



Dadi International Group Limited 大地國際集團有限公司

(Formerly known as “Zhi Cheng Holdings Limited 智城控股有限公司”)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8130)

INTERIM
REPORT
2019

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Dadi International Group Limited (formerly known as Zhi Cheng Holdings Limited) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) of the Company presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2019 (the “Period”), together with the unaudited comparative figures for the six months ended 30 September 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	5	334,597	30,736	436,935	48,762
Cost of sales		(274,139)	(24,958)	(358,648)	(41,310)
Gross profit		60,458	5,778	78,287	7,452
Other income and gains	6	125	1,363	611	1,555
Administrative expenses		(11,729)	(8,662)	(20,373)	(19,573)
Loss on disposal of property, plant and equipment		(5)	–	(6)	(97)
Gain on disposal of financial assets at fair value through profit and loss		–	–	–	1
Profit/(Loss) from operations	7	48,849	(1,521)	58,519	(10,662)
Finance costs	8	(12,855)	(1,208)	(15,896)	(1,979)
Profit/(Loss) before taxation		35,994	(2,729)	42,623	(12,641)
Income tax credit/(expense)	9	(10,783)	18	(13,590)	(13)
Profit/(Loss) for the period		25,211	(2,711)	29,033	(12,654)
Profit/(Loss) for the period attributable to:					
Owners of the Company		10,008	(2,311)	10,042	(11,823)
Non-controlling interests		15,203	(400)	18,991	(831)
		25,211	(2,711)	29,033	(12,654)
		<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>
Profit/(Loss) per share					
Basic and diluted	10	0.28	(0.07)	0.28	(0.36)

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit/(loss) for the period	25,211	(2,711)	29,033	(12,654)
Other comprehensive income/(expense) for the period				
Exchange differences on translation of financial statements of overseas subsidiaries	(7,139)	12,675	(10,285)	(27,633)
Other comprehensive income/(expense) for the period	(7,139)	12,675	(10,285)	(27,633)
Total comprehensive income/(expense) for the period	18,072	9,964	18,748	(40,287)
Total comprehensive income/(expense) for the period attributable to:				
Owners of the Company	3,400	12,970	403	(35,347)
Non-controlling interests	14,672	(3,006)	18,345	(4,940)
	18,072	9,964	18,748	(40,287)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	4,311	4,420
Right of use asset		7,269	–
Goodwill		7,721	7,721
Financial assets at fair value through other comprehensive income		22,373	200
Intangible asset		10,374	10,852
		<u>52,048</u>	<u>23,193</u>
Current assets			
Trade and other receivables and deposits	12	872,545	377,319
Deposit for film production		124,333	144,333
Deposit for purchase of film rights		36,012	36,012
Financial assets at fair value through profit or loss		–	2
Bank balances and cash		148,055	57,605
		<u>1,180,945</u>	<u>615,271</u>
Current liabilities			
Trade and other payables	13	134,460	119,428
Other borrowings	14	3,077	22,329
Obligation under finance leases		–	748
Tax payable		18,776	5,646
		<u>156,313</u>	<u>148,151</u>
Net current assets		<u>1,024,632</u>	<u>467,120</u>
Total assets less current liabilities		<u>1,076,680</u>	<u>490,313</u>

