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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 2023

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 2023, together with the comparative figures for the corresponding period in 2022 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>REVENUE</b>	4	<b>244,346</b>	177,652
Cost of sales		<b>(219,039)</b>	(156,038)
Gross profit		<b>25,307</b>	21,614
Other income and gains	4	<b>817</b>	3,031
General and administrative expenses		<b>(15,714)</b>	(17,603)
Finance costs	6	<b>(641)</b>	(690)
Fair value loss on equity investments at fair value through profit or loss		<b>(7,626)</b>	(3,324)
Impairment of trade receivables		<b>(619)</b>	(10,088)
Impairment of other receivables		<b>(6,954)</b>	(2,888)
Impairment of contract assets		<b>(38)</b>	(2,113)
Impairment of loan and interest receivables		<b>(7,800)</b>	(12,486)
Impairment of amount due from associates		<b>(1,100)</b>	(4,258)
Impairment of property, plant and equipment		<b>(602)</b>	–
Write-off of equity investments at fair value through profit or loss		–	(3,170)
<b>LOSS BEFORE TAX</b>	5	<b>(14,970)</b>	(31,975)
Income tax credit	7	<b>2,067</b>	916
<b>LOSS FOR THE YEAR</b>		<b>(12,903)</b>	(31,059)

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

*For the year ended 31 March 2023*

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Other comprehensive income/(loss) 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		<b>33</b>	(101)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Financial assets designated at fair value through other comprehensive income changes in fair value		<u>(2,400)</u>	<u>(3,200)</u>
<b>NET OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<u>(2,367)</u>	<u>(3,884)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u>(15,270)</u>	<u>(34,943)</u>
Loss attributable to:			
Owners of the Company		(12,747)	(24,910)
Non-controlling interests		<u>(156)</u>	<u>(6,149)</u>
		<u>(12,903)</u>	<u>(31,059)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(15,114)	(28,794)
Non-controlling interests		<u>(156)</u>	<u>(6,149)</u>
		<u>(15,270)</u>	<u>(34,943)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
	8		
Basic		<u>(0.64) cents</u>	<u>(1.26) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>12,965</b>	14,227
Right-of-use assets		<b>286</b>	246
Loan and interest receivables	<i>11</i>	<b>32,491</b>	20,829
Deferred tax assets		<b>8,203</b>	8,203
Interests in associates		<b>10,649</b>	11,749
		<hr/>	<hr/>
Total non-current assets		<b>64,594</b>	55,254
<b>CURRENT ASSETS</b>			
Trade receivables	<i>10</i>	<b>134,100</b>	14,413
Loan and interest receivables	<i>11</i>	<b>32,725</b>	37,864
Contract assets	<i>12</i>	<b>43,087</b>	36,207
Deposits, prepayments and other receivables	<i>13</i>	<b>77,711</b>	186,096
Equity investments at fair value through profit or loss		<b>998</b>	8,624
Financial assets at fair value through other comprehensive income		<b>13,800</b>	16,200
Pledged bank deposits		<b>21,549</b>	28,431
Cash and cash equivalents		<b>20,655</b>	62,418
		<hr/>	<hr/>
Total current assets		<b>344,625</b>	390,253
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>14</i>	<b>11,392</b>	9,738
Lease liabilities		<b>224</b>	250
Other payables and accruals	<i>15</i>	<b>8,567</b>	8,162
Contract liabilities		<b>63,792</b>	90,443
Retention payables		<b>27,066</b>	19,170
Interest-bearing bank borrowings		<b>8,680</b>	8,792
Tax payables		<b>1,892</b>	3,959
		<hr/>	<hr/>
Total current liabilities		<b>121,613</b>	140,514
<b>NET CURRENT ASSETS</b>			
		<b>223,012</b>	249,739
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>287,606</b>	304,993

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>5,034</b>	7,214
Lease liabilities		<b>69</b>	6
		<hr/>	<hr/>
Total non-current liabilities		<b>5,103</b>	7,220
		<hr/>	<hr/>
Net assets		<b>282,503</b>	297,773
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	<b>19,800</b>	19,800
Reserves		<b>273,740</b>	288,854
		<hr/>	<hr/>
		<b>293,540</b>	308,654
Non-controlling interests		<b>(11,037)</b>	(10,881)
		<hr/>	<hr/>
Total equity		<b>282,503</b>	297,773
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP INFORMATION

