regarding the guarantee during the Year.

	2017	2016
	HK$'000	*HK$'000*
Receivables for default guarantee payments	**26,894**	—
Less: Impairment	**(8,137)**	—
	18,757	—
Receivables from guarantee customers	**10,489**	—
Less: Impairment	**(3,709)**	—
	6,780	—
	25,537	—
Premium receivables from guarantee customers	**760**	—
Net carrying amounts	**26,297**	—
Less: Current portion of the receivables for default guarantee customers and receivables from guarantee customers	**(26,297)**	—
Non-current portion of the receivables for default guarantee customers and receivables from guarantee customers	**—**	—

An aged analysis of the receivables for default guarantee payments and receivables from guarantee customers at the end of the reporting period, based on the date the guarantee being defaulted and net of provision, is as follows:

(i) Receivables for default guarantee payments

	2017	2016
	HK$'000	*HK$'000*
Default:		
Less than 6 months past due	**15,932**	—
6 to 12 months past due	**2,825**	—
Over 1 year past due	—	—
	18,757	—

12. RECEIVABLES FOR DEFAULT GUARANTEE PAYMENTS AND RECEIVABLES FROM GUARANTEE CUSTOMERS (CONTINUED)

(ii) Receivables from guarantee customers

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**6,780**	—

Impairment losses in respect of receivables for default guarantee payments and receivables from guarantee customers are recorded using a provision unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against receivables for default guarantee payments and receivables from guarantee customers.

The movement in the provision for the impairment for receivables for default guarantee payments and receivables from guarantee customers, are as follows:

	2017	2016
	HK$'000	*HK$'000*
At beginning of year	—	—
Impairment losses recognised	**11,846**	—
At end of year	**11,846**	—

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Prepayments	**747**	56
Trade deposits	**3,455**	1,557
Utility deposits	**491**	598
Other receivables	**24,742**	3,349
	29,435	5,560
Less: Impairment	**(1,556)**	(1,556)
Less: Non-current portion of prepayments	**(577)**	—
Current portion of prepayments, deposits and other receivables	**27,302**	4,004

14. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2017	2016
	HK$'000	*HK$'000*
Cash and bank balances	**290,287**	259,378
Time deposits	**37,306**	—
	327,593	259,378
Less: Pledged bank deposits *	**(37,306)**	—
Cash and cash equivalents	**290,287**	259,378

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to approximately HK$4,954,000 (2016: HK$152,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

* All pledged bank deposits represent the deposits at banks according to the requirements from Bank of Guiyang Co., Ltd ("**Bank of Guiyang**") for the financing guarantees that the Group provides to third parties for borrowing from Bank of Guiyang.

15. 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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**768**	55
1 to 2 months	**193**	—
2 to 3 months	**197**	19
Over 3 months	**558**	1
	1,716	75

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

16. OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Other payables	**1,259**	2,235
Accruals	**1,105**	1,061
	2,364	3,296

17. LIABILITIES FROM GUARANTEES

	2017	2016
	HK$'000	*HK$'000*
Deferred income	**806**	—
Provision for guarantee losses	**37,383**	—
	38,189	—

The movement in the provision for guarantee losses, is as follows:

	2017	2016
	HK$'000	*HK$'000*
At beginning of year	—	—
Provision for the year	**37,383**	—
At end of year	**37,383**	—

Where the Group issues a guarantee, the fair value of the guarantee contract issued is initially recognised as deferred income within liabilities from guarantees. The fair value of guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services (i.e. the premium received). The fair value of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from guarantees issued.

The provisions for guarantee losses are recognised when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

18. SHARE CAPITAL

	2017	2016
	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:		
1,980,000,000 (2016: 1,980,000,000) ordinary shares of HK$0.01 each	**19,800**	19,800

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2015	1,650,000,000	16,500	164,612	181,112
Issue of shares (note (a))	330,000,000	3,300	321,750	325,050
Less: Shares issue expenses	—	—	(683)	(683)
At 31 March 2016 and at 31 March 2017	1,980,000,000	19,800	485,679	505,479

Note:

(a) On 10 August 2015, the Company entered into a placing agreement with a placing agent, pursuant to which, the Company issued and allotted (the "**Placing**") 330,000,000 new ordinary shares of the Company (the "**Placing Shares**") to various placees at a placing price of HK$0.985 per Placing Share. The net proceeds from the Placing after deducting directly attributable costs of HK$683,000 amounted to approximately HK$324,367,000 and was (i) for funding of potential acquisition(s) by the Group in the future, and (ii) for developing of money lending business of the Group. The Placing was completed on 24 August 2015.

