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ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED

志道國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 01220)

SUPPLEMENTAL ANNOUNCEMENT UPDATE ON THE ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

Reference is made to the announcement (the "**Announcement**") of Zhidao International (Holdings) Limited (the "**Company**", which together with its subsidiaries, the "**Group**") dated 30 June 2020 in relation to the unaudited annual results of the Group for the year ended 31 March 2020 (the "**2020 Unaudited Annual Results**"). Unless otherwise defined, capitalised terms in this announcement shall have the same meanings as those defined in the Announcement.

AUDITED ANNUAL RESULTS

As stated in Announcement, the Company's auditing process for the year ended 31 March 2020 had not been completed as at 30 June 2020.

The Board is pleased to announce that on 4 September 2020, the Company's auditor, Ascenda Cachet CPA Limited, has completed its audit of the consolidated financial statements of the Group for the year ended 31 March 2020 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, and the financial information contained in this supplementary announcement have been audited by Ascenda Cachet CPA Limited (the "**2020 Audited Annual Results**"). The 2020 Audited Annual Results have been reviewed by the Audit Committee.

* *For identification purposes only*

The following reclassifications of financial breakdowns:

	2020 Unaudited Annual Results *HK$'000*	2020 Audited Annual Results *HK$'000*	Difference *HK$'000*	*Notes*
Consolidated statement of profit or loss				
Revenue	240,907	222,980	(17,927)	*(1)*
Cost of sales	(207,451)	(187,874)	19,577	*(1)*
Other income and gains	3,385	2,465	(920)	*(2)*
General and administrative expenses	(52,063)	(67,976)	(15,913)	*(3)*
Finance cost	(1,267)	(1,724)	(457)	*(4)*
Income tax credit/(expense)	(1,951)	152	2,103	*(5)*
Loss for the year	(68,099)	(81,636)	(13,537)	*(5)*
Consolidated statement of profit or loss and other comprehensive income				
Exchange differences on transaction of foreign operations	(305)	(13)	292	*(6)*
Equity investments designated at fair value through other comprehensive income changes in fair value	—	(1,052)	(1,052)	*(7)*
Consolidated statement of financial position				
Non-current assets				
Property, plant and equipment	17,250	18,453	1,203	*(8)*
Contract assets	11,316	11,305	(11)	*(9)*
Deferred tax assets	—	3,284	3,284	*(5)*
Interests in associates	14,855	16,333	1,478	*(10)*
Current assets				
Trade receivables	48,907	43,394	(5,513)	*(11)*
Loan and interest receivables	103,538	91,327	(12,211)	*(12)*
Contract assets	51,336	36,678	(14,658)	*(9)*
Prepayments, other receivables and other assets	91,555	85,358	(6,197)	*(13)*
Equity investment at fair value through other comprehensive income	—	19,663	19,663	*(14)*
Pledged bank deposits	7,572	29,028	21,456	*(15)*
Cash and cash equivalents	153,578	135,985	(17,593)	*(16)*
Current liabilities				
Trade payables	83,631	103,668	20,037	*(17)*
Lease liabilities	291	253	(38)	*(18)*
Other payables and accruals	42,214	8,556	(33,658)	*(19)*
Interest-bearing bank and other borrowings	10,845	12,715	1,870	*(20)*
Contingent consideration payable	—	6,089	6,089	*(21)*
Tax payables	2,535	3,716	1,181	*(5)*
Non-current liabilities				
Interest-bearing bank and other borrowings	13,512	11,572	(1,940)	*(22)*
Lease liabilities	—	38	38	*(18)*

Notes:

(1) The difference is mainly due to the adjustment of percentage of completion of the Hong Kong and Macau construction projects.

(2) Breakdown of other income and gains is as follows:

	2020 Unaudited Annual Results *HK$'000*	**2020 Audited Annual Results** *HK$'000*	**Difference** *HK$'000*	*Note*
Other income and gains				
Bank interest income	338	338	—	
Dividend income from equity investments at fair value through profit or loss	1,770	1,770	—	
Gain on disposal of property, plant and equipment	—	117	117	*(i)*
Reversal of provision for impairment on trade receivables	1,000	238	(762)	*(ii)*
Reversal of provision for impairment on other receivables	159	—	(159)	*(iii)*
Others	118	2	(116)	*(i)*
	3,385	2,465		

(i) Reclassification from "Others" to "Gain on disposal of property, plant and equipment".