Zhidao International (Holdings) Limited (the “**Company**”) is a limited liability company incorporated in Bermuda on 8 July 1997. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is situated at Room 2606, 26th Floor, C C Wu Building, No. 302–308 Hennessy Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively, the “**Group**”) is principally engaged in (i) trading of aluminium products; (ii) supply of aluminium products in construction projects and 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 and (ii) financial assets at fair value through other comprehensive income 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 2023. 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**

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods 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 applied any new and revised HKFRSs that have been issued but are not yet effective. These new and revised HKFRSs include the following which may be relevant to the Group:

HKFRS 17	Insurance contracts and the Related Amendments <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
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 <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> 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 other 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 aluminium 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/(loss) on disposal of property, plant and equipment, gain/(loss) on strike off of a subsidiary, 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, financial assets 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 2023	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>
<b>Segment revenue:</b>				
Construction projects	–	240,520	–	240,520
Loans interest income	–	–	3,826	3,826
	<hr/>	<hr/>	<hr/>	<hr/>
Sales to external customers	–	240,520	3,826	244,346
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Segment results</b>	<b>(274)</b>	<b>7,635</b>	<b>(7,746)</b>	<b>(385)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Interest income				549
Corporate and other unallocated income				268
Corporate and other unallocated expenses				<u>(15,402)</u>
Loss before tax				<u><u>(14,970)</u></u>
<b>Segment assets</b>	<b>1</b>	<b>263,226</b>	<b>65,585</b>	<b>328,812</b>
Corporate and other unallocated assets				<u>80,407</u>
Total assets				<u><u>409,219</u></u>
<b>Segment liabilities</b>	<b>–</b>	<b>116,461</b>	<b>662</b>	<b>117,123</b>
Corporate and other unallocated liabilities				<u>9,593</u>
Total liabilities				<u><u>126,716</u></u>
<b>Other segment information:</b>				
Depreciation of property, plant and equipment	–	574	5	<u>579</u>
Depreciation of right-of-use assets	–	150	239	<u>389</u>
Impairment of trade receivables	–	619	–	<u>619</u>
Impairment of loan and interest receivables	–	–	7,800	<u>7,800</u>
Impairment of contract assets	–	38	–	<u>38</u>
Impairment of other receivables	–	6,954	–	<u>6,954</u>
Impairment of property, plant and equipment	–	602	–	<u>602</u>
Additions to non-current assets other than financial instruments and deferred tax assets	–	7	436	<u>443</u>

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>
<b>Segment revenue:</b>				
Construction projects	–	173,865	–	173,865
Loans interest income	–	–	3,787	3,787
Sales to external customers	–	173,865	3,787	177,652
<b>Segment results</b>	<u>(288)</u>	<u>(3,505)</u>	<u>(10,220)</u>	<u>(14,013)</u>
Interest income				512
Corporate and other unallocated income				1,599
Corporate and other unallocated expenses				<u>(20,073)</u>
Loss before tax				<u><u>(31,975)</u></u>
<b>Segment assets</b>	1	246,332	58,878	305,211
Corporate and other unallocated assets				<u>140,296</u>
Total assets				<u><u>445,507</u></u>
<b>Segment liabilities</b>	–	141,802	452	142,254
Corporate and other unallocated liabilities				<u>5,480</u>
Total liabilities				<u><u>147,734</u></u>
<b>Other segment information:</b>				
Depreciation of property, plant and equipment	–	604	6	<u><u>610</u></u>
Depreciation of right-of-use assets	–	205	261	<u><u>466</u></u>
Impairment of trade receivables	–	10,088	–	<u><u>10,088</u></u>
Impairment of loan and interest receivables	–	–	12,486	<u><u>12,486</u></u>
Impairment of contract assets	–	2,113	–	<u><u>2,113</u></u>
Impairment of other receivables	–	2,888	–	<u><u>2,888</u></u>
Additions to non-current assets other than financial instruments and deferred tax assets	–	30	–	<u><u>30</u></u>

