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 UNAUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board of directors of Zhidao International (Holdings) Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the year ended 31 March 2020, together with the comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 March	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
REVENUE	*4*	**240,907**	96,803
Cost of sales	*5*	**(207,451)**	(81,235)
Gross profit		**33,456**	15,568
Other income and gains	*4*	**3,385**	504
General and administrative expenses		**(52,063)**	(18,982)
Fair value loss on equity investments at fair value through profit or loss		**(49,659)**	(3,701)
Finance cost		**(1,267)**	(1,712)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**(66,148)**	(8,323)
Income tax expense	*6*	**(1,951)**	(2,298)

* *For identification purposes only*

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

	Notes	For the year ended 31 March **2020** *HK$'000* **(Unaudited)**	2019 *HK$'000* (Audited)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(68,099)**	(10,621)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation		**–**	(1,579)
Gain on disposal of subsidiaries		**–**	13,702
		(68,099)	12,123
(LOSS)/PROFIT FOR THE YEAR		**(68,099)**	1,502
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(305)**	(3,535)
Release of translation reserve upon disposal of subsidiaries		**–**	(2,375)
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(305)**	(5,910)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(68,404)**	(4,408)
Loss/profit attributable to:			
Owners of the Company		**(71,752)**	3,578
Non-controlling interests		**3,653**	(2,076)
		(68,099)	1,502
Total comprehensive income attributable to:			
Owners of the Company		**(68,404)**	(2,322)
Non-controlling interests		**–**	(2,086)
		(68,404)	(4,408)
(LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic			
(Loss)/profit for the year		**(3.62) cents**	0.18 cents
— Loss from continuing operations		**(3.62) cents**	(0.43) cents
Diluted			
(Loss)/profit for the year		**(3.62) cents**	0.18 cents
— Loss from continuing operations		**(3.62) cents**	(0.43) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**17,250**	5,004
Intangible asset		**60**	543
Right-of-use asset		**284**	–
Contract assets		**11,316**	5,497
Interests in associates		**14,855**	17,198
Total non-current assets		**43,765**	28,242
CURRENT ASSETS			
Inventories		**–**	5,461
Trade receivables	*9*	**48,907**	14,785
Loan and interest receivables	*10*	**103,538**	152,753
Finance lease receivable		**582**	–
Contract assets		**51,336**	16,980
Prepayments, other receivables and other assets	*11*	**91,555**	111,238
Equity investments at fair value through profit or loss		**18,682**	68,341
Pledged bank deposits		**7,572**	7,541
Cash and cash equivalents		**153,578**	145,219
Total current assets		**475,750**	522,318
CURRENT LIABILITIES			
Trade payables	*12*	**83,631**	17,590
Other payables and accruals		**42,214**	2,340
Contract liabilities		**7,728**	38,605
Lease liabilities		**291**	–
Interest-bearing bank and other borrowings		**10,845**	32,547
Tax payables		**2,535**	1,440
Total current liabilities		**147,244**	92,522
NET CURRENT ASSETS		**328,506**	429,796

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		At 31 March	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Retention payables		**12,992**	1,246
Interest-bearing bank and other borrowings		**13,512**	13,913
Total non-current liabilities		**26,504**	15,159
Net assets		**345,767**	442,879
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**19,800**	19,800
Reserves		**325,938**	424,997
		345,738	444,797
Non-controlling interests		**29**	(1,918)
Total equity		**345,767**	442,879

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Room 2606, 26th Floor, C C Wu Building, No. 302–308 Hennessy Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively, the "**Group**") is principally engaged in (i) trading of aluminium products (ii) supply of aluminium products in construction projects and is extended to the provision of construction and engineering services during the year; (iii) money lending; and (iv) provision of financing guarantee services in the People's Republic of China (the "**PRC**") which was disposed in previous year.

