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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The board of directors of Zhidao International (Holdings) Limited (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2021, together with the comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	4	100,532	222,980
Cost of sales		(80,061)	(187,874)
Gross profit		20,471	35,106
Other income and gains	4	10,744	2,465
General and administrative expenses		(15,695)	(27,190)
Finance costs	6	(912)	(1,724)
Fair value loss on equity investments at fair value through profit or loss		(3,564)	(49,659)
Impairment of trade receivables		(9,260)	–
Impairment of other receivables		(336)	(14,953)
Reversal of impairment/(impairment) of contract assets		443	(3,145)
Impairment of loan and interest receivables		(12,704)	(19,902)
Impairment of amount due from associates		(326)	(865)
Reversal of impairment/(impairment) of property, plant and equipment		484	(1,921)
LOSS BEFORE TAX	5	(10,655)	(81,788)
Income tax credit	7	720	152
LOSS FOR THE YEAR		(9,935)	(81,636)

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

For the year ended 31 March 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(175)	(13)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investment designated at fair value through other comprehensive income changes in fair value		(263)	(1,052)
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>(438)</u>	<u>(1,065)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(10,373)</u>	<u>(82,701)</u>
Loss attributable to:			
Owners of the Company		(5,351)	(79,539)
Non-controlling interests		(4,584)	(2,097)
		<u>(9,935)</u>	<u>(81,636)</u>
Total comprehensive income attributable to:			
Owners of the Company		(5,789)	(80,604)
Non-controlling interests		(4,584)	(2,097)
		<u>(10,373)</u>	<u>(82,701)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	8		
Basic		<u>(0.27) cents</u>	<u>(4.02) cents</u>
Diluted		<u>N/A</u>	<u>(4.02) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		14,807	18,453
Right-of-use assets		712	284
Intangible asset		–	60
Loan and interest receivables	10	27,039	–
Contract assets	11	12,337	11,305
Deferred tax asset		6,296	3,284
Interests in associates		16,007	16,333
		<hr/>	<hr/>
Total non-current assets		77,198	49,719
CURRENT ASSETS			
Trade receivables	9	15,223	43,394
Loan and interest receivables	10	57,438	91,327
Contract assets	11	28,559	36,678
Finance lease receivables		–	582
Prepayments, other receivables and other assets	12	123,601	85,358
Equity investments at fair value through profit or loss		15,118	18,682
Equity investment at fair value through other comprehensive income		19,400	19,663
Pledged bank deposits		27,192	29,028
Cash and cash equivalents		90,217	135,985
		<hr/>	<hr/>
Total current assets		376,748	460,697
CURRENT LIABILITIES			
Trade payables	13	17,931	103,668
Lease liabilities		479	253
Other payables and accruals	14	2,576	8,556
Contract liabilities	15	46,823	7,728
Interest-bearing bank and other borrowings		10,344	12,715
Contingent consideration payable		6,089	6,089
Tax payables		2,969	3,716
		<hr/>	<hr/>
Total current liabilities		87,211	142,725
NET CURRENT ASSETS			
		<hr/>	<hr/>
		289,537	317,972
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		366,735	367,691