## Geographical information

### (a) Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	3,826	3,787
Macau	<u>240,520</u>	<u>173,865</u>
	<u><u>244,346</u></u>	<u><u>177,652</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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	43,439	32,687
Macau	12,952	14,093
PRC	<u>–</u>	<u>271</u>
	<u><u>56,391</u></u>	<u><u>47,051</u></u>

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

## Information about major customers

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A*	<u><u>240,520</u></u>	<u><u>173,110</u></u>

\* Revenue from construction projects segment

#### 4. REVENUE, OTHER INCOME AND GAINS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue from contract with customers within the scope of HKFRS 15</b>		
Construction projects	<u>240,520</u>	<u>173,865</u>
<b>Revenue from other sources</b>		
Loans interest income	<u>3,826</u>	<u>3,787</u>
	<u>244,346</u>	<u>177,652</u>
<b>Other income and gains</b>		
Bank interest income	549	512
Dividend income from equity investments at fair value through profit or loss	–	1,299
Gain on strike off of a subsidiary	–	726
Write-back of other payables	239	300
Government subsidies ( <i>Note</i> )	19	194
Others	<u>10</u>	<u>–</u>
	<u>817</u>	<u>3,031</u>
Total revenue, other income and gains	<u><u>245,163</u></u>	<u><u>180,683</u></u>

*Note:* Government subsidies are cash subsidies granted by the Government of the Macau Special Administrative Region amounting to MOP20,000 (equivalent to approximately HK\$19,000) (2022: MOP200,000 (equivalent to approximately HK\$194,000)) to support the Group's business in Macau under Covid-19 epidemic.

##### (i) Disaggregated revenue information

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Timing of revenue recognition within the scope of HKFRS 15		
Construction projects transferred over time	<u>240,520</u>	<u>173,865</u>

## 5. LOSS BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of sales		
— cost of construction	219,039	156,038
Auditor's remuneration	1,100	1,070
Depreciation of property, plant and equipment	579	610
Depreciation of right-of-use assets	389	466
Impairment of trade receivables	619	10,088
Impairment of loan and interest receivables	7,800	12,486
Impairment of contract assets	38	2,113
Impairment of other receivables	6,954	2,888
Impairment of amount due from associates	1,100	4,258
Impairment of property, plant and equipment	602	—
Employee benefits expenses (including Directors' remuneration):		
Wages and salaries	9,189	9,090
Pension scheme contributions	157	174
	<u>9,346</u>	<u>9,264</u>
Lease payments not included in the measurement of lease liabilities	—	10
Bank interest income	(549)	(512)
Loss on disposal of property, plant and equipment	38	—
Dividend income from equity investments at fair value through profit or loss	—	(1,299)
Fair value loss on equity investments at fair value through profit or loss	7,626	3,324
Write-off of equity investments at fair value through profit or loss	—	3,170
	<u><u>9,346</u></u>	<u><u>9,264</u></u>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings, secured	521	568
Interest on bank overdrafts	103	96
Interest on lease liabilities	17	26
	<u>641</u>	<u>690</u>

## 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 2022 and 2023. 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 2022 and 2023 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 2022 and 2023.

Macau profits tax is calculated at 12% on the estimated assessable profits over MOP600,000 arising from Macau during the years ended 31 March 2022 and 2023. Assessable profits below MOP600,000 is exempted from 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax — Hong Kong		
Charge for the year	4	–
Over-provision in previous year	–	(9)
Current tax — Macau		
Charge for the year	906	1,000
Over-provision in previous year	<u>(2,977)</u>	<u>–</u>
	(2,067)	991
Deferred tax		
Credit for the year	<u>–</u>	<u>(1,907)</u>
Total tax credit for the year	<u><u>(2,067)</u></u>	<u><u>(916)</u></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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<u>(12,747)</u>	<u>(24,910)</u>
	<b>Number of shares</b>	
	2023	2022
<b>Shares</b>		
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 years ended 31 March 2023 and 31 March 2022 as there are no potential dilutive ordinary shares outstanding as at 31 March 2023 and 2022.