In previous year, the Group entered into an engineering, development and construction contract for a mining project in Pakistan (the "**Construction Contract**"). Pursuant to the Construction Contract, the Group shall be the contractor which provides engineering, development and construction services to a Pakistan Company on an exclusive basis. However, the Group has not yet commenced any engineering, development and construction of the mining project during the year.

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 disclosure requirements of 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, except for equity investments at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2020. 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.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described 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 HKFRS9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) 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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Using a single discount rate to a portfolio of leases with reasonably similar characteristics

- Excluding the initial direct costs from the measurement of the right-of-use asset at date of initial application

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	HK$'000 (Unaudited)
Assets	
Increase in right-of use assets included in property, plant and equipment	789
Liabilities	
Increase in lease liabilities included in other borrowings	789

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000 (Unaudited)
Operating lease commitments as at 31 March 2019	928
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(101)
Add: Payments for optional extension periods not recognised as at 31 March 2019	–
Weighted average incremental borrowing rate as at 1 April 2019	–
Discounted operating lease commitments as at 1 April 2019	(38)
Lease liabilities as at 1 April 2019	789

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 April 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 April 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 April 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 April 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The principal activities of the Group consisted of trading of aluminium products, supply of aluminium products in the construction projects and provision of construction and engineering services, money lending and provision of financing guarantee services. In previous year, the Group disposed of its financing guarantee services business which were completed on 4 June 2018. The Group also entered into an engineering, development and construction contract for a mining project in Pakistan in prior year. However, the Group has not yet commenced any engineering, development and construction of the mining project during the year.

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 construction projects and extension to the provision of construction and engineering services;

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

(d) financing guarantee services segment — provision of financing guarantee services, which has been discontinued in previous year.

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, 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 bank interest income, dividend income from equity investments at fair value through profit or loss, fair value gains on equity investments at fair value through profit or loss, gain on disposal of property, plant and equipment, gain on disposal of subsidiaries, other interest income, impairment of associates, as well as head office and corporate expenses are excluded from such measurement.

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.

	Continuing operations			
Year ended 31 March 2020	**Trading of aluminium products** *HK$'000* (Unaudited)	**Construction projects** *HK$'000* (Unaudited)	**Money lending** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Segment revenue:				
Sales to external Customers	–	–	–	–
Construction projects	–	229,353	–	229,353
Loans interest income	–	–	11,554	11,554
	–	229,353	11,554	240,907
Segment results	726	4,802	(24,587)	(19,059)
Interest income				338
Corporate and other unallocated income				1,770
Corporate and other unallocated expenses				(49,197)
Loss before tax				(66,148)
Segment assets	1	195,542	217,250	412,793
Corporate and other unallocated assets				106,722
Total assets				519,515
Segment liabilities	1,035	156,170	595	157,800
Corporate and other unallocated liabilities				15,928
Total liabilities				173,728
Other segment information:				
Depreciation of property, plant and equipment	–	1,484	84	1,568
Depreciation of right-of-use assets	–	206	280	486
Amortisation of intangible assets	–	483	–	483

Year ended 31 March 2019	Continuing operations: Trading of aluminium products *HK$'000* (Audited)	Continuing operations: Construction projects *HK$'000* (Audited)	Continuing operations: Money lending *HK$'000* (Audited)	Discontinued operation: Financing guarantee services *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment revenue:					
Sales to external Customers	–	–	–	–	–
Construction projects	–	85,340	–	–	85,340
Loans interest income	–	–	11,463	–	11,463
Guarantee fee income	–	–	–	250	250
	–	85,340	11,463	250	97,053
Segment results	(279)	(3,404)	5,859	12,123	14,299
Interest income					35
Corporate and other unallocated income					220
Corporate and other unallocated expenses					(10,754)
Profit before tax					3,800
Segment assets	–	95,633	221,592	–	317,225
Corporate and other unallocated assets					233,335
Total assets					550,560
Segment liabilities	1,035	104,332	342	–	105,709
Corporate and other unallocated liabilities					1,972
Total liabilities					107,681
Other segment information:					
Depreciation of property, plant and equipment	–	1,132	56	18	1,206
Depreciation of investment property	–	–	–	12	12
Amortisation of intangible assets	–	257	–	–	257

