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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board of directors (the “**Board**”) of Zhidao International (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2023 (the “**Period**”), together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Six months ended	
		30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	5, 6	186,922	52,709
Cost of sales		<u>(166,241)</u>	<u>(44,958)</u>
Gross profit		20,681	7,751
Other income and gains	6	236	273
General and administrative expenses		(6,787)	(6,781)
Net unrealised (loss)/gain arising on revaluation of financial assets at fair value through profit or loss	7	(728)	(156)
Impairment of amount due from associates		<u>(827)</u>	<u>(433)</u>
PROFIT BEFORE TAX	7	12,575	654
Income tax expense	8	<u>(1,906)</u>	<u>(517)</u>
PROFIT FOR THE PERIOD		<u>10,669</u>	<u>137</u>

* For identification purposes only

		Six months ended	
		30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>137</u>	<u>–</u>
NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>137</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>10,806</u></u>	<u><u>137</u></u>
Profit attributable to:			
Owners of the Company		<u>10,748</u>	166
Non-controlling interests		<u>(79)</u>	<u>(29)</u>
		<u><u>10,669</u></u>	<u><u>137</u></u>
Total comprehensive income attributable to:			
Owners of the Company		<u>10,885</u>	166
Non-controlling interests		<u>(79)</u>	<u>(29)</u>
		<u><u>10,806</u></u>	<u><u>137</u></u>
PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	9	<u><u>0.5 cent</u></u>	<u><u>0.01 cent</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		At 30 September 2023 (Unaudited) <i>HK\$'000</i>	At 31 March 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		12,696	12,965
Right-of-use asset		234	286
Loan and interest receivables	12	33,580	32,491
Deferred tax asset		8,203	8,203
Interests in associates		9,822	10,649
		64,535	64,594
TOTAL non-current assets			
CURRENT ASSETS			
Trade receivables	11	156,369	134,100
Loan and interest receivables	12	25,583	32,725
Contract assets		195,816	43,087
Prepayments, deposits and other receivables	13	50,242	77,711
Equity investment at fair value through profit or loss	14	270	998
Equity investment at fair value through other comprehensive income	15	13,800	13,800
Pledged bank deposits		21,608	21,549
Cash and cash equivalents		6,961	20,655
		470,649	344,625
TOTAL current assets			
CURRENT LIABILITIES			
Trade payables		125,624	11,392
Lease liabilities		191	224
Other payables and accruals		7,933	8,567
Contract liabilities		63,792	63,792
Retention payables		28,430	27,066
Interest-bearing bank and other borrowings		8,592	8,680
Tax payables		3,159	1,892
		237,721	121,613
TOTAL current liabilities			
NET CURRENT ASSETS		232,928	223,012
TOTAL ASSETS LESS CURRENT LIABILITIES			
		297,463	287,606

	At	At
	30 September	31 March
	2023	2023
	(Unaudited)	(Audited)
<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	4,106	5,034
Lease liabilities	48	69
	<hr/>	<hr/>
Total non-current liabilities	4,154	5,103
	<hr/>	<hr/>
Net assets	293,309	282,503
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	19,800	19,800
Reserves	284,624	273,740
	<hr/>	<hr/>
Equity attributable to owners of the Company	304,424	293,540
Non-controlling interests	(11,115)	(11,037)
	<hr/>	<hr/>
Total equity	293,309	282,503
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. CORPORATE AND GROUP INFORMATION

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, 26/F, C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in (i) trading of aluminium products; (ii) supply of aluminium products in the construction projects and the provision of construction and engineering services; (iii) money lending business.

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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2023 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**”) (including HKAS 34 “**Interim Financial Reporting**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and accounting principles generally accepted in Hong Kong. In addition, the condensed consolidated financial statements include applicable disclosures required by Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). They have been prepared under the historical cost convention. These condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2023.

Except as described below, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2023.

These condensed consolidated financial statements have not been audited, but have been reviewed by the audit committee of the Company.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2023.

4. COMPARATIVES

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

5. OPERATING SEGMENT INFORMATION

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 before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, gain on disposal of subsidiaries, written back of impairment of associates and share of losses of associates, as well as head office and corporate income and expenses are excluded from such measurement.