		At 30 September 2019	At 31 March 2019
	<i>Notes</i>	HK\$'000 (Unaudited)	<i>HK\$'000 (Audited)</i>
Capital and reserves			
Share capital	15	35,649	35,649
Reserves		<u>444,879</u>	<u>444,476</u>
Equity attributable to owners of the Company		480,528	480,125
Non-controlling interests		<u>34,102</u>	<u>10,188</u>
Total equity		<u>514,630</u>	<u>490,313</u>
Non-current liabilities			
Other borrowings	14	554,318	–
Lease liabilities		<u>7,732</u>	<u>–</u>
		562,050	–
		<u>1,076,680</u>	<u>490,313</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Issued capital	Share premium	Contributed surplus	Share-based compensation reserve	Statutory reserve	Translation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2018	32,409	1,770,215	325,798	11,023	1,318	38,217	(1,694,297)	484,683	18,316	502,999
Loss for the period	-	-	-	-	-	-	(11,823)	(11,823)	(831)	(12,654)
Other comprehensive expense for the period	-	-	-	-	-	(23,524)	-	(23,524)	(4,109)	(27,633)
Total comprehensive expense for the period	-	-	-	-	-	(23,524)	(11,823)	(35,347)	(4,940)	(40,287)
Cancellation of share options	-	-	-	(11,023)	-	-	11,023	-	-	-
At 30 September 2018	<u>32,409</u>	<u>1,770,215</u>	<u>325,798</u>	<u>-</u>	<u>1,318</u>	<u>14,693</u>	<u>(1,695,097)</u>	<u>449,336</u>	<u>13,376</u>	<u>462,712</u>
At 1 April 2019	35,649	1,823,073	325,798	7,802	1,318	21,219	(1,734,734)	480,125	10,188	490,313
Profit for the period	-	-	-	-	-	-	10,042	10,042	18,991	29,033
Other comprehensive expense for the period	-	-	-	-	-	(9,639)	-	(9,639)	(646)	(10,285)
Total comprehensive income/(expense) for the period	-	-	-	-	-	(9,639)	10,042	403	18,345	18,748
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	5,569	5,569
At 30 September 2019	<u>35,649</u>	<u>1,823,073</u>	<u>325,798</u>	<u>7,802</u>	<u>1,318</u>	<u>11,580</u>	<u>(1,724,692)</u>	<u>480,528</u>	<u>34,102</u>	<u>514,630</u>

CONDENSED CONSOLIDATED STATEMENT CASH FLOWS

	For the six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from/(used in) operations	(446,045)	12,593
Tax refunded	–	800
	<u>(446,045)</u>	<u>13,393</u>
Net cash generated from/(used in) operating activities		
Investing activities		
Other cash flows arising from investing activities	(22,744)	1,270
	<u>(22,744)</u>	<u>1,270</u>
Net cash generated from investing activities		
Financing activities		
Proceeds from other borrowings	574,121	7,000
Repayment of other borrowings	–	(1,451)
Other cash flows used in financing activities	(13,908)	(1,649)
	<u>560,213</u>	<u>3,900</u>
Net cash generated from financing activities		
Net increase/(decrease) in cash and cash equivalents	91,424	18,563
Cash and cash equivalents at beginning of period	57,605	16,404
Effect of foreign exchange rate changes	(974)	156
	<u>148,055</u>	<u>35,123</u>
Cash and cash equivalents at end of period		
Analysis of cash and cash equivalents		
Cash and cash equivalents of the Group	<u>148,055</u>	<u>35,123</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Dadi International Group Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 9 November 2001 and continued in Bermuda on 20 April 2009. The Company’s shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 26 August 2002.

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 1504-1506, 15th Floor, office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong respectively.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

The Company’s principal activity is investment holding. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in publication, purchase and distribution of books; advertising and media related services; and financial leasing and other financial services.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2019 has been prepared in accordance with the Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with those of the annual report for the year ended 31 March 2019.

The condensed consolidated financial statements for the six months ended 30 September 2019 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements for the six months ended 30 September 2019 are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of new standards and interpretations effective as of 1 April 2019. The adoption of the new standards and amendments does not have a material impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. SEGMENT INFORMATION

The Group manages its businesses by divisions which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- | | | |
|-------|--|---|
| (i) | Publication, purchase and distribution of books: | Publication, purchase and distribution of books in PRC. |
| (ii) | Advertising and media related services: | Engaged in designing, production, acting as agency and placement of advertisements, information consulting and marketing planning in the PRC. |
| (iii) | Financial leasing and other financial services: | Provision of financial leasing and other financial services in the PRC. |