Geographical information

(a) Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
From continuing operations:		
Hong Kong	**95,813**	85,232
Macau	**145,094**	11,571
PRC	**–**	–
	240,907	96,803
From discontinued operation:		
Hong Kong	**–**	–
Macau	**–**	–
PRC	**–**	250
	–	250

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

The classification of the revenue arising from the construction projects segment is based on the location of the construction projects.

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

(b) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong	**17,317**	22,239
Macau	**26,210**	6,003
PRC	**238**	–
	43,765	28,242

The classification of non-current assets is based on the location of the assets (excluding goodwill).

Information about major customers

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Customer A*	**84,259**	73,769
Customer B*	**103,813**	11,571
Customer C*	**41,281**	–
	229,353	85,340

* *Revenue from construction projects segment*

4. REVENUE, OTHER INCOME AND GAINS

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue		
Trading of aluminium products	**–**	–
Construction projects	**229,353**	85,340
Loans interest income	**11,554**	11,463
Guarantee fee income	**–**	250
	240,907	97,053
Other income and gains		
Bank interest income	**338**	35
Dividend income from equity investments at fair value through profit or loss	**1,770**	211
Reversal of provision for impairment of trade receivables	**1,000**	–
Gain on bargain purchases	**–**	14
Rental income	**–**	9
Reversal of provision for impairment of other receivables	**159**	236
Others	**118**	9
	3,385	514
Total revenue, other income and gains	**244,292**	97,567
Revenue:		
Attributable to continuing operations reported in the consolidated statement of profit or loss	**240,907**	96,803
Attributable to discontinued operation reported in the consolidated statement of profit or loss	**–**	250
	240,907	97,053
Other income and gains:		
Attributable to continuing operations reported in the consolidated statement of profit or loss	**3,385**	504
Attributable to discontinued operation reported in the consolidated statement of profit or loss	**–**	10
	3,385	514

5. (LOSS)/PROFIT BEFORE TAX

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Cost of sales		
— cost of construction	**207,451**	81,235
Auditor's remuneration	**900**	800
Depreciation of property, plant and equipment	**1,568**	1,206
Depreciation of right-of-use asset	**486**	–
Amortisation of intangible asset	**483**	257
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**7,745**	4,782
Pension scheme contributions	**172**	135
	7,917	4,917
Minimum lease payments under operating leases on land and buildings	**–**	1,008
Bank interest income	**(338)**	(35)
Dividend income from equity investments at fair value through profit or loss	**(1,770)**	(211)
Fair value loss on equity investments at fair value through profit or loss	**49,659**	3,701
Gain on bargain purchase	**–**	(14)

6. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5% during the year ended 31 March 2020 and 2019. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

PRC corporate income tax is calculated at 25% (2019: 25%) on the estimated assessable profits arising in the PRC during the year.

Macau profits tax is calculated at 12% on the estimated assessable profits over MOP600,000 arising from Macau. Assessable profits below MOP600,000 is exempted for profits tax assessment.

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax — Hong Kong		
Charge for the year	**–**	2,368
Under/(over)-provision in previous year	**49**	(70)
Current tax — Macau		
Charge for the year	**1,902**	–
Under-provision in previous year	**–**	–
Total tax charge for the year	**1,951**	2,298

7. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil)

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

The calculation of basic (loss)/profit per share amounts is based on the (loss)/profit 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 profit per share are based on:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
(Loss)/profit		
(Loss)/profit for the year attributable to ordinary equity holders of the Company, used in the basic profit per share calculation	**(71,752)**	3,578
Attributable to:		
Continuing operations	**(71,752)**	(8,545)
Discontinued operation	**–**	12,123
	(71,752)	3,578