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Segment revenue		
Transactions with external customers:		
Trading of aluminium products	–	–
Construction projects	184,100	49,947
Money lending	2,822	2,762
	186,922	52,709
Segment results		
Trading of aluminium products	(129)	(127)
Construction projects	13,931	2,216
Money lending	907	1,101
	14,709	3,190
Interest income	234	273
Corporate and other unallocated income	–	–
Corporate and other unallocated expenses	(4,274)	(3,326)
	10,669	137

Information about major customer

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

	Six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Customer A ¹	<u>184,100</u>	<u>49,947</u>

¹ Revenue from construction projects segment

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents (i) net invoiced value of goods sold, after allowances for returns and trade discounts; (ii) an appropriate proportion of contract revenue of construction contracts; and (iii) loan interest income from money lending business.

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

	Six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue		
Trading of aluminium products	–	–
Construction projects	184,100	49,947
Loans interest income	<u>2,822</u>	<u>2,762</u>
	<u>186,922</u>	<u>52,709</u>
Other income and gains		
Interest income	234	273
Dividend income	–	–
Other income	<u>2</u>	<u>–</u>
	<u>236</u>	<u>273</u>
Total revenue, other income and gains	<u>187,158</u>	<u>52,982</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of construction	166,241	44,958
Depreciation of property, plant and equipment	269	304
Depreciation of right-of-use assets	114	227
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	4,302	4,171
Pension scheme contributions	71	77
	<u>4,373</u>	<u>4,248</u>
Net unrealised loss arising on revaluation of financial assets at fair value through profit or loss	728	156
Loss on disposal of property, plant and equipment	–	37
Loss on disposal of a subsidiary	129	–
	<u><u>4,373</u></u>	<u><u>4,248</u></u>

8. INCOME TAX EXPENSE

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 period ended 30 September 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 PRC, the Enterprise Income Tax (“EIT”) will be taxed at 25% during the period ended 30 September 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 period ended 30 September 2022 and 2023.

Macau profits tax is calculated at 12% on the estimated assessable profits over MOP600,000 arising from Macau during the period ended 30 September 2022 and 2023. 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.

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax — Hong Kong Charge for the Period	523	99
Current tax — PRC Charge for the Period	—	—
Current tax — Macau Charge for the Period	1,383	418
Total tax charge for the Period	<u>1,906</u>	<u>517</u>

9. PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic profit per share amounts is based on the unaudited profit of approximately HK\$10,748,000 for the Period (six months ended 30 September 2022: profit of approximately HK\$166,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,980,000,000 ordinary shares in issue during the Period (six months ended 30 September 2022: 1,980,000,000).

No diluted earnings per share is presented for the period ended 30 September 2023 and 30 September 2022 as there are no potential dilutive ordinary shares outstanding as at 30 September 2023 and 30 September 2022.

10. DIVIDENDS

The Board did not recommend the payment of any dividend for the Period (six months ended 30 September 2022: Nil).

11. TRADE RECEIVABLES

	At 30 September 2023 (Unaudited) <i>HK\$'000</i>	At 31 March 2023 (Audited) <i>HK\$'000</i>
Trade receivables	177,106	154,837
Less: Impairment	<u>(20,737)</u>	<u>(20,737)</u>
Net carrying amounts	<u><u>156,369</u></u>	<u><u>134,100</u></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.

The Group allows a credit period normally 0 to 90 days to its trade customers. An aging analysis of the trade receivables as at the end of the reporting period, based on the date of invoice, is as follows:

	At 30 September 2023 (Unaudited) <i>HK\$'000</i>	At 31 March 2023 (Audited) <i>HK\$'000</i>
Within 1 month	–	23,932
1 to 2 months	–	35,098
2 to 3 months	–	38,290
3 to 6 months	17,982	36,780
6 to 12 months	138,387	–
Over 1 year	<u>–</u>	<u>–</u>
Trade receivables	<u><u>156,369</u></u>	<u><u>134,100</u></u>

12. LOAN AND INTEREST RECEIVABLES

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

Loan receivables bear interest at fixed rates for the range from 1% to 14% per annum, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by the pledge of debtors' assets. Overdue balances are reviewed regularly and handled closely by senior management.