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Publication, purchase and distribution of books		Advertising and media related services		Financial leasing and other financial services		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Revenue:								
Sales to external customers	386,323	-	50,365	45,955	247	2,807	436,935	48,762
Segment results	69,652	-	4,880	1,333	(3,895)	(5,489)	70,637	(4,156)
Unallocated other income and gains							486	-
Unallocated expenses							(12,604)	(6,506)
Profit/(loss) from operations							58,519	(10,662)
Finance costs							(15,896)	(1,979)
Profit/(loss) before taxation							42,623	(12,641)
Income tax expense							(13,590)	(13)
Profit/(loss) for the period							29,033	(12,654)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Publication, purchase and distribution of books		Advertising and media related services		Financial leasing and other financial services		Total	
	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Segment assets	<u>616,327</u>	<u>-</u>	<u>358,920</u>	<u>389,519</u>	<u>37,888</u>	<u>148,500</u>	<u>1,013,135</u>	<u>538,019</u>
Unallocated assets							<u>219,858</u>	<u>100,445</u>
Total assets							<u>1,232,993</u>	<u>638,464</u>
Segment liabilities	<u>571,924</u>	<u>-</u>	<u>75,268</u>	<u>68,843</u>	<u>151</u>	<u>33,601</u>	<u>647,343</u>	<u>102,444</u>
Unallocated liabilities							<u>71,020</u>	<u>45,707</u>
Total liabilities							<u>718,363</u>	<u>148,151</u>

Other segment information

	Publication, purchase and distribution of books		Advertising and media related services		Financial leasing and other financial services		Total	
	For the six months ended 30 September 2019 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 September 2018 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 September 2019 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 September 2018 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 September 2019 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 September 2018 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 September 2019 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 September 2018 <i>HK\$'000</i> (Unaudited)
Addition to non-current assets	<u>3,245</u>	<u>-</u>	<u>-</u>	<u>4,703</u>	<u>86</u>	<u>-</u>	<u>3,331</u>	<u>4,703</u>
Depreciation of property, plant and equipment	<u>453</u>	<u>-</u>	<u>-</u>	<u>369</u>	<u>46</u>	<u>549</u>	<u>499</u>	<u>918</u>

5. REVENUE

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue from contracts with customers				
<i>Over time</i>				
Financial Services	71	520	247	1,410
Provision of advertising and media related services	25,932	28,824	50,365	45,955
	26,003	29,344	50,612	47,365
<i>At point of time</i>				
Publication, purchase and distribution of books	308,594	–	386,323	–
	334,597	29,344	436,935	47,365
<i>Other sources:</i>				
Finance lease	–	1,392	–	1,397
	334,597	30,736	436,935	48,762

6. OTHER INCOME AND GAINS

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Bank interest income	90	20	119	20
Interest income on loan to independent third parties	–	1,270	–	1,270
Management fee income	–	181	–	197
Other (loss)/Income	35	(108)	492	68
Total	125	1,363	611	1,555

7. PROFIT/(LOSS) FROM OPERATIONS

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
The Group's profit from continuing operation is arrived at after charging/crediting):				
Cost of sales	274,139	24,958	358,648	41,310
Depreciation charge				
– owned property, plant and equipment	157	552	309	925
– right-of-use assets	1,865	–	1,865	–
Loss on disposal of property, plant and equipment	5	–	6	97
Net foreign exchange loss/(gain)	(14)	(15)	(24)	(43)
Minimum lease payment under operating lease on premises	–	2,761	–	3,515
Staff costs (including directors' remuneration)	4,570	4,190	8,836	8,470

8. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on other borrowings	12,480	1,161	15,521	1,932
Interest on obligation under finance leases	–	47	–	47
Other interest expense	375	–	375	–
Total	12,855	1,208	15,896	1,979

9. INCOME TAX (CREDIT)/EXPENSE

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax (credited)/ charged:				
PRC Enterprise Income Tax	10,783	(18)	13,590	13
Total tax (credited)/charged	<u>10,783</u>	<u>(18)</u>	<u>13,590</u>	<u>13</u>

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses brought forward for the six months ended 30 September 2019 (2018: Nil).

The Group had no significant unprovided deferred tax assets and liabilities at 30 September 2019 (2018: Nil).

10. PROFIT/(LOSS) PER SHARE

Basic profit per share

The calculation of the basic profit per share is based on the profit attributable to owners of the Company for the three months ended 30 September 2019 of approximately HK\$10,008,000 (2018: loss attributable to owners of HK\$2,311,000) and profit attributable to owners of the Company for the six months ended 30 September 2019 of approximately HK\$10,042,000 (2018: loss attributable to owners of HK\$11,823,000) and the weighted average of 3,564,945,946 shares in issue during the three months ended 30 September 2019 (2018: 3,240,859,951 shares) and the weighted average of 3,564,945,946 shares in issue during the six months ended 30 September 2019 (2018: 3,240,859,951 shares).