	Number of shares	
	2020	2019
	(Unaudited)	(Audited)
Shares		
Weighted average number of ordinary shares in issue during the year used in basic (loss)/profit per share calculation	**1,980,000,000**	1,980,000,000

The calculation of diluted (loss)/profit per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares used in the basic (loss)/profit per share calculation, as adjusted for the outstanding share options assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic (loss)/profit per share amounts presented for the years ended 31 March 2020 and 2019 in respect of the dilution as 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 2020 and 2019, there is no dilutive event as the average market price of ordinary shares did not exceed its exercise price of the share options.

9. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**48,907**	14,785

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 and net of loss allowance, is as follows:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**–**	7,095
1 to 2 months	**3,611**	1,072
2 to 3 months	**6,158**	–
Over 3 months	**39,138**	6,618
	48,907	14,785

10. LOAN AND INTEREST RECEIVABLES

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

Loan receivables bear interest at fixed rates in the range from 5% to 16% (2019: 5% to 16%) 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.

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loan receivables and interest receivables	**103,538**	152,753
Less: Current portion of loan and interest receivables	**(103,538)**	(152,753)
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:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loan receivables:		
Past due	**18,449**	30,934
Within 3 months	**–**	638
3 months to 1 year	**85,089**	121,181
	103,538	152,753
Less: Current portion of loan and interest receivables	**(103,538)**	(152,753)
Non-current portion of loan and interest receivables	**–**	–

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Prepayments	**850**	1,599
Utility and other deposits	**8,020**	6,394
Other receivables	**82,685**	40,114
Deposit for the mining project	**–**	43,131
Promissory note receivable	**–**	20,000
	91,555	111,238
Less: Non-current portion of prepayments, other receivables and other assets	**–**	–
Current portion of prepayments, deposits and other receivables	**91,555**	111,238

12. TRADE PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**36,291**	17,590
1 to 2 months	**1,141**	–
2 to 3 months	**2,610**	–
Over 3 months	**43,589**	–
	83,631	17,590

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

13. SHARE CAPITAL

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
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 (2019: 1,980,000,000) ordinary shares of HK$0.01 each	**19,800**	19,800

14. 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.

Details of the outstanding Share Options during the year ended 31 March 2020 are as follows:

	Date of grant	Exercise period	Outstanding as at 1 April 2019	Granted during the year	Lapsed during the year	Outstanding as at 31 March 2020	Exercise price *HK$*
Directors							
Chan Yin Tsung *(Note a)*	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	19,800,000	–	–	19,800,000	1.2
			32,299,998	–	(4,166,666)	28,133,332	

	Date of grant	Exercise period	Outstanding as at 1 April 2018	Granted during the year	Lapsed during the year	Outstanding as at 31 March 2019	Exercise price *HK$*
Directors							
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 *(Note b)*	2 March 2016	2 March 2016 to 1 March 2021	39,600,000	–	(19,800,000)	19,800,000	1.2
			52,099,998	–	(19,800,000)	32,299,998	

Notes:

(a) Mr. Chan Yin Tsung resigned as an independent non-executive director of the Company on 9 September 2019. The Share Options granted to him were lapsed as a result of his resignation.

(b) No employee (2019: One employee) resigned during the year and the Share Options granted to him were lapsed as a result of his resignation.

(c) Except for the above, no Share Options were granted, exercised, lapsed or cancelled during the years ended 31 March 2020 and 2019.

Fair value of Share Options

The fair value of the Share Options was calculated by using a binomial option pricing model (the "**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 director best estimates. The value of the Share Option varies with different variables in certain subjective assumptions.

15. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital contribution payable to a non wholly owned subsidiary	**–**	5,500

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2020, the effect of COVID-19 and the uncertain macroeconomic environment imposed challenges to the Group as a whole. Although the expansion of the Group's construction project business has been delayed, the effort resulted in an increase in revenue of the construction projects business from approximately HK$85.3 million in FY2019 to approximately HK$229.4 million in FY2020. As a result, the Group recorded a total revenue of approximately HK$240.9 million, or over 1.5 times of that in FY2019. The Group's money lending business recorded revenue of approximately HK$11.6 million, representing an slightly increase from FY2019.

During the year, total gross profit was approximately HK$33.5 million (2019: approximately HK$15.6 million), representing an approximately 114.8% increase. The gross margin for the year was approximately 13.9% (2019: approximately 16.1%).

The Group recorded no revenue from the trading of aluminium products business during the year (2019: Nil). Although the aluminium trading business may not be the Group's focus, the management of the Group will still keep reviewing the current business model and looking for appropriate opportunities to improve the current aluminium trading business. With the outbreak of COVID-19, the strategy in expanding the construction projects business has been delayed. In addition, the Group has been more cautious in its money lending business.

The Group's construction projects segment recorded revenue of approximately HK$229.4 million for the year (2019: HK$85.3 million). Gross margin of the construction projects segment recorded an increase to approximately 9.6% for the year, in comparison to approximately 4.8% last year. The Group's operations in Macau has been slowed down in the first quarter due to the lockdown, but the management believes the recent resumption of business activities will allow the Group to catch up the progress in the second half of 2020 and the year of 2021.

Revenue and gross profit of the money lending segment, which were mainly interest income with no direct interest expense, were both approximately HK$11.6 million for the year ended 31 March 2020, or slightly increase than that in 2019.

ACQUISITION OF REMAINING MINORITY EQUITY INTEREST OF I TONG ENGINEERING COMPANY LIMITED

On 26 November 2019, the Company (through a wholly-owned subsidiary of the Company) entered into an agreement to purchase 48.16% equity interests of I Tong Engineering Company Limited ("**I Tong**"), which has been an indirect subsidiary of the Company for the Group's construction business in the Macau market. (Please refer to the announcement on 26 November 2019 for details.) The Completion has been completed on 19 February 2020. (Please refer to the announcement on 25 February 2020 for details).

The management believes that the acquisition of the remaining equity interest of I Tong will enable the Company to obtain full control over the management, business and operations of I Tong and thereby provides greater flexibility to the Group in deploying its resources to develop I Tong's business and to expand its market presence in the construction business in the Macau market.

Upon completion of the acquisition, the financial results of the I Tong will be fully consolidated into the financial results of the Group, through which the Directors are of the view that the future profitability of the Group will be further enhanced and hence, the Group will have more sufficient operations and assets to justify the resumption of trading of the Company's shares on the Stock Exchange, which was suspended since 11 July 2019.

The management will continue its effort in executing the current strategy in focusing on the construction project business that is expected to further improve the Group's financial performance in the coming years.

PROSPECTS

While the continuous conflict between US and China, the social issues in Hong Kong and the effect of COVID-19 will continue to affect the businesses of the Group, the management maintains a positive view on the construction projects business in the Hong Kong and Macau market, and will continue the Group's focus on the construction projects business and the money lending businesses. The Group will grow the construction projects business by identifying potential acquisition targets and pursue projects mainly in Hong Kong and Macau market.

THE STOCK EXCHANGE'S DECISION ON THE COMPANY'S NON-COMPLIANCE WITH LISTING RULE 13.24

As a result of the Stock Exchange's decision on the Company's non-compliance with Listing Rule 13.24, the shares of the Company was suspended from trading on 11 July 2019.

The Company is required to demonstrate its compliance with Rule 13.24 of the Listing Rules in the Second Review and, if Listing (Review) Committee of the Stock Exchange uphold the Decision, the Company will have a remedial period of 18 months to recomply with the Rule. If the Company fails to do so by the expiry of the 18-month period, the Stock Exchange will proceed with cancellation of the Company's listing.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2020, the Group had cash and bank balances of approximately HK$153.6 million (2019: HK$145.2 million) while net assets was approximately HK$340.6 million (2019: HK$442.6 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was 6.9 times as at 31 March 2020 (2019: 10.4 times).