19. 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 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.

The consideration of HK$1 is payable on the grant date of the Share Options. Share Options may be exercised by the grantees at any time before its expiry. The exercise price is determined by the directors of the Company (the "**Directors**"), and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

19. SHARE OPTION SCHEME (CONTINUED)

Details of specific categories and the outstanding Share Options during the Year are as follows:

	Date of grant	Exercise period	Outstanding as at 1 April 2016	Granted during the Year	Lapsed during the Year	Outstanding as at 31 March 2017	Exercise price HK$
Directors							
Tung Yee Shing	2 March 2016	2 March 2016 to 1 March 2021	19,800,000	-	-	19,800,000	1.2
Cheung Oi Chun	2 March 2016	2 March 2016 to 1 March 2021	19,800,000	-	(19,800,000)	-	1.2
Chan Yin Tsung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	-	-	4,166,666	1.2
Li Kam Chung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	-	-	4,166,666	1.2
Kwok Lap Fung Beeson	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	-	-	4,166,666	1.2
Employees	2 March 2016	2 March 2016 to 1 March 2021	79,200,000	-	-	79,200,000	1.2
			131,299,998	-	(19,800,000)	111,499,998	

Notes:

(a) Ms. Cheung Oi Chun resigned as executive director of the Company on 3 January 2017. The Share Options granted to her were lapsed as a result of her resignation.

(b) Except for above, no Share Options were granted, exercised, lapsed or cancelled during the years ended 31 March 2017 and 2016.

Fair value of Share Options

The fair value of the Share Options were calculated by using a binomial option pricing model ("**Binomial model**"). Where relevant, the expected life used in the model has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over past years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after the vesting date when the share price was one and a half or two and a half times the respective exercise price.

Inputs in the model:

Date of grant	2 March 2016
Grant date share price	HK$1.20
Exercise price	HK$1.20
Expected volatility	100%
Option life	5 years
Risk-free interest rate	1.08%
Fair value per Share Option	HK$0.536

The Binomial model has been used to estimate the fair value of the Share Options. The variables and assumptions used in computing the fair value of the Share Options are based on the Directors' best estimates. The value of the Share Option varies with different variables in certain subjective assumptions.

20. BUSINESS COMBINATION

On 13 September 2016, the Group entered into a sale and purchase agreement (the "**Fu Ya S&P Agreement**") with Mr. Li Hua Liang ("**Mr. Li**"), an independent third party, pursuant to which, the Group acquired (the "**Acquisition**") (i) 100% equity interest in Fu Ya Investments Limited ("**Fu Ya**") and its subsidiaries (collectively the "**Fu Ya Group**"); and (ii) the amount due to Mr. Li by the Fu Ya Group (the "**Sales Loan**") at a cash consideration of HK$70,000,000. The Acquisition has been completed on 12 December 2016 (the "**Acquisition Date**"). Details of the transaction disclosed in the announcement of the Company dated 13 September 2016 (the "**Discloseable Transaction Announcement**").

The fair value of the identifiable assets and liabilities of the Fu Ya Group as at the Acquisition Date was as follows:

	Fair value recognised on the Acquisition Date HK$'000
Property, plant and equipment	4,191
Investment property	3,277
Prepayments, deposits and other receivables	17,421
Receivables from guarantee customers	6,998
Pledged bank deposits	37,595
Cash and bank balances	3,878
Liabilities from guarantee	(1,170)
Other payables and accruals	(65)
Due to Mr. Li	(76,126)
Net liabilities of the Fu Ya Group	(4,001)
Less: The Sales Loan	76,126
Net assets acquired	72,125
Gain on bargain purchase (note 4)	(2,125)
Cash consideration	70,000

An analysis of the net outflow of cash and cash equivalents in respect of the Acquisition is as follows:

	HK$'000
Cash consideration	(70,000)
Cash and bank balances acquired	3,878
Net outflow of cash and cash equivalents included in cash flows from investing activities	(66,122)

21. DISPOSAL OF A SUBSIDIARY

On 17 February 2017, the Group entered into a sale and purchase agreement (the "**Tak Lee S&P Agreement**") with Mr. Li Fo An, an independent third party, pursuant to which, the Group disposed (the "**Disposal**") of 100% equity interest in its subsidiary, Tak Lee Metal Manufactory (Hong Kong) Company Limited ("**Tak Lee**") at a cash consideration of HK$1. The Disposal has been completed on 21 February 2017 (the "**Disposal Date**").

