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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 2022

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 2022, together with the comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

| | <i>Notes</i> | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| REVENUE | 4 | 177,652 | 100,532 |
| Cost of sales | | <u>(156,038)</u> | <u>(80,061)</u> |
| Gross profit | | 21,614 | 20,471 |
| Other income and gains | 4 | 3,031 | 10,744 |
| General and administrative expenses | | (20,773) | (15,695) |
| Finance costs | 6 | (690) | (912) |
| Fair value loss on equity investments at fair value through profit or loss | | (3,324) | (3,564) |
| Impairment of trade receivables | 9 | (10,088) | (9,260) |
| Impairment of other receivables | 12 | (2,888) | (336) |
| (Impairment)/reversal of impairment of contract assets | 11 | (2,113) | 443 |
| Impairment of loan and interest receivables | 10 | (12,486) | (12,704) |
| Impairment of amount due from associates | | (4,258) | (326) |
| Reversal of impairment of property, plant and equipment | | <u>–</u> | <u>484</u> |
| LOSS BEFORE TAX | 5 | (31,975) | (10,655) |
| Income tax credit | 7 | 916 | 720 |
| LOSS FOR THE YEAR | | (31,059) | (9,935) |

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

For the year ended 31 March 2022

| | <i>Notes</i> | 2022 HK\$'000 | 2021 HK\$'000 |
|---|--------------|--------------------------------|-------------------------|
| OTHER COMPREHENSIVE LOSS | | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange difference reclassified to profit or loss upon strike off of a subsidiary | | (583) | – |
| Exchange differences on translation of foreign operations | | (101) | (175) |
| 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 | | (3,200) | (263) |
| NET OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX | | (3,884) | (438) |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | (34,943) | (10,373) |
| Loss attributable to: | | | |
| Owners of the Company | | (24,910) | (5,351) |
| Non-controlling interests | | (6,149) | (4,584) |
| | | (31,059) | (9,935) |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (28,794) | (5,789) |
| Non-controlling interests | | (6,149) | (4,584) |
| | | (34,943) | (10,373) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| | 8 | | |
| Basic | | (1.26) cents | (0.27) cents |
| Diluted | | N/A | N/A |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

| | <i>Notes</i> | 2022 | 2021 |
|--|--------------|------------------------|-----------------|
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 14,227 | 14,807 |
| Right-of-use assets | | 246 | 712 |
| Loan and interest receivables | <i>10</i> | 20,829 | 27,039 |
| Contract assets | <i>11</i> | 22,746 | 12,337 |
| Deferred tax assets | | 8,203 | 6,296 |
| Interests in associates | | 11,749 | 16,007 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 78,000 | 77,198 |
| CURRENT ASSETS | | | |
| Trade receivables | <i>9</i> | 14,413 | 15,223 |
| Loan and interest receivables | <i>10</i> | 37,864 | 57,438 |
| Contract assets | <i>11</i> | 13,461 | 28,559 |
| Deposits, prepayments and other receivables | <i>12</i> | 186,096 | 123,601 |
| Equity investments at fair value through profit or loss | | 8,624 | 15,118 |
| Equity investment at fair value through other comprehensive income | | 16,200 | 19,400 |
| Pledged bank deposits | | 28,431 | 27,192 |
| Cash and cash equivalents | | 62,418 | 90,217 |
| | | <hr/> | <hr/> |
| Total current assets | | 367,507 | 376,748 |
| CURRENT LIABILITIES | | | |
| Trade payables | <i>13</i> | 9,738 | 17,931 |
| Lease liabilities | | 250 | 479 |
| Other payables and accruals | <i>14</i> | 8,162 | 2,576 |
| Contract liabilities | <i>15</i> | 90,443 | 46,823 |
| Interest-bearing bank borrowings | | 8,792 | 10,344 |
| Contingent consideration payable | | – | 6,089 |
| Tax payables | | 3,959 | 2,969 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 121,344 | 87,211 |
| NET CURRENT ASSETS | | 246,163 | 289,537 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 324,163 | 366,735 |
| | | <hr/> | <hr/> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2022