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 31 March 2021*

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Retention payables		24,384	12,992
Interest-bearing bank and other borrowings		9,393	11,572
Lease liabilities		242	38
		<hr/>	<hr/>
Total non-current liabilities		34,019	24,602
		<hr/>	<hr/>
Net assets		332,716	343,089
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>16</i>	19,800	19,800
Reserves		317,648	323,437
		<hr/>	<hr/>
		337,448	343,237
Non-controlling interests		(4,732)	(148)
		<hr/>	<hr/>
Total equity		332,716	343,089
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Fair value reserve of financial assets at fair value through other comprehensive income (non-recycling) <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2019	19,800	485,679	11	–	727	17,313	(78,733)	444,797	(1,918)	442,879
Loss for the year	–	–	–	–	–	–	(79,539)	(79,539)	(2,097)	(81,636)
Other comprehensive income for the year:										
— Exchange differences on translation of foreign operations	–	–	–	–	(13)	–	–	(13)	–	(13)
— Change in fair value of equity investment at fair value through other comprehensive income	–	–	–	(1,052)	–	–	–	(1,052)	–	(1,052)
Total comprehensive income for the year	–	–	–	(1,052)	(13)	–	(79,539)	(80,604)	(2,097)	(82,701)
Acquisition of additional interests in a subsidiary	–	–	(20,956)	–	–	–	–	(20,956)	3,867	(17,089)
Transfer of share option reserve upon lapsing of share options	–	–	–	–	–	(2,233)	2,233	–	–	–
At 31 March 2020 and 1 April 2020	19,800	485,679	(20,945)	(1,052)	714	15,080	(156,039)	343,237	(148)	343,089
Loss for the year	–	–	–	–	–	–	(5,351)	(5,351)	(4,584)	(9,935)
Other comprehensive income for the year:										
— Exchange differences on translation of foreign operations	–	–	–	–	(175)	–	–	(175)	–	(175)
— Change in fair value of equity investment at fair value through other comprehensive income	–	–	–	(263)	–	–	–	(263)	–	(263)
Total comprehensive income for the year	–	–	–	(263)	(175)	–	(5,351)	(5,789)	(4,584)	(10,373)
Transfer of share option reserve upon lapsing of share options	–	–	–	–	–	(15,080)	15,080	–	–	–
At 31 March 2021	<u>19,800</u>	<u>485,679*</u>	<u>(20,945)*</u>	<u>(1,315)*</u>	<u>539*</u>	<u>–*</u>	<u>(146,310)</u>	<u>337,448</u>	<u>(4,732)</u>	<u>332,716</u>

* These reserve accounts comprise the consolidated reserves of approximately HK\$317,648,000 (2020: HK\$323,427,000) in the consolidated statement of financial position.

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 aluminum products in construction projects and the provision of construction and engineering services; and (iii) money lending.

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 (i) equity investments at fair value through profit or loss; (ii) equity investments at fair value through other comprehensive income; and (iii) contingent consideration payable 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 2021. A subsidiary is an entity, directly or indirectly, controlled by the Group. 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 Group 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

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ⁵
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture ⁶
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵
Amendments to HKAS 1 and and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ⁴

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 April 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. OPERATING SEGMENT INFORMATION

The principal activities of the Group consisted of (i) trading of aluminium products; (ii) supply of aluminium products in construction projects and provision of construction and engineering services; and (iii) money lending.

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

- (a) trading of aluminium products segment — sales of aluminium products;
- (b) construction projects segment — supply of aluminum products in construction projects and the provision of construction and engineering services; and
- (c) money lending segment — provision of loan financing.

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 profit/(loss) before tax except that bank interest income, dividend income from equity investments at fair value through profit or loss, fair value gains/(loss) 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, equity investment at fair value through profit or loss, equity investment at fair value through other comprehensive income, deferred tax assets, 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.

Year ended 31 March 2021	Trading of aluminium products <i>HK\$'000</i>	Construction projects <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Construction projects	–	94,325	–	94,325
Loans interest income	–	–	6,207	6,207
	<hr/>	<hr/>	<hr/>	<hr/>
Sales to external customers	–	94,325	6,207	100,532
	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	772	6,080	(8,845)	(1,993)
	<hr/>	<hr/>	<hr/>	<hr/>
Interest income				537
Corporate and other unallocated income				2,617
Corporate and other unallocated expenses				(11,816)
				<hr/>
Loss before tax				(10,655)
				<hr/>
Segment assets	1	194,375	84,936	279,312
Corporate and other unallocated assets				174,634
				<hr/>
Total assets				453,946
				<hr/>
Segment liabilities	42	109,984	898	110,924
Corporate and other unallocated liabilities				10,306
				<hr/>
Total liabilities				121,230
				<hr/>
Other segment information:				
Depreciation of property, plant and equipment	–	1,155	31	1,186
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation of right-of-use assets	–	205	267	472
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation of intangible assets	–	60	–	60
	<hr/>	<hr/>	<hr/>	<hr/>