Diluted profit/loss per share

Diluted profit/loss per share for the three months and six months ended 30 September 2019 and 2018 are the same as the respective basic profit/loss per share because all potential dilutive ordinary shares would decrease the loss per share and, therefore, is anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquire property, plant and equipment of approximately HK\$763,000 (six months ended 30 September 2018: nil) and items of property, plant and equipment with carrying amounts of approximately HK\$15,000 were disposed of (six months ended 30 September 2018: HK\$97,000).

12. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Trade receivables	49,142	26,890
Allowance for expected credit losses	(1,038)	(1,038)
Deposits	26,604	26,754
Prepayments	538,596	20,737
Other receivables	227,662	268,493
Loan receivables	31,579	35,483
	<u>872,545</u>	<u>377,319</u>

An aged analysis of the Group's trade receivables at the end of the reporting period is as follows:

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
0 – 30 days	9,031	6,995
31 – 60 days	16,901	–
61 – 90 days	–	–
Over 90 days	22,172	18,857
	<u>48,104</u>	<u>25,852</u>

13. TRADE AND OTHER PAYABLES

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Trade payables	35,151	11,208
Accruals and other payables	97,317	106,008
Security deposit received	1,869	2,030
Other non-income tax payable	123	182
	<u>134,460</u>	<u>119,428</u>

An aged analysis of the Group's trade payables at the end of the reporting period is as follows:

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
0 – 30 days	7,941	4,064
31 – 60 days	12,860	–
61 – 90 days	7,206	–
Over 90 days	7,144	7,144
	<u>35,151</u>	<u>11,208</u>

14. OTHER BORROWINGS

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Unsecured other borrowings	<u>557,395</u>	<u>22,329</u>
The carrying amounts of the above borrowings are repayable:		
Within one year	3,077	22,329
Within a period of more than one year but not exceeding two years	<u>554,318</u>	–
	557,395	22,329
Less: amounts due within one year shown under current liabilities	<u>(3,077)</u>	<u>(22,329)</u>
Amounts shown under non-current liabilities	<u>554,318</u>	–

The other borrowings bear interest rate ranging from 4.8% to 15.0% per annum for the six months ended 30 September 2019 (year ended 31 March 2019: 4.8% to 15.0%).

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019, ordinary shares of HK\$0.01 each	20,000,000,000	200,000
Issued and fully paid:		
At 1 April 2018, ordinary shares of HK\$0.01 each (Audited) Issue of shares	3,240,859,951 324,085,995	32,409 3,240
At 31 March 2019 and 1 April 2019, ordinary shares of HK\$0.01 each (Audited) and 30 September 2019, ordinary shares of HK\$0.01 each (Unaudited)	3,564,945,946	35,649

16. COMMITMENTS

Operating lease commitments

The Group as lessee

At the end of the reporting periods, the Group was committed to make the following future minimum lease payments in respect of office properties with lease terms under non-cancellable operating leases which are payable as follows:

	At 31 March 2019 HK\$'000 (Audited)
Within one year	5,372
In the second to fifth years, inclusive	3,017
	<u>8,389</u>

Capital commitments

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Capital expenditure in respect of formation of joint venture company contracted for	15,352	40,935

17. MATERIAL RELATED PARTY TRANSACTION

Saves as disclosed elsewhere in these condensed consolidated financial statements, the Group had no material transaction with related parties during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 September 2019 (2018: Nil).

Business Review

Publication, purchase and distribution of books

During the Period, the revenue contributed by such segment was approximately HK\$386.3 million, mainly from publication, purchase and distribution of books in PRC. The Group accepted a trust loan with a principal amount of RMB500 million from a third party independent of and not connected with the Company and its connected persons to develop this newly added business. The Group also commenced business cooperation with Beijing Feiyang Shidai Cultural Industry Co., Ltd.* (北京飛揚時代文化產業有限公司) which includes the publication and distribution of books and the development and establishment of relevant cultural media channels in Shanghai and other provinces and cities in Eastern China.

Advertising and media related services

During the Period, the revenue contributed by such segment was approximately HK\$50.4 million (2018: HK\$46.0 million), mainly from advertising and media services projects in Hong Kong and the PRC.