| | <i>Notes</i> | 2022 HK\$'000 | 2021 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| NON-CURRENT LIABILITIES | | | |
| Retention payables | | 19,170 | 24,384 |
| Interest-bearing bank borrowings | | 7,214 | 9,393 |
| Lease liabilities | | 6 | 242 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 26,390 | 34,019 |
| | | <hr/> | <hr/> |
| Net assets | | 297,773 | 332,716 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | <i>16</i> | 19,800 | 19,800 |
| Reserves | | 288,854 | 317,648 |
| | | <hr/> | <hr/> |
| | | 308,654 | 337,448 |
| Non-controlling interests | | (10,881) | (4,732) |
| | | <hr/> | <hr/> |
| Total equity | | 297,773 | 332,716 |
| | | <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 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 loss 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 loss 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 and 1 April 2021 | 19,800 | 485,679 | (20,945) | (1,315) | 539 | - | (146,310) | 337,448 | (4,732) | 332,716 |
| Loss for the year | - | - | - | - | - | - | (24,910) | (24,910) | (6,149) | (31,059) |
| Other comprehensive loss for the year: | | | | | | | | | | |
| — Exchange difference reclassified to profit or loss upon strike off of a subsidiary | - | - | - | - | (583) | - | - | (583) | - | (583) |
| — Exchange differences on translation of foreign operations | - | - | - | - | (101) | - | - | (101) | - | (101) |
| — Change in fair value of equity investment at fair value through other comprehensive income | - | - | - | (3,200) | - | - | - | (3,200) | - | (3,200) |
| Total comprehensive loss for the year | - | - | - | (3,200) | (684) | - | (24,910) | (28,794) | (6,149) | (34,943) |
| At 31 March 2022 | 19,800 | 485,679* | (20,945)* | (4,515)* | (145)* | -* | (171,220)* | 308,654 | (10,881) | 297,773 |

* These reserve accounts comprise the consolidated reserves of approximately HK\$288,854,000 (2021: HK\$317,648,000) 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 2022. 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 2021 for the preparation of the consolidated financial statements:

| | |
|--|--|
| Amendments to HKFRS 16 | Covid-19 related Rent Concession |
| Amendments to HKFRS 16 | Covid-19 related Rent Concessions beyond 30 June 2021 |
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform-Phase 2 |

The application of 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:

| | |
|---|--|
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ¹ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 ¹ |
| Amendments to HKAS 16 | Proceeds before Intended Use ¹ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ¹ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ² |
| HKFRS 17 | Insurance contracts and the Related Amendments ² |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ² |
| Amendments to HKAS 8 | Definition of Accounting Estimates ² |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |

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

² Effective for annual periods beginning on or after 1 January 2023.

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in 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 2022 | 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 | – | 173,865 | – | 173,865 |
| Loans interest income | – | – | 3,787 | 3,787 |
| | – | 173,865 | 3,787 | 177,652 |
| Segment results | (288) | (3,505) | (10,220) | (14,013) |
| Interest income | | | | 512 |
| Corporate and other unallocated income | | | | 1,599 |
| Corporate and other unallocated expenses | | | | (20,073) |
| Loss before tax | | | | (31,975) |
| Segment assets | 1 | 246,332 | 58,878 | 305,211 |
| Corporate and other unallocated assets | | | | 140,296 |
| Total assets | | | | 445,507 |
| Segment liabilities | – | 141,802 | 452 | 142,254 |
| Corporate and other unallocated liabilities | | | | 5,480 |
| Total liabilities | | | | 147,734 |
| Other segment information: | | | | |
| Depreciation of property, plant and equipment | – | 604 | 6 | 610 |
| Depreciation of right-of-use assets | – | 205 | 261 | 466 |
| Additions to non-current assets other than financial instruments and deferred tax assets | – | 30 | – | 30 |