## 9. DIVIDENDS

The directors did not recommend the payment of any dividends for the year ended 31 March 2023 (2022: nil).

## 10. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	154,837	34,531
Less: Impairment	<u>(20,737)</u>	<u>(20,118)</u>
Net carrying amounts	<u>134,100</u>	<u>14,413</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. As at 31 March 2023, included in the trade receivables of gross amount of HK\$20,098,000 with impairment of HK\$20,098,000 (2022: gross amount of HK\$20,098,000 with impairment of HK\$20,098,000) were the outstanding balance with Fortune Engineering & Consultants Limited (“**Fortune**”), the non-controlling shareholder of an indirect subsidiary of the Company.

The Group normally did not grant any credit period to its 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:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Within 1 month	<b>23,932</b>	5,540
1 to 2 months	<b>35,098</b>	7,885
2 to 3 months	<b>38,290</b>	–
3 to 6 months	<b>36,780</b>	507
6 to 12 months	–	481
	<u><b>134,100</b></u>	<u>14,413</u>

## 11. LOAN AND INTEREST RECEIVABLES

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Loan receivables	<b>109,400</b>	97,900
Interest receivables	<b>13,332</b>	10,509
	<u><b>122,732</b></u>	<u>108,409</u>
Less: Impairment	<b>(57,516)</b>	(49,716)
	<u><b>65,216</b></u>	<u>58,693</u>
Less: Current portion of loan and interest receivables	<b>(32,725)</b>	(37,864)
	<u><b>32,491</b></u>	<u>20,829</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:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Loan and interest receivables with maturity date:		
Past due	<b>3,007</b>	3,074
Within 3 months	<b>1,501</b>	–
3 months to 1 year	<b>28,217</b>	34,790
More than 1 year	<b>32,491</b>	20,829
	<u><b>65,216</b></u>	<u>58,693</u>
Less: Current portion of loan and interest receivables	<b>(32,725)</b>	(37,864)
	<u><b>32,491</b></u>	<u>20,829</u>



## 12. CONTRACT ASSETS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract assets arising from construction contracts		
— retention receivables	32,699	23,533
— unbilled revenue	15,253	17,501
Less: Impairment of contract assets	<u>(4,865)</u>	<u>(4,827)</u>
	<u><u>43,087</u></u>	<u><u>36,207</u></u>

The expected timing of recovery or settlement for contract assets, net of loss allowance as at 31 March 2022 and 2023 are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	11,207	13,461
More than one year	<u>31,880</u>	<u>22,746</u>
	<u><u>43,087</u></u>	<u><u>36,207</u></u>

## 13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Prepayments	12,459	26,824
Trade deposits	31,916	31,916
Utility and other deposits	6,267	6,261
Advances to subcontractors	–	102,057
Other receivables	25,766	11,120
Due from securities brokers	4,536	4,533
Proceeds from disposal of property, plant and equipment	7,362	7,362
Due from a director of subsidiary	<u>1,411</u>	<u>1,075</u>
	89,717	191,148
Less: Impairment	<u>(12,006)</u>	<u>(5,052)</u>
	<u><u>77,711</u></u>	<u><u>186,096</u></u>

#### 14. 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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	<b>3,313</b>	9,697
1 to 2 months	<b>1,624</b>	–
2 to 3 months	<b>6,455</b>	–
Over 3 months	–	41
	<u><b>11,392</b></u>	<u>9,738</u>

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

#### 15. OTHER PAYABLES AND ACCRUALS

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other payables	<b>398</b>	418
Accruals	<b>2,080</b>	1,655
Consideration payable	<b>6,089</b>	6,089
	<u><b>8,567</b></u>	<u>8,162</u>

## 16. SHARE CAPITAL

	Number of shares	Par value HK\$	Share capital HK\$'000
Authorised:			
Ordinary shares			
At 1 April 2021	2,800,000,000	0.01	28,000
Increase on 6 January 2022	<u>17,200,000,000</u>	<u>0.01</u>	<u>172,000</u>
At 31 March 2022, 1 April 2022 and 31 March 2023	<u>20,000,000,000</u>	<u>0.01</u>	<u>200,000</u>
Preference shares			
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>850,000,000</u>	<u>0.01</u>	<u>8,500</u>
Issued and fully paid:			
Ordinary shares			
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<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.