Provision of Financial Leasing and other Financial Services

During the Period, the revenue contributed by such segment was approximately HK\$0.2 million (2018: HK\$2.8 million), mainly from other financial services and financial leasing in the PRC.

Financial Review

For the Period, the revenue of the Group for the six months ended 30 September 2019 was approximately HK\$436.9 million (2018: HK\$48.8 million), of which HK\$386.3 million was generated from the publication, purchase and distribution of books, HK\$50.4 million was generated from provision of advertising and media related services (2018: HK\$46.0 million) and HK\$0.2 million was generated from provision of financial leasing and other financial services (2018: HK\$2.8 million). The revenue increased by HK\$388.1 million or 795% as compared with the six months ended 30 September 2018.

Profit attributable to owners of the Company for the six months ended 30 September 2019 amounted to approximately HK\$10.0 million (2018: loss attributable to owners of the Company: HK\$11.8 million). The change was mainly attributed to overall improving operating performance, which was largely due to the satisfactory operating performance of the Group's publication, procurement and distribution of books business and the increase in revenue for the advertising and media business over the same period of last year.

Finance costs incurred for the Period amounted to approximately HK\$15.9 million (2018: HK\$2.0 million). The increase was mainly due to the new trust loan taken out by our Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

The management of the Company will promote the business development of three segments under the leadership of the Board according to the resolutions and direction of the Board, so as to form a good business layout.

Firstly, regarding the publication, purchase and distribution of books business, the Company will continue to expand the scale of its book business to strive for larger growth in sales in the future, as well as actively advancing the cooperation with Shanghai Juvenile & Children's Publishing House Co., Ltd.* (上海少年儿童出版社有限公司) and Base Media Technology Group Limited (倍視傳媒科技集團有限公司) to commence the relevant cooperation as soon as possible.

For the environmental protection investment, the Company will orderly promote the development of environmental protection business. Currently, a number of environmental protection projects are under research and technology discussion, and the Company is striving to achieve a breakthrough as soon as possible.

Finally, the financial business has also been actively promoted, the Company has carried out preliminary discussion with an environmental protection industry fund that has been in cooperation with various well-known institutions.

Liquidity and Financial Resources

At 30 September 2019, the Group had total assets of approximately HK\$1,232.99 million (31 March 2019: HK\$638.5 million), including cash and bank balances of approximately HK\$148.06 million (31 March 2019: HK\$57.6 million). During the period under review, the Group financed its operation mainly with internally generated cash flow and other borrowings.

Capital Structure

There was no change in capital structure of the Group during the period.

Gearing Ratio

The gearing ratio, expressed as percentage of total liabilities over total assets, was 58.3% (31 March 2019: 23.2%). The increase in gearing ratio was mainly attributed to the increase in other borrowings.

Charge on the Group's Assets

At 30 September 2019, there was no charge on the Group's assets.

Foreign Exchange Exposure

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management closely monitors such exposure and will consider hedging such exposure if necessary.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Capital Commitment

At 30 September 2019, the Group's capital commitment in respect of formation of joint venture company contracted for amounted to HK\$15.4 million (31 March 2019: HK\$40.9 million).

Contingent Liabilities

At 30 September 2019, the Group had no significant contingent liabilities (31 March 2019: Nil).

Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the period.

Employees

At 30 September 2019, the Group had 47 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The Group participates in retirement insurance, medicare, unemployment insurances and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC. The employees in Hong Kong joined the mandatory provident fund scheme. Other benefits include share options granted or to be granted under the share option scheme.

Significant Investment

During the Period, the Group acquired a minority equity investment in a PRC factoring company located in Shanghai of approximately HK\$22.17 million (31 March 2019: Nil). This minority equity investment previously belonged to Shanghai Wangshi Jinfu Information Service Company Limited* (上海網實金服數據服務有限公司), a subsidiary of the Company during the period from October 2015 to March 2017.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 September 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance (“SFO”)), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO) or which have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long positions in ordinary shares of HK\$0.01 each (the “Shares”) of the Company

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
Mr. Wu Xiaoming	Beneficial owner	31,240,000	0.88%
Mr. Zhang Xiongfeng	Beneficial owner	212,609,900	5.96%

OTHER INFORMATION (Continued)

SHARE OPTION SCHEME

The Company adopted a new share option scheme (the “New Share Option Scheme”) pursuant to a resolution passed at the annual general meeting of the Company on 25 September 2012. The principal terms of the New Share Option Scheme have been set out in the annual report of the Company for the year ended 31 March 2019.