Year ended 31 March 2020	Trading of aluminium products <i>HK\$'000</i>	Construction projects <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Construction projects	–	212,967	–	212,967
Loans interest income	–	–	10,013	10,013
				<hr/>
Sales to external customers	–	212,967	10,013	222,980
				<hr/>
Segment results	<u>726</u>	<u>3,973</u>	<u>(12,973)</u>	<u>(8,274)</u>
Interest income				338
Corporate and other unallocated income				1,887
Corporate and other unallocated expenses				<u>(75,739)</u>
Loss before tax				<u><u>(81,788)</u></u>
Segment assets	1	195,475	91,585	287,061
Corporate and other unallocated assets				<u>223,355</u>
Total assets				<u><u>510,416</u></u>
Segment liabilities	1,035	159,460	595	161,090
Corporate and other unallocated liabilities				<u>6,237</u>
Total liabilities				<u><u>167,327</u></u>
Other segment information:				
Depreciation of property, plant and equipment	–	1,378	84	<u>1,462</u>
Depreciation of right-of-use assets	–	206	280	<u>486</u>
Amortisation of intangible assets	–	483	–	<u>483</u>

Geographical information

(a) Revenue from external customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	6,207	97,463
Macau	94,325	125,517
	<u>100,532</u>	<u>222,980</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	50,473	21,989
Macau	26,191	27,342
PRC	534	388
	<u>77,198</u>	<u>49,719</u>

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

Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A*	N/A	87,451
Customer B*	28,708	103,814
Customer C*	65,617	21,702
	<u>94,325</u>	<u>212,967</u>

* Revenue from construction projects segment

N/A: The corresponding customer did not contribute more than 10% of the total revenue of the Group for the year.

4. REVENUE, OTHER INCOME AND GAINS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contract with customers within the scope of HKFRS 15		
Construction projects	<u>94,325</u>	<u>212,967</u>
Revenue from other sources		
Loans interest income	<u>6,207</u>	<u>10,013</u>
	100,532	222,980
Other income and gains		
Bank interest income	537	338
Dividend income from equity investments at fair value through profit or loss	1,247	1,770
Gain on disposal of property, plant and equipment	4,369	117
Reversal of provision for impairment on trade receivables	–	238
Write-back of other payables	992	–
Reimbursement from sub-contractor	2,878	–
Government subsidies (<i>Note</i>)	719	–
Others	<u>2</u>	<u>2</u>
	10,744	2,465
Total revenue, other income and gains	<u>111,276</u>	<u>225,445</u>

Note: Government subsidies are cash subsidies granted by the Government of the Hong Kong Special Administrative Region amounting to approximately HK\$719,000 from the Employment Support Scheme which subsidised 50% of the wages paid to each staff, subject to maximum of HK\$9,000 for each staff.

(i) Disaggregated revenue information

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Timing of revenue recognition within the scope of HKFRS 15		
Construction projects transferred over time	<u>94,325</u>	<u>212,967</u>

5. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of sales		
— cost of construction	80,061	187,874
Auditor's remuneration	1,038	900
Depreciation of property, plant and equipment	1,186	1,462
Depreciation of right-of-use assets	472	486
Amortisation of intangible asset	60	483
Impairment/(reversal of impairment) of trade receivables	9,260	(238)
Impairment of loan and interest receivables	12,704	19,902
(Reversal of impairment)/impairment of contract assets	(443)	3,145
Impairment of other receivables	336	14,953
Impairment of amount due from associates	326	865
(Reversal of impairment)/impairment of property, plant and equipment	(484)	1,921
Employee benefits expenses (including Directors' remuneration):		
Wages and salaries	7,172	7,745
Pension scheme contributions	114	172
	7,286	7,917
Lease payments not included in the measurement of lease liabilities	40	306
Bank interest income	(537)	(338)
Dividend income from equity investments at fair value through profit or loss	(1,247)	(1,770)
Fair value loss on equity investments at fair value through profit or loss	3,564	49,659

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings, secured	785	1,317
Interest on bank overdrafts	101	64
Interest on other borrowings	—	315
Interest on lease liabilities	26	28
	912	1,724

7. INCOME TAX CREDIT

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 years ended 31 March 2020 and 2021. 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%.