| 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 |
| Sales to external customers | – | 94,325 | 6,207 | 100,532 |
| Segment results | <u>772</u> | <u>6,080</u> | <u>(8,845)</u> | <u>(1,993)</u> |
| Interest income | | | | 537 |
| Corporate and other unallocated income | | | | 2,617 |
| Corporate and other unallocated expenses | | | | <u>(11,816)</u> |
| Loss before tax | | | | <u><u>(10,655)</u></u> |
| Segment assets | 1 | 194,375 | 84,936 | 279,312 |
| Corporate and other unallocated assets | | | | <u>174,634</u> |
| Total assets | | | | <u><u>453,946</u></u> |
| Segment liabilities | 42 | 109,984 | 898 | 110,924 |
| Corporate and other unallocated liabilities | | | | <u>10,306</u> |
| Total liabilities | | | | <u><u>121,230</u></u> |
| Other segment information: | | | | |
| Depreciation of property, plant and equipment | – | 1,155 | 31 | <u>1,186</u> |
| Depreciation of right-of-use assets | – | 205 | 267 | <u>472</u> |
| Amortisation of intangible assets | – | 60 | – | <u>60</u> |
| Addition to non-current assets other than financial instruments and deferred tax assets | – | 453 | 496 | <u>949</u> |

Geographical information

(a) Revenue from external customers

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-----------|-------------------------|-------------------------|
| Hong Kong | 3,787 | 6,207 |
| Macau | <u>173,865</u> | <u>94,325</u> |
| | <u><u>177,652</u></u> | <u><u>100,532</u></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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Hong Kong | 32,687 | 44,177 |
| Macau | 36,839 | 26,191 |
| The People's Republic of China (the "PRC") | <u>271</u> | <u>534</u> |
| | <u><u>69,797</u></u> | <u><u>70,902</u></u> |

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

Information about major customers

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-------------|-------------------------|-------------------------|
| Customer A* | N/A | 28,708 |
| Customer B* | <u>173,110</u> | <u>65,617</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:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue from contract with customers within the scope of HKFRS 15 | | |
| Construction projects | <u>173,865</u> | <u>94,325</u> |
| Revenue from other sources | | |
| Loans interest income | <u>3,787</u> | <u>6,207</u> |
| | <u>177,652</u> | <u>100,532</u> |
| Other income and gains | | |
| Bank interest income | 512 | 537 |
| Dividend income from equity investments at fair value through profit or loss | 1,299 | 1,247 |
| Gain on disposal of property, plant and equipment | – | 4,369 |
| Gain on strike off of a subsidiary | 726 | – |
| Write-back of other payables | 300 | 992 |
| Reimbursement from sub-contractor | – | 2,878 |
| Government subsidies (<i>Note</i>) | 194 | 719 |
| Others | – | 2 |
| | <u>3,031</u> | <u>10,744</u> |
| Total revenue, other income and gains | <u><u>180,683</u></u> | <u><u>111,276</u></u> |

Note: Government subsidies are cash subsidies granted by the Government of the Macau Special Administrative Region amounting to MOP200,000 (equivalent to approximately HK\$194,000) to support the Group's business in Macau under Covid-19 epidemic. During the year ended 31 March 2021, government subsidies represented 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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Timing of revenue recognition within the scope of HKFRS 15 | | |
| Construction projects transferred over time | <u><u>173,865</u></u> | <u><u>94,325</u></u> |

5. LOSS BEFORE TAX

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Cost of sales | | |
| — cost of construction | 156,038 | 80,061 |
| Auditor's remuneration | 1,070 | 1,038 |
| Depreciation of property, plant and equipment | 610 | 1,186 |
| Depreciation of right-of-use assets | 466 | 472 |
| Amortisation of intangible asset | – | 60 |
| Impairment of trade receivables | 10,088 | 9,260 |
| Impairment of loan and interest receivables | 12,486 | 12,704 |
| Impairment/(reversal of impairment) of contract assets | 2,113 | (443) |
| Impairment of other receivables | 2,888 | 336 |
| Impairment of amount due from associates | 4,258 | 326 |
| Reversal of impairment of property, plant and equipment | – | (484) |
| Employee benefits expenses (including Directors' remuneration): | | |
| Wages and salaries | 9,090 | 7,172 |
| Pension scheme contributions | 174 | 114 |
| | 9,264 | 7,286 |
| Lease payments not included in the measurement of lease liabilities | 10 | 40 |
| Bank interest income | (512) | (537) |
| Dividend income from equity investments at fair value through profit or loss | (1,299) | (1,247) |
| Fair value loss on equity investments at fair value through profit or loss | 3,324 | 3,564 |
| Write-off of equity investments at fair value through profit or loss | 3,170 | – |

6. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Interest on bank borrowings, secured | 568 | 785 |
| Interest on bank overdrafts | 96 | 101 |
| Interest on lease liabilities | 26 | 26 |
| | 690 | 912 |

7. INCOME TAX CREDIT

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 2021 and 2022. 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 2021 and 2022 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 2021 and 2022.