	At 30 September 2023 (Unaudited) <i>HK\$'000</i>	At 31 March 2023 (Audited) <i>HK\$'000</i>
Loan receivables	100,900	109,400
Interest receivables	15,779	13,332
	<u>116,679</u>	<u>122,732</u>
Less: Impairment	(57,516)	(57,516)
Net carrying amounts	59,163	65,216
Less: Current portion of loan and interest receivables	25,583	(32,725)
Non-current portion of loan and interest receivables	<u>33,580</u>	<u>32,491</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:

	At 30 September 2023 (Unaudited) <i>HK\$'000</i>	At 31 March 2023 (Audited) <i>HK\$'000</i>
Receivables:		
Past due	1,003	3,007
Within 3 months	24,580	1,501
3 months to 1 year	–	28,217
More than 1 year	33,580	32,491
	<u>59,163</u>	<u>65,216</u>
Less: Current portion of loan and interest receivables	25,583	(32,725)
Non-current portion of loan and interest receivables	<u>33,580</u>	<u>32,491</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2023 (Unaudited) <i>HK\$'000</i>	At 31 March 2023 (Audited) <i>HK\$'000</i>
Prepayments	111	12,459
Trade deposits	31,916	31,916
Utility and other deposits	6,281	6,267
Advance to subcontractors	–	–
Other receivables	10,593	25,766
Due from securities brokers	4,540	4,536
Proceed from disposal of property, plant and equipment	7,362	7,362
Due from a director of subsidiary	1,445	1,411
	<u>62,248</u>	<u>89,717</u>
Less: Impairment	<u>(12,006)</u>	<u>(12,006)</u>
Current portion of prepayments, deposits and other receivables	<u><u>50,242</u></u>	<u><u>77,711</u></u>

14. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2023 (Unaudited) <i>HK\$'000</i>	At 31 March 2023 (Audited) <i>HK\$'000</i>
Listed equity investment, at market value	<u>270</u>	<u>998</u>

The fair values of listed security is based on their quoted closing prices in an active market.

15. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 September 2023 (Unaudited) <i>HK\$'000</i>	At 31 March 2023 (Audited) <i>HK\$'000</i>
Unlisted equity investment, at market value	<u>13,800</u>	<u>13,800</u>

BUSINESS REVIEW

During the six months ended 30 September 2023, with the full resumption of the Group's construction business in Macau, the total revenue of the Group for the Period jumped from approximately HK\$52.7 million in 2022 to approximately HK\$186.9 million for the same period in 2023. The revenue from the construction project business for the Period was approximately HK\$184.1 million (2022: HK\$49.9 million) and that from the money lending business was approximately HK\$2.8 million (2022: HK\$2.8 million).

The segment profit of the construction project business, which was mainly from the Group's Macau operations, was approximately HK\$13.9 million (2022: HK\$2.2 million). The segment profit of the money lending business was approximately 0.9 million, in comparison to approximately HK\$1.1 million in the same period in 2022.

The Macau Prison project is recently completed and the Group is continuously looking for new projects in Macau and Hong Kong for business development purpose so as to maintain and improve profitability in the future years.

PROSPECTS

With the fully resumed business activities in both Macau and Hong Kong, the Group will be actively seeking opportunities in the Macau and Hong Kong construction market.

The recent downturn in the property market is expected to have impact to the number and profitability of potential projects and the management will exert extra caution in project screening to protect and grow values to the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2023, the Group had cash and bank balances of approximately HK\$7.0 million (31 March 2023: HK\$20.7 million) while net assets was approximately HK\$293.3 million (31 March 2023: HK\$282.5 million). The Group's gearing ratio as at 30 September 2023 was approximately 0.04 (31 March 2023: 0.05), being a ratio of total bank and other borrowings of approximately HK\$12.7 million (31 March 2023: HK\$13.7 million) to shareholders' funds of approximately HK\$304.4 million (31 March 2023: HK\$293.5 million).

FOREIGN EXCHANGE EXPOSURE

The Directors are of the opinion that almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in HK\$ or RMB during the Period (six months ended 30 September 2022: No significant foreign currency risk as almost all of the transactions of the Group and recognised financial assets and liabilities are denominated in HK\$). The Group currently does not have a foreign currency hedging policy. However, the management will monitor the foreign exchange exposure should the need arises.

DIVIDEND

The Board did not recommend the payment of any dividend for the Period (six months ended 30 September 2022: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, the Group had 15 (31 March 2023: 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. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code as the code of conduct regarding securities transactions 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 Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company was in compliance with all the Corporate Governance Code as stipulated in Appendix 14 of the Listing Rules throughout the Period except for the following deviations as explained:

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. Tung Yee Shing 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.

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, risk management and internal control procedures. Mr. Wong Wing Cheung is the chairman of the audit committee.

The audit committee had reviewed the unaudited condensed consolidated financial statements of the Group for the Period, 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.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE
COMPANY**

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Zhidao International (Holdings) Limited
Tung Yee Shing
Chairman

Hong Kong, 28 November 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.