Under the Enterprise Income Tax Law of the PRC, the Enterprise Income Tax (“**EIT**”) will be taxed at 25% during the years ended 31 March 2020 and 2021 and where small-scale enterprises with low profitability meet certain conditions, the EIT rate will be reduced to 20%. No EIT has been provided as the Group did not generate any assessable profits arising in the PRC during the years ended 31 March 2020 and 2021.

Macau profits tax is calculated at 12% on the estimated assessable profits over MOP600,000 arising from Macau during the years ended 31 March 2020 and 2021. 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.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Hong Kong		
Charge for the year	357	1,644
Over-provision in previous year	–	(167)
Current tax — Macau		
Charge for the year	1,935	1,655
	2,292	3,132
Deferred tax	(3,012)	(3,284)
Total tax credit for the year	(720)	(152)

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<u>(5,351)</u>	<u>(79,539)</u>
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	<u>1,980,000,000</u>	<u>1,980,000,000</u>

No diluted earnings per share is presented for the year ended 31 March 2021 as there are no potential dilutive ordinary shares outstanding as at 31 March 2021.

9. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	25,253	47,944
Less: Impairment	<u>(10,030)</u>	<u>(4,550)</u>
Net carrying amounts	<u>15,223</u>	<u>43,394</u>

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. Included in the trade receivables of HK\$20,149,000 (2020: HK\$23,691,000) were the outstanding balance with Fortune Engineering & Consultants Limited (“**Fortune**”), the non-controlling shareholder of an indirect subsidiary of the Company.

The Group normally allows a credit period of 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	2,355	1,842
1 to 2 months	2,136	3,015
2 to 3 months	658	2,698
3 to 6 months	–	16,130
6 to 12 months	–	19,709
Over 1 year	10,074	–
Over 2 years	–	–
	<u>15,223</u>	<u>43,394</u>

The movement in the loss allowance for the impairment of trade receivables during the reporting period are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 April	4,550	4,788
Written off	(3,780)	–
Impairment/(reversal of impairment) for the year	9,260	(238)
	<u>10,030</u>	<u>4,550</u>

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 4% to 16% (2020: 6% to 15%) per annum, and with credit periods mutually agreed between the contracting parties. Most of loan receivables are secured by the pledge of debtors' assets. Overdue balances are reviewed regularly and handled closely by senior management.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan receivables	112,150	108,000
Interest receivables	10,486	8,782
	<u>122,636</u>	<u>116,782</u>
Less: Impairment	(38,159)	(25,455)
	<u>84,477</u>	<u>91,327</u>
Net carrying amounts	84,477	91,327
Less: Current portion of loan and interest receivables	(57,438)	(91,327)
	<u>27,039</u>	<u>–</u>
Non-current portion of loan and interest receivables	27,039	–

The loan and interest receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan and interest receivables with maturity date:		
Past due	19,899	21,195
Within 3 months	–	–
3 months to 1 year	37,539	70,132
More than 1 year	27,039	–
	<u>84,477</u>	<u>91,327</u>
Less: Current portion of loan and interest receivables	<u>(57,438)</u>	<u>(91,327)</u>
Non-current portion of loan and interest receivables	<u>27,039</u>	<u>–</u>

The movement in the loss allowance for impairment of loan and interest receivables during the reporting period was as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 April	25,455	5,553
Impairment losses for the year	12,704	19,902
	<u>38,159</u>	<u>25,455</u>