Macau profits tax is calculated at 12% on the estimated assessable profits over MOP600,000 arising from Macau during the years ended 31 March 2021 and 2022. 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.

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Current tax — Hong Kong | | |
| Charge for the year | – | 357 |
| Over-provision in previous year | (9) | – |
| Current tax — Macau | | |
| Charge for the year | <u>1,000</u> | <u>1,935</u> |
| | 991 | 2,292 |
| Deferred tax | | |
| Credit for the year | (1,907) | (2,096) |
| Under-provision in previous year | <u>–</u> | <u>(916)</u> |
| | (1,907) | (3,012) |
| Total tax credit for the year | <u>(916)</u> | <u>(720)</u> |

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:

| | 2022 <i>HK\$'000</i> | 2021 <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>(24,910)</u> | <u>(5,351)</u> |
| | Number of shares | |
| | 2022 | 2021 |
| 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 2022 and 31 March 2021 as there are no potential dilutive ordinary shares outstanding as at 31 March 2022 and 31 March 2021.

9. TRADE RECEIVABLES

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| Trade receivables | 34,531 | 25,253 |
| Less: Impairment | <u>(20,118)</u> | <u>(10,030)</u> |
| Net carrying amounts | <u>14,413</u> | <u>15,223</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 gross amount of HK\$20,098,000 with impairment of HK\$20,098,000 (2021: gross amount of HK\$20,098,000 with impairment of HK\$10,024,000) 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:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 1 month | 5,540 | 2,355 |
| 1 to 2 months | 7,885 | 2,136 |
| 2 to 3 months | – | 658 |
| 3 to 6 months | 507 | – |
| 6 to 12 months | 481 | – |
| Over 1 year | – | 10,074 |
| Over 2 years | – | – |
| | <u>14,413</u> | <u>15,223</u> |

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-------------------------|-------------------------|-------------------------|
| At 1 April | 10,030 | 4,550 |
| Written off | – | (3,780) |
| Impairment for the year | <u>10,088</u> | <u>9,260</u> |
| At 31 March | <u>20,118</u> | <u>10,030</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 1% to 7% (2021: 4% to 16%) 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.

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loan receivables | 97,900 | 112,150 |
| Interest receivables | <u>10,509</u> | <u>10,486</u> |
| | 108,409 | 122,636 |
| Less: Impairment | <u>(49,716)</u> | <u>(38,159)</u> |
| Net carrying amounts | 58,693 | 84,477 |
| Less: Current portion of loan and interest receivables | <u>(37,864)</u> | <u>(57,438)</u> |
| Non-current portion of loan and interest receivables | <u>20,829</u> | <u>27,039</u> |

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

| | 2022 | 2021 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Loan and interest receivables with maturity date: | | |
| Past due | 3,074 | 19,899 |
| Within 3 months | – | – |
| 3 months to 1 year | 34,790 | 37,539 |
| More than 1 year | 20,829 | 27,039 |
| | 58,693 | 84,477 |
| Less: Current portion of loan and interest receivables | (37,864) | (57,438) |
| Non-current portion of loan and interest receivables | 20,829 | 27,039 |

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

| | Year ended 31 March 2022 | | | |
|---|---------------------------------|-----------------|-----------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 1 April 2021 | 1,651 | 8,967 | 27,541 | 38,159 |
| New loans originated | 337 | – | – | 337 |
| Loans recovered or repaid during the year | – | – | (1,011) | (1,011) |
| Loans written off | (910) | – | (19) | (929) |
| Transfer | (943) | 943 | – | – |
| Changes during the year | 202 | (3,163) | 16,121 | 13,160 |
| As at 31 March 2022 | 337 | 6,747 | 42,632 | 49,716 |
| | Year ended 31 March 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 1 April 2020 | 35 | 20,808 | 4,612 | 25,455 |
| New loans originated | 943 | – | – | 943 |
| Loans recovered or repaid during the year | (1) | (1,660) | – | (1,661) |
| Transfer | (1) | (14,000) | 14,001 | – |
| Changes during the year | 675 | 3,819 | 8,928 | 13,422 |
| As at 31 March 2021 | 1,651 | 8,967 | 27,541 | 38,159 |