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 13 to this announcement.

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2020, the monetary assets and liabilities and businesses of the Group are mainly conducted in Hong Kong Dollars, MOP, and United States Dollars. The Group did not use any financial instruments to hedge against foreign currency risk during the Financial Year. The Group will continue to monitor its foreign currency exposure closely and consider hedging foreign currency exposure should the need arise.

PLEDGE OF ASSETS

As at 31 March 2020, bank deposits amounting to approximately HK$7.6 million (2019: HK$7.5 million) was pledged for the Group's banking facilities.

DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 March 2020 and 2019.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Except (a) the acquisition of 10% of the issued share capital and related shareholders' loan of Apex Intelligence Limited on 5 June 2019 and (b) the acquisition of the 48.16% equity interests of iTong Engineering Company Limited on 19 February 2020, there is no other material acquisitions and disposal for the year.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2020.

COMMITMENTS

Details of the commitments are set out in note 15 to this announcement.

INVESTMENT SECURITIES

As at 31 March 2020, the Group had equity investments at fair value through profit or loss of approximately HK$18.7 million (31 March 2019: HK$68.3 million). All these investments represented equity securities listed on the Stock Exchange.

For equity investments at fair value through profit or loss, the Group recorded a fair value loss of HK$49.7 million during the year ended 31 March 2020 (2019: fair value loss of HK$3.7 million) in profit or loss. Dividend income received from the listed securities during the year ended 31 March 2020 amounted to HK$1.8 million (2019: HK$0.2 million).

Company name	Principal activities	Number of shares held	Percentage of shareholdings	Unrealised losses on fair value change for the year *HK$'000*	Dividend received during the year *HK$'000*	Cost of acquisition *HK$'000*	Fair value as at 31 March 2020 *HK$'000*	Percentage of net asset of the Group as at 31 March 2020	Fair value as at 31 March 2019 *HK$'000*	Reason for unrealised gains/(losses) on fair value change for the year
Agritrade Resources Limited (Stock Code: 1131)	Production, processing, transportation, sales, marketing and trading of coal	42,260,000	0.22%	(47,373)	211	19,855	7,565	12.4%	54,938	Upward movement of share prices
Jingrui Holdings Limited (Stock Code: 1862)	Development of and investment in real estate project as well as management of properties	5,195,000	0.05%	(2,286)	1,559	20,062	11,117	3.0%	13,403	Downward movement of share prices

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had 73 (2019: 20) 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. Fung Kwok Kit 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 2020 Annual Report will be despatched to our shareholders on or before 31 July 2020 and will be available at the websites of the Stock Exchange and the Company.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 March 2020 has not been completed due to restrictions in force in parts of China and Macau to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants on or before 31 July 2020.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

COMPARATIVE AMOUNTS

As further explained in note 2, the Group adopted HKFRS 16 on 1 April 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the consolidated financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17 and related interpretations.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") will be held on 28 August 2020. 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 Friday, 21 August 2020. 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 Friday, 21 August 2020. 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 21 August 2020.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee comprising of the three independent non-executive directors, namely Mr. Wong Wing Cheung, 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. Wong Wing Cheung 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
Fung Kwok Kit
Chairman

Hong Kong, 30 June 2020

As at the date of this announcement, the Board comprises 6 Directors. The executive Directors are Mr. Fung Kwok Kit (Chairman), Mr. Zhong Can and Mr. Kwong Kin Fai, Eric. The independent non-executive Directors are Mr. Li Kam Chung, Mr. Kwok Lap Fung, Beeson and Mr. Wong Wing Cheung.

* *For identification purposes only*