11. CONTRACT ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract assets arising from construction contracts	43,610	51,140
Less: Impairment of contract assets	(2,714)	(3,157)
	<u>40,896</u>	<u>47,983</u>
Less: Contract assets classified as non-current portion	<u>(12,337)</u>	<u>(11,305)</u>
Contract assets classified as current portion	<u>28,559</u>	<u>36,678</u>

The expected timing of recovery or settlement for contract assets, net of loss allowance as at 31 March 2020 and 2021 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	28,559	36,678
More than one year	12,337	11,305
	<u>40,896</u>	<u>47,983</u>

The movement in the loss allowance for the impairment of contract assets during the reporting period are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 April	3,157	12
(Reversal of impairment)/impairment loss for the year	(443)	3,145
	<hr/>	<hr/>
At 31 March	2,714	3,157
	<hr/> <hr/>	<hr/> <hr/>

12. PREPAYMENTS, OTHER RECEIVABLES AND ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Prepayments	22,601	21,796
Trade deposits	1,556	1,556
Utility and other deposits	6,403	6,016
Advances to subcontractors	76,685	46,535
Other receivables	12,642	12,767
Proceeds from disposal of property, plant and equipment	7,362	–
Due from a director of subsidiary	1,094	1,094
Promissory note receivable	–	15,000
	<hr/>	<hr/>
	128,343	104,764
Less: Impairment		
Trade deposits	(1,556)	(1,556)
Other receivables	(3,186)	(17,850)
	<hr/>	<hr/>
	(4,742)	(19,406)
	<hr/>	<hr/>
	123,601	85,358
	<hr/> <hr/>	<hr/> <hr/>

The movement in the loss allowance for the impairment of prepayments, other receivables and other assets during the reporting period are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 April	19,406	4,453
Impairment loss for the year	336	14,953
Write-off of promissory note receivable	(15,000)	–
	<hr/>	<hr/>
At 31 March	4,742	19,406
	<hr/> <hr/>	<hr/> <hr/>

13. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	15,115	60,435
1 to 2 months	1,509	710
2 to 3 months	257	8,708
Over 3 months	1,050	33,815
	<u>17,931</u>	<u>103,668</u>

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

14. OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other payables	1,183	3,371
Accruals	1,393	5,185
	<u>2,576</u>	<u>8,556</u>

15. CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deposits received from construction contracts	46,823	7,728

During the year ended 31 March 2021, revenue of HK\$7,728,000 (2020: HK\$38,605,000) were recognised that were included in the contract liabilities balance at the beginning of the year.

16. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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
	<u>36,500</u>	<u>36,500</u>
Issued and fully paid:		
1,980,000,000 (2020: 1,980,000,000) ordinary shares of HK\$0.01 each	19,800	19,800

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The impacts of COVID-19 continued affecting the Group's business for the year ended 31 March 2021. In particular, the Group's construction business was delayed during the first six months and was only able to partially resume during the fourth quarter of 2020. In addition, the costs of transportation and raw materials rose significantly during the financial year, and the management of the Company had to be very careful in cost and project management of the construction projects so as to maintain progress and profitability. For the money business, as the COVID-19 may have impact to repayment ability of potential customers, the Group also became more selective in its money lending business. As a result, the revenue from both the Group's construction and money lending business decreased significantly this year.

During the year ended 31 March 2021, the Group recorded total revenue of approximately HK\$100.5 million, or a 54.9% decrease from that of FY2020 (HK\$223.0 million) as a result of the COVID-19. The Group's construction business recorded a revenue of approximately HK\$94.3 million (2020: HK\$213.0 million) and money lending business of approximately HK\$6.2 million (2020: HK\$10.0 million).

During the year, total gross profit was approximately HK\$20.5 million (2020: approximately HK\$35.1 million), representing an approximately 41.7% decrease. The gross margin for the year was approximately 20.4% (2020: approximately 15.7%).

The Group recorded no revenue from the trading of aluminium products business during the year (2020: 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.