Details of the Company’s share options granted under the New Share Option Scheme are as follows:

Date of Grant	Category of eligible persons	Exercise Price	Exercise Period	Outstanding at 1/4/2019	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Outstanding at 30/9/2019
13/01/2017	Consultants	HK\$0.275	13/01/2017 to 12/01/2020	61,600,000	-	-	-	-	61,600,000
				<u>61,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,600,000</u>

DIRECTORS AND CHIEF EXECUTIVES’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at 30 September 2019, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

OTHER INFORMATION (Continued)

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

At 30 September 2019, so far as the Directors are aware, the following persons (not being a Director or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in the Shares of the Company

Name of shareholder	Capacity/Nature of Interests	Number of Shares	Percentage of the Company's issued share capital
山西省國有資本投資運營有限公司	Interest of controlled corporation	1,019,345,995 (Note)	28.59%
山西大地環境投資控股有限公司	Interest of controlled corporation	1,019,345,995 (Note)	28.59%
山西省環境集團有限公司	Interest of controlled corporation	1,019,345,995 (Note)	28.59%
Dadi International Holdings Co., Ltd	Beneficial owner	1,019,345,995 (Note)	28.59%

Note:

Dadi International Holdings Co., Ltd is beneficially and wholly-owned by 山西省環境集團有限公司, which is in turn beneficially and 90% owned by 山西大地環境投資控股有限公司, which is in turn beneficially and wholly-owned by 山西省國有資本投資運營有限公司. As such, each of 山西省環境集團有限公司, 山西大地環境投資控股有限公司 and 山西省國有資本投資運營有限公司 is deemed to be interested in the Shares held by Dadi International Holdings Co., Ltd.

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long position in the Shares of the Company *(Continued)*

Save as disclosed above, as at 30 September 2019, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person or corporation other than the Directors and the chief executives of the Company whose interests are set out in the paragraph “Directors’ and Chief Executive’s interests and short positions in the Shares, underlying Shares and debenture of the Company and its associated corporations” above, had any interest or short position in the Shares or underlying Shares of the Company that was required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTEREST

At 30 September 2019, none of the Directors, the controlling shareholders, or their respective associates had any interests in any business which competes or may compete with the business of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the Period.

CORPORATE GOVERNANCE

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public. During the Period, the Group has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules.

OTHER INFORMATION *(Continued)*

CHANGES IN THE DIRECTORS

Below are the changes in Director's information required to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules.

1. Mr. Wu Xiaoming's emolument was adjusted to a director's fee of HK\$50,000 per month and salary of HK\$170,000 per month with effective from 23 July 2019, which has been determined by the Board with reference to his qualifications and contributions to the Board.
2. Dr. Zhang Wei was appointed as a non-executive director of Hanison Construction Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 896) since 25 June 2019 and an alternate director to Mr. Cha Mou Sing, Payson, the non-executive chairman of Million Hope Industries Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 1897) since 3 July 2019.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the Period, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all the Directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting system, risk management and internal control systems of the Group. The audit committee comprises the non-executive director Mr. Zhang Xiongfeng and three independent non-executive directors namely, Mr. Law Yui Lun (the chairman), Dr. Zhang Wei and Dr. Li Zhan. The audit committee has reviewed the Group's unaudited consolidated financial statements for the Period.

BOARD OF DIRECTORS

At the date of this report, the board of Directors comprises three executive Directors, namely Mr. Qu Zhongrang, Mr. Fu Yuanhong and Mr. Wu Xiaoming, two non-executive Directors, namely Mr. Zhang Honghai and Mr. Zhang Xiongfeng, and three independent non-executive Directors, namely Dr. Zhang Wei, Dr. Li Zhan and Mr. Law Yui Lun.

By Order of the Board
Dadi International Group Limited
Fu Yuanhong
Chairman

Hong Kong, 12 November 2019

* *for identification purpose only*