## 17. COMPARATIVES

Certain comparative amounts have been reclassified to conform with the current year's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the year ended 31 March 2023, the Group continued to face challenges as a result of the COVID-19 pandemic, which adversely impacted the business environment in both Hong Kong and Macau where the Group's major market is. The delays in construction material and project works increased the costs and time required for completing projects.

With the stringent travelling controls were alleviated in the first quarter of 2023, it was noticed that the economic activities gradually resumed in the second quarter of the year. However, the challenges from the pandemic were then replaced by the key economic conditions of surging interest rates, rising material and logistic costs and workforce shortage, which created uncertainties and difficulties in project execution and tendering. The Group continues seeking development opportunities including new project tendering and potential acquisition and/or investment so as to mitigate the risks from such uncertainties.

With our conservative approach in customer selection, our money lending business was maintained at a scale similar to last year. The key growth in the Group's revenue was mainly driven by the construction business. For the year ended 31 March 2023, the Group recorded total revenue of approximately HK\$244.3 million, or a 37.5% increase from that of FY2022 (HK\$177.7 million) mainly with the construction operation in Macau. The Group's construction business contributed a revenue of approximately HK\$240.5 million (2022: HK\$173.9 million) and money lending business of approximately HK\$3.8 million (2022: HK\$3.8 million).

The total gross profit recognized for the year was approximately HK\$25.3 million (2022: approximately HK\$21.6 million), representing an approximately 17.1% increase. The gross margin for the year was approximately 10.4% (2022: approximately 12.2%). The Group recorded no revenue from the trading of aluminium products business during the year (2022: 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.

### **PROSPECTS**

With the re-open of the China market after the pandemic, it is anticipated that the economy in Hong Kong and Macau will continue to be re-energized with investors and travelers from China. The Group anticipates the resumption of economic activities will be translated into higher desire of property development and construction works, though this process may takes months or years. The Group will continue to maintain and develop its market position and explore opportunities of new projects and investment.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 March 2023, the Group had cash and bank balances of approximately HK\$20.7 million (2022: HK\$62.4 million) while net assets was approximately HK\$282.5 million (2022: HK\$297.8 million). The Group's gearing ratio as at 31 March 2023 was approximately 0.05 (2022: approximately 0.05), being a ratio of total bank and other borrowings of approximately HK\$13.7 million (2022: approximately HK\$16.0 million) to Shareholders' funds of approximately HK\$293.5 million (2022: approximately HK\$308.7 million).

### **SHARE OPTION SCHEME**

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

### **FOREIGN EXCHANGE EXPOSURE**

As at 31 March 2023, 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 2023, the Group pledged an office premises and car park in Macau with an aggregate amount of HK\$10.8 million (2022: HK\$11.6 million) and bank deposits amounting to approximately HK\$21.5 million (2022: HK\$28.4 million) to secure bank facilities of the Group.

### **DIVIDENDS**

The Board did not recommend the payment of any dividend for the year ended 31 March 2023 and 2022.

### **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 March 2023.

## **COMMITMENTS**

The Group did not have any significant commitments as at 31 March 2023.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2023, the Group had 15 (2022: 15) 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.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

## **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](http://www.hkex.com.hk)) and the Company ([www.zdihl.com](http://www.zdihl.com)). The 2023 Annual Report will be despatched to our shareholders on or before 31 July 2023 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 2023 (the “AGM”), the register of members of the Company will be closed from 22 August 2023 to 25 August 2023, 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 and transfer office in Hong Kong, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 21 August 2023.

## **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, 30 June 2023

*As at the date of this announcement, the Board comprises 6 Directors. The executive Directors are Mr. Tung Yee Shing, Mr. Zhong Can and Mr. Lam Chun Bun. The independent non-executive Directors are Mr. Li Kam Chung, Mr. Kwok Lap Fung, Beeson and Mr. Wong Wing Cheung.*

\* *For identification purposes only*