The assets and liabilities of Tak Lee as at the Disposal Date was as follows:

	HK$'000
Net liabilities disposed of:	
Cash and bank balances	2,477
Other payables and accruals	(124)
Tax payable	(6,344)
	(3,991)
Translation reserve	583
Net liabilities of Tak Lee	(3,408)
Less: Consideration*	—
Gain on disposal of a subsidiary (note 4)	(3,408)

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

	HK$'000
Cash consideration	—
Cash and bank balances disposed of	(2,477)
Net outflow of cash and cash equivalent included in cash flows from investing activities	(2,477)

* The consideration has been presented as "nil" as a result of rounding.

22. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group lease its investment property to independent third party under operating leases arrangement with leases negotiated for terms of 5 years.

At 31 March 2017, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenant falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**103**	—
2 – 5 years, inclusive	**352**	—
	455	—

22. OPERATING LEASE COMMITMENTS (CONTINUED)

(b) As lessee

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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**1,443**	1,655
2 – 5 years, inclusive	**—**	1,380
	1,443	3,035

23. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 22 above, the Group had the following capital commitments at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Shareholder's loan provide to associates (note 9)	**181**	-

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year of 2016/17, the environment for the aluminium trading businesses remained challenging as a result of the volatile and slowly growing global economy. The Group continued the strategy in shifting its resources to other segments. With the change of focus to the money lending business instead of its aluminium trading businesses, the revenue of the Group, because of their very different nature, substantially decreased to approximately HK$23.4 million, compared to that of approximately HK$65.0 million for the year of 2015/16.

The change of focus to the Group's money lending business has rendered a higher gross profit for the Year at approximately HK$15.9 million (2015/16: approximately HK$7.7 million), representing an approximately 106.5% increase in comparison to that of last year. The gross margin for the year of 2016/17 was approximately 68.0% (2015/16: approximately 11.9%).

With the re-allocation of financial resources from the trading of aluminium product business, the Group did not record any revenue from its trading of aluminium products segment during the Year (2015/16: approximately HK$58.4 million).

The local estate market had a strong momentum during the Year, which generated higher demand for our construction projects products and services. The Group's construction projects segment recorded a revenue of approximately HK$11.3 million for the Year, an approximately 264.5% increase from that of approximately HK$3.1 million for the year 2015/16. Gross margin of the construction projects segment recorded a slight increase to approximately 33.9% for the Year, in comparison to approximately 33.0% last year.

Revenue and gross profit of the money lending segment, which were mainly interest income with no direct interest expense, were both approximately HK$11.3 million for the Year, contributing approximately 48.3% of total revenue and approximately 71.0% of total gross profit of the Group.

The newly acquired business of financing guarantee services contributed approximately HK$0.9 million of revenue and gross profit, without direct cost, to the Group. Since the completion of acquiring the financing guarantee services business, the management has adopted a new provision policy and recognized a provision for the impairment of receivables for default guarantee payments and receivables from guarantee customers of approximately HK$11.8 million. The management continues in aligning the strategy and risk management of the new financing guarantee services business to that of the Group, and believes that it will become another profit source for the Group as a whole.

PROSPECTS

The management expects to concentrate at the money lending businesses and simultaneously engage in the construction sector. The Group 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.

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 acquisition was then completed on 12 December 2016. Although the contribution of the business of financing guarantee services has yet generated profit for the Year, the management believes it does provide an opportunity for the Company to learn and grow its potentials in the financial industry in the PRC.

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 the 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 2017, the Group had cash and bank balances of approximately HK$290.3 million (2016: HK$259.4 million) while net assets was approximately HK$446.2 million (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 31 March 2017 (2016: nil).