11. CONTRACT ASSETS

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Contract assets arising from construction contracts | 41,034 | 43,610 |
| Less: Impairment of contract assets | <u>(4,827)</u> | <u>(2,714)</u> |
| | 36,207 | 40,896 |
| Less: Contract assets classified as non-current portion | <u>(22,746)</u> | <u>(12,337)</u> |
| Contract assets classified as current portion | <u><u>13,461</u></u> | <u><u>28,559</u></u> |

The expected timing of recovery or settlement for contract assets, net of loss allowance as at 31 March 2021 and 2022 are as follows:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Within one year | 13,461 | 28,559 |
| More than one year | <u>22,746</u> | <u>12,337</u> |
| | <u><u>36,207</u></u> | <u><u>40,896</u></u> |

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| At 1 April | 2,714 | 3,157 |
| Impairment loss/(reversal of impairment) for the year | <u>2,113</u> | <u>(443)</u> |
| At 31 March | <u><u>4,827</u></u> | <u><u>2,714</u></u> |

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Prepayments | 26,824 | 22,601 |
| Trade deposits | 31,916 | 1,556 |
| Utility and other deposits | 6,261 | 6,403 |
| Advances to subcontractors | 102,057 | 76,685 |
| Other receivables | 11,120 | 12,642 |
| Due from securities brokers | 4,533 | – |
| Proceeds from disposal of property, plant and equipment | 7,362 | 7,362 |
| Due from a director of subsidiary | 1,075 | 1,094 |
| | <u>191,148</u> | <u>128,343</u> |
| Less: Impairment | <u>(5,052)</u> | <u>(4,742)</u> |
| | <u><u>186,096</u></u> | <u><u>123,601</u></u> |

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|------------------------------|-------------------------|-------------------------|
| At 1 April | 4,742 | 19,406 |
| Impairment loss for the year | 2,888 | 336 |
| Write-off | <u>(2,578)</u> | <u>(15,000)</u> |
| At 31 March | <u><u>5,052</u></u> | <u><u>4,742</u></u> |

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:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 1 month | 9,697 | 15,115 |
| 1 to 2 months | – | 1,509 |
| 2 to 3 months | – | 257 |
| Over 3 months | 41 | 1,050 |
| | <u>9,738</u> | <u>17,931</u> |

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

14. OTHER PAYABLES AND ACCRUALS

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-----------------------|-------------------------|-------------------------|
| Other payables | 418 | 1,183 |
| Accruals | 1,655 | 1,393 |
| Consideration payable | 6,089 | – |
| | <u>8,162</u> | <u>2,576</u> |

15. CONTRACT LIABILITIES

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Deposits received from construction contracts | <u>90,443</u> | <u>46,823</u> |

During the year ended 31 March 2022, revenue of HK\$46,823,000 (2021: HK\$7,728,000) were recognised that were included in the contract liabilities balance at the beginning of the year.

16. SHARE CAPITAL

| | Number of shares | Par value HK\$ | Share capital HK\$'000 |
|---|-----------------------|-------------------|------------------------------|
| Authorised: | | | |
| Ordinary shares | | | |
| At 1 April 2020, 31 March 2021 and 1 April 2021 | 2,800,000,000 | 0.01 | 28,000 |
| Increase on 6 January 2022 (<i>Note a</i>) | <u>17,200,000,000</u> | <u>0.01</u> | <u>172,000</u> |
| At 31 March 2022 | <u>20,000,000,000</u> | <u>0.01</u> | <u>200,000</u> |
| Preference shares | | | |
| At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022 | <u>850,000,000</u> | <u>0.01</u> | <u>8,500</u> |
| Issued and fully paid: | | | |
| Ordinary shares | | | |
| At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022 | <u>1,980,000,000</u> | <u>0.01</u> | <u>19,800</u> |

Note a:

Pursuant to the special general meeting held on 6 January 2022, it was resolved that the authorised ordinary shares of the Company was increased from HK\$28,000,000 divided into 2,800,000,000 ordinary shares of par value of HK\$0.01 to HK\$200,000,000 divided into 20,000,000,000 ordinary shares of par value of HK\$0.01 each by the creation of 17,200,000,000 ordinary shares of par value of HK\$0.01 each.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

While the world was gradually moving towards the post-pandemic era in 2021, the regions where the Group's operations locate was facing another wave of epidemic in the first half of 2022. The Group's construction business was mainly in Macau and was able to resume operations during 2021. However, the travel restrictions in Macau were made stringent again and our office and construction site encountered a number of lockdowns during first half of 2022. As a result, though we had significant progress of our current "Macau Prison Project" during the year, the upcoming operating conditions are still uncertain. In addition, the continuous high material costs and logistic costs reduced the expected profit margin of the project and created uncertainties in project tendering. Concerning our money lending business, we maintain our conservative approach in customer selection so as to minimize potential future credit loss. As a result, there were an increase in the recognized revenue with a lower profitability from the Group's construction business and a decline in our money lending business during the year.

For the year ended 31 March 2022, the Group recorded total revenue of approximately HK\$177.7 million, or a 76.8% increase from that of FY2021 (HK\$100.5 million) with the resumption of operation in Macau. The Group's construction business recorded a revenue of approximately HK\$173.9 million (2021: HK\$94.3 million) and money lending business of approximately HK\$3.8 million (2021:HK\$6.2 million).

During the year, total gross profit was approximately HK\$21.6 million (2021: approximately HK\$20.5 million), representing an approximately 5.4% increase. The gross margin for the year was approximately 12.2% (2021: approximately 20.4%).

The Group recorded no revenue from the trading of aluminium products business during the year (2021: 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\$173.9 million for the year (2021: HK\$94.3 million). With the abovementioned higher material and logistic costs, the gross margin of the construction projects segment was approximately 10.3% for the year, a reduction from 15.1% last year.

Revenue and gross profit of the money lending segment, which were mainly interest income with no direct interest expense, were both approximately HK\$3.8 million for the year ended 31 March 2022, or a 38.7% decrease from that in 2021. The Group maintained a conservative approach in customer selection during the year, and we believe the recent improvement in the economic conditions in Hong Kong may have positive impact to the money lending business in 2022.

PROSPECTS

The world and local economies have been affected by the COVID-19 since 2019. While we are progress to the post-pandemic era, the Group anticipates the resumption to normal will take longer than expected. The Group believes the construction market in Macau is of tremendous potential and will continue our current strategy. In addition, the development in the Guangdong-Hong Kong-Macao Greater Bay Area, the Northern Metropolis Development and Lantau Tomorrow Vision may create numerous opportunities for the Group and we are actively seeking investment and projects so as to expand our operations in both Hong Kong and Macau.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2022, the Group had cash and bank balances of approximately HK\$62.4 million (2021: HK\$90.2 million) while net assets was approximately HK\$297.8 million (2021: HK\$332.7 million). The Group's gearing ratio as at 31 March 2022 was approximately 0.05 (2021: approximately 0.06), being a ratio of total bank and other borrowings of approximately HK\$16.0 million (2021: approximately HK\$19.7 million) to Shareholders' funds of approximately HK\$308.7 million (2021: approximately HK\$337.4 million).

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2022, 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 2022, the Group pledged an office premises and car park in Macau with an aggregate amount of HK\$11.6 million (2021: HK\$11.9 million) and bank deposits amounting to approximately HK\$28.4 million (2021: HK\$27.2 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 2022 and 2021.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2022.

COMMITMENTS

The Group did not have any significant commitments as at 31 March 2022.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group had 15 (2021: 18) 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.

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 2022 Annual Report will be despatched to our shareholders on or before 31 July 2022 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 25 August 2022 (the “AGM”), the register of members of the Company will be closed from 22 August 2022 to 25 August 2022, 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 (if the transfer will be lodged before 15 August 2022) or 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration no later than 4:30 p.m. on 19 August 2022.

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
Tung Yee Shing
Chairman

Hong Kong, 29 June 2022

As at the date of this announcement, the Board comprises 7 Directors. The executive Directors are Mr. Tung Yee Shing (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*