(ii) The difference was mainly due to the reversal of provision for impairment on trade receivables set off with the provision for impairment of trade receivables (note 3(i)).

(iii) The difference was mainly due to the reversal of provision for impairment on other receivables set off with the provision for impairment of other receivables (note 3(ii)).

(3) General and administrative expenses include impairment of trade receivables, other receivables, contract assets, loan and interest receivables, amount due from associates, and property, plant and equipment.

Breakdown of general and administrative expenses is as follows:

	2020 Unaudited Annual Results *HK$'000*	**2020 Audited Annual Results** *HK$'000*	**Difference** *HK$'000*	*Note*
Impairment of trade receivables	(54)	—	54	*(i)*
Impairment of other receivables	(15,106)	(14,953)	153	*(ii)*
Impairment of contract assets	(55)	(3,145)	(3,090)	
Impairment of loan and interest receivables	(7,179)	(19,902)	(12,723)	
Impairment of amount due from associates	(2,343)	(865)	1,478	
Impairment of property, plant and equipment	—	(1,921)	(1,921)	*(iii)*
Other general and administrative expenses	(27,326)	(27,190)	136	
	(52,063)	(67,976)		

(i) The difference is mainly due to (a) increase in impairment of trade receivables; and (b) set off with the reversal of provision for impairment on trade receivables.

(ii) The difference is mainly due to the impairment of other receivables set off with the reversal of provision for impairment of other receivables.

(iii) The difference is mainly due to increase in impairment of the properties.

(4) The difference is mainly due to the reclassification of the finance cost from "General and administrative expenses".

(5) As a result of the adjustments as highlighted above, income tax credit/(expense), loss for the year, deferred tax assets and tax payables have been adjusted accordingly.

(6) The difference is mainly due to the adjustment on the translation of the foreign subsidiaries in PRC.

(7) The difference is mainly due to the recognition of fair value loss upon finalisation of valuation of the equity investments.

(8) Property, plant and equipment

Set out below is the adjustment of property, plant and equipment:

	As at 31 March 2020 *HK$'000*
Property, plant and equipment *(unaudited)*	17,250
Adjustment on depreciation of property, plant and equipment	108
Accrued payment for addition of property, plant and equipment-leasehold improvement	3,016
Increase in impairment of property, plant and equipment	(1,921)
Property, plant and equipment *(audited)*	18,453

(9) Contract assets

Set out below is the adjustment of contract assets:

	As at 31 March 2020 *HK$'000*
Contract assets — non-current portion *(unaudited)*	11,316
Contract assets — current portion *(unaudited)*	51,336
	62,652
Increase in impairment of contract assets	(3,090)
Adjustment on revenue *(note (1))*	(19,695)
Reclassification from trade receivables to contract assets	8,116
Contract assets *(audited)*	47,983
Less: contract assets — non-current portion *(audited)*	(11,305)
Contract assets — current portion *(audited)*	36,678

(10) Interests in associates

Set out below is the interests in associates:

	As at 31 March 2020 *HK$'000*
Interests in associates *(unaudited)*	14,855
Decrease in impairment of interests in associates	1,478
Interests in associates *(audited)*	16,333

(11) Trade receivables

Set out below is the trade receivables:

	As at 31 March 2020 *HK$'000*
Trade receivables *(unaudited)*	48,907
Reclassification from trade receivables to contract assets	(8,116)
Adjustment on revenue *(note (1))*	3,311
Increase in impairment of trade receivables	(708)
Trade receivables *(audited)*	43,394

(12) Loan and interest receivables

Set out below is the loan and interest receivables:

	As at 31 March 2020 *HK$'000*
Loan and interest receivables *(unaudited)*	103,538
Increase in impairment of loan and interest receivables	(12,723)
Adjustment on interest receivables	512
Loan and interest receivables *(audited)*	91,327

(13) Prepayments, other receivables and other assets

Set out below is the prepayments, other receivables and other assets:

	As at 31 March 2020 *HK$'000*
Prepayments, other receivables and other assets *(unaudited)*	91,555
Reclassification from other receivables to equity investment at fair value through other comprehensive income	(23,775)
Reclassification from deposits to cash and cash equivalents	(1,993)
Adjustment on cost of sales *(note (1))*	19,577
Decrease in impairment of prepayments, other receivables and other assets	(6)
Prepayments, other receivables and other assets *(audited)*	85,358