Use of Proceeds

On 24 August 2015, the Company completed the Placing with net proceed of approximately HK$324 million (the "**Net Proceeds**"). Details of the Placing are set out in note 18 to this announcement.

As disclosed in the announcement of the Company dated 4 December 2015 and the interim report for the six months ended 30 September 2016, the Board intended to allocate the Net Proceeds from the Placing of approximately HK$324 million as to: (a) approximately HK$124 million for the potential acquisition(s) in the next twelve months; and (b) approximately HK$200 million for money lending business as loan disbursements.

The Company would like to update its shareholders on the current status of the application of and the current intended use of the Net Proceeds. As at the date of this announcement, the Company has utilised the entire Net Proceeds from the Placing of approximately HK$324 million to (a) approximately HK$70 million for an acquisition, and (b) approximately HK$254 million for money lending business as loan disbursements. Details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds, and the utilisation of the Net Proceeds as at 30 June 2017 are summarized below:

Proposed use of Net Proceeds	**Original allocation** *(Note 1)* *(Approximately)* HK$'000	**Revised allocation** *(Note 2)* *(Approximately)* HK$'000	**Utilisation as at 30 June 2017** *(Approximately)* HK$'000
Funding potential acquisition	150,000	124,000	70,000 *(Note 3)*
General working capital	174,000	–	–
Money lending business	–	200,000	254,000 *(Note 4)*
	324,000	324,000	324,000

Note 1: As disclosed in the announcement of the Company dated 10 August 2015, the Proceeds from the Placing would be used (i) for funding potential acquisition in the future; and (ii) for the general working capital of the Group to meet any future business development plans and obligations. The original budget was approximately HK$150 million for potential acquisition(s) and the remaining balance of approximately HK$174 million would be allocated as general working capital.

Note 2: As disclosed in the announcement of the Company dated 4 December 2015, the Group commenced the money lending business and the Board has changed the intended use of the Net Proceeds as (i) approximately HK$200 million for developing the money lending business of the Group, and (ii) the remaining balance of approximately HK$124 million for funding potential acquisition(s) by the Group in the future.

Note 3: As disclosed in the Discloseable Transaction Announcement dated 13 September 2016, a wholly-owned subsidiary of the Company entered into an acquisition agreement to acquire the entire interest and shareholder's loan of a target company at an aggregate consideration of HK$70 million, which shall be settled in cash. The acquisition was completed on 12 December 2016.

Note 4: As disclosed in this announcement, the loan receivables as at 31 March 2017 was approximately HK$68,000,000 (31 March 2016: approximately HK$101,840,000). The new loan disbursement since the financial year ended 31 March 2016 was as follows:

	New Loan Disbursement
	HK$'000
For the year ended 31 March 2016	121,840
For the year ended 31 March 2017	153,700
For the period between 1 April 2017 and the date of this announcement	110,900
	386,440

The Net Proceed from the Placing of approximately HK$324 million has been fully utilised, which approximately HK$70 million was used in acquiring a subsidiary and the remaining of approximately HK$254 million was used in financing the new loan disbursement of the money lending business.

Share Option Scheme

The existing Share Option Scheme was approved and adopted by the shareholders of the Company at the special general meeting held on 31 August 2015. The primary purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Further details of the Share Option Scheme are as disclosed in the circular of the Company dated 30 July 2015.

Details of the movements in the Share Options under the Share Option Scheme during the Year are set out in note 19 to this announcement.

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2017, 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

The Board did not recommend the payment of any dividend for the years ended 31 March 2017 and 2016.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

Details of significant investments or material acquisitions for the Year are set out in note 20 to this announcement.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2017.

COMMITMENTS

Details of the commitments are set out in note 22 and 23 to this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Group had 94 (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. 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. 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 2017 Annual Report will be despatched to our shareholders on or before 31 July 2017 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 29 August 2017. 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.

RECORD DATE

The record date for determining Shareholders' right to attend and vote at the Annual General Meeting is Wednesday, 23 August 2017. Shareholders who are entitled to attend and vote at the Annual General Meeting are those whose names appear on the register of members of the Company as at the close of business on Wednesday, 23 August 2017. In order to qualify for attending and voting at the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 23 August 2017.

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, 30 June 2017

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Tung Yee Shing (Chairman), 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*