The Group's construction projects segment recorded revenue of approximately HK\$94.3 million for the year (2020: HK\$213.0 million). Gross margin of the construction projects segment recorded an increase to approximately 15.1% for the year, in comparison to approximately 11.8% last year. The Group did not have new construction projects from the Hong Kong market, which had a lower profit margin in comparison to that of Macau, and therefore resulting an improvement in the gross margin.

Revenue and gross profit of the money lending segment, which were mainly interest income with no direct interest expense, were both approximately HK\$6.2 million for the year ended 31 March 2021, or a 38.0% decrease from that in 2020. During the year, there was a potentially higher default risk in the money lending business and the management was selective in new loan applications. With the recent improvement in the economic conditions in Hong Kong, the Group's money lending business resumed to normal since the first quarter of 2021. The management believes the results of the money lending business in the next financial year would rise to a level similar to last year for the year ended 31 March 2022.

In January 2018, the Group entered into an engineering, development and construction contract for a mining project in Pakistan (the "**Construction Contract**"). Because of the lockdown and travel restriction under the COVID-19, there has been no progress since the date of the Construction Contract. On 10 August 2020, the Construction Contract was terminated and the Group had no obligation to the Construction Contract after the termination.

PROSPECTS

Since its breakout, the COVID-19 has been adversely affecting the global and local economy. It also slowed down the Group's strategy execution. Fortunately, the recent gradual resumption of construction works in Macau, although slow, has given the Group's management confidence in the years to come. The Group will continue to grow the construction projects business by identifying potential acquisition targets and pursue projects mainly in Hong Kong and Macau market.

In addition, the trading of the Company's shares was resumed on 7 May 2021 (please refer to the announcement on the resumption date for more details). The management believes the resumption of trading of the Company's shares will significantly improve the Group's financing capability and indirectly strengthen the operational abilities. Together with the recent improving economic conditions, the Group should be able to further participate in new construction projects and bring profitability and value to its shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2021, the Group had cash and bank balances of approximately HK\$90.2 million (2020: HK\$136.0 million) while net assets was approximately HK\$332.7 million (2020: HK\$343.1 million). The Group's gearing ratio as at 31 March 2021 was approximately 0.06 (2020: approximately 0.07), being a ratio of total bank and other borrowings of approximately HK\$19.7 million (2020: approximately HK\$24.3 million) to Shareholders' funds of approximately HK\$337.4 million (2020: approximately HK\$343.2 million).

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2021, 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 2021, the Group pledged an office premises and car park in Macau with an aggregate amount of HK\$11.9 million (2020: HK\$11.6 million) and bank deposits amounting to approximately HK\$27.2 million (2020: HK\$29.0 million) to secure bank facilities of the Group.

DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 March 2021 and 2020.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2021.

COMMITMENTS

The Group did not have any significant commitments as at 31 March 2021.

INVESTMENT SECURITIES

As at 31 March 2021, the Group had equity investments at fair value through profit or loss of approximately HK\$15.1 million (31 March 2020: HK\$18.7 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\$3.6 million during the year ended 31 March 2021 (2020: fair value loss of HK\$49.7 million) in profit or loss. Dividend income received from the listed securities during the year ended 31 March 2021 amounted to HK\$1.2 million (2020: HK\$1.8 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group had 16 (2020: 73) 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 2021 Annual Report will be despatched to our shareholders on or before 31 July 2021 and will be available at the websites of the Stock Exchange and the Company.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of shareholders of the Company to attend and vote at the forthcoming annual general meeting of the Company to be held on 26 August 2021 (the “AGM”), the register of members of the Company will be closed from 23 August 2021 to 26 August 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, 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 20 August 2021.

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 2021

As at the date of this announcement, the Board comprises 7 Directors. The executive Directors are Mr. Fung Kwok Kit (Chairman), Mr. Zhong Can, Mr. Kwong Kin Fai, Eric and Mr. Lam Chun Bun. The independent non-executive Directors are Mr. Wong Wing Cheung, Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson.

* *For identification purposes only*