(14) Equity investment at fair value through other comprehensive income

Set out below is the equity investment at fair value through other comprehensive income:

	As at 31 March 2020 *HK$'000*
Equity investment at fair value through other comprehensive income *(unaudited)*	—
Reclassification from other receivables to equity investment at fair value through other comprehensive income	23,775
Reclassification from other payables to equity investment at fair value through other comprehensive income	(3,060)
Decrease in fair value	(1,052)
Equity investment at fair value through other comprehensive income *(audited)*	19,663

(15) Pledged bank deposits

Set out below is the pledged bank deposits:

	As at 31 March 2020 *HK$'000*
Pledged bank deposits *(unaudited)*	7,572
Reclassification from cash and cash equivalents to pledged bank deposits	21,456
Pledged bank deposits *(audited)*	29,028

(16) Cash and cash equivalents

Set out below is the cash and cash equivalents:

	As at 31 March 2020 *HK$'000*
Cash and cash equivalents *(unaudited)*	153,578
Reclassification from cash and cash equivalents to pledged bank deposits	(21,456)
Reclassification from deposits to cash and cash equivalents	1,993
Reclassification from other payables to cash and cash equivalents	1,870
Cash and cash equivalents *(audited)*	135,985

(17) Trade payables

Set out below is the trade payables:

	As at 31 March 2020 *HK$'000*
Trade payables *(unaudited)*	83,631
Reclassification from other payables to trade payables	20,037
Trade payables *(audited)*	103,668

(18) This refer to the reclassification from current portion to non-current portion

(19) Other payables and accruals

Set out below is the other payables and accruals:

	As at 31 March 2020 *HK$'000*
Other payables and accruals *(unaudited)*	42,214
Reclassification from other payables to trade payables	(20,037)
Reclassification from other payables to equity investment at fair value through other comprehensive income	(3,060)
Reclassification from other payables to cash and cash equivalents	1,870
Reclassification from other borrowings to other payables	70
Reclassification from other payables to contingent consideration payable	(6,089)
Adjustment on the accrued payment for addition of property, plant and equipment leasehold improvement	3,016
Over-provision of the contingent consideration payable	(9,428)
Other payables and accruals *(audited)*	8,556

(20) Interest-bearing bank and other borrowings-current portion

Set out below is the interest-bearing bank and other borrowings — current portion:

	As at 31 March 2020
	HK$'000
Interest-bearing bank and other borrowings — current portion *(unaudited)*	10,845
Reclassification from other borrowings to other payables	(70)
Reclassification from non-current portion to current portion	1,940
Interest-bearing bank and other borrowings — current portion *(audited)*	12,715

(21) Contingent consideration payable

Set out below is the contingent consideration payable:

	As at 31 March 2020
	HK$'000
Contingent consideration payable *(unaudited)*	—
Reclassification from other payables to contingent consideration payable	6,089
Contingent consideration payable *(audited)*	6,089

(22) Interest-bearing bank and other borrowings-non-current portion

Set out below is the interest-bearing bank and other borrowings — non-current portion:

	As at 31 March 2020
	HK$'000
Interest-bearing bank and other borrowings — non-current portion *(unaudited)*	13,512
Reclassification from non-current portion to current portion	(1,940)
Interest-bearing bank and other borrowings — non-current portion *(audited)*	11,572

SCOPE OF WORK OF ASCENDA CACHET CPA LIMITED

The Group's auditor, Ascenda Cachet CPA Limited ("**Ascenda Cachet**") has agreed on the 2020 Audited Annual Results (including the financial figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto). No assurance has been expressed by Ascenda Cachet on this supplemental announcement as Ascenda Cachet has not performed any 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 Hong Kong Institute of Certified Public Accountants on the adjustments and figures contained in this supplemental announcement.

PUBLICATION OF THE ANNUAL REPORT

The Company's annual report for the year ended 31 March 2020 containing all the relevant information required by the Listing Rules and other applicable laws is published on 4 September 2020 on the website of The Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and the website of the Company at www.zdihl.com.

By order of the Board
Zhidao International (Holdings) Limited
Fung Kwok Kit
Chairman

Hong Kong, 4 September 2020

As at the date of this announcement, the board of Directors 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 and Mr. Kwok Lap Fung, Beeson and Mr. Wong Wing Cheung.