



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

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

INTERIM REPORT | 2020



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 (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 Dadi International Group Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2020 (the “Reporting Period”), together with the unaudited comparative figures for the six months ended 30 September 2019 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	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	5	2,981	334,597	246,721	436,935
Cost of sales		(2,516)	(274,139)	(208,107)	(358,648)
Gross profit		465	60,458	38,614	78,287
Other income and gains	6	274	125	1,865	611
Administrative expenses		(26,986)	(11,729)	(39,307)	(20,373)
Loss on disposal of property, plant and equipment		-	(5)	-	(6)
(Loss)/profit from operations	7	(26,247)	48,849	1,172	58,519
Finance costs	8	(14,944)	(12,855)	(29,067)	(15,896)
(Loss)/profit before taxation		(41,191)	35,994	(27,895)	42,623
Income tax expense	9	(67)	(10,783)	(5,659)	(13,590)
(Loss)/profit for the period		(41,258)	25,211	(33,554)	29,033
(Loss)/profit for the period attributable to:					
Owners of the Company		(27,994)	10,008	(27,524)	10,042
Non-Controlling interests		(13,264)	15,203	(6,030)	18,991
		(41,258)	25,211	(33,554)	29,033
		HK Cents	HK Cents	HK Cents	HK Cents
(Loss)/earnings per share Basic and diluted	10	(0.79)	0.28	(0.77)	0.28

	For the three months ended 30 September		For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(Loss)/profit for the period	(41,258)	25,211	(33,554)	29,033
Other comprehensive income/(expense) for the period				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of financial statements of overseas subsidiaries	17,868	(7,139)	17,890	(10,285)
Other comprehensive income/(expense) for the period	17,868	(7,139)	17,890	(10,285)
Total comprehensive (expense)/income for the period	(23,390)	18,072	(15,664)	18,748
Total comprehensive (expense)/income for the period attributable to:				
Owners of the Company	(11,814)	3,400	(11,345)	403
Non-controlling interests	(11,576)	14,672	(4,319)	18,345
	(23,390)	18,072	(15,664)	18,748

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2020	At 31 March 2020
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	11	2,849	2,728
Goodwill		7,721	7,721
Right-of-use assets		4,644	7,290
Financial assets at fair value through other comprehensive income		24,417	26,227
Intangible asset		9,222	9,767
		<u>48,853</u>	<u>53,733</u>
Current assets			
Trade and other receivables and deposits	12	1,034,999	947,762
Deposit for film production		101,600	134,177
Deposit for purchase of film rights		13,591	33,584
Financial assets at fair value through profit or loss		2	2
Bank balances and cash		34,240	55,871
		<u>1,184,432</u>	<u>1,171,396</u>
Current liabilities			
Trade and other payables	13	100,579	93,426
Borrowings	14	569,009	–
Lease liabilities		4,419	5,597
Tax payable		36,138	40,636
		<u>710,145</u>	<u>139,659</u>
Net current assets		<u>474,287</u>	<u>1,031,737</u>
Total assets less current liabilities		<u>523,140</u>	<u>1,085,470</u>

		At 30 September 2020	At 31 March 2020
	<i>Notes</i>	HK\$'000 (Unaudited)	<i>HK\$'000 (Audited)</i>
Capital and reserves			
Share capital	15	35,649	35,649
Reserves		436,918	448,263
		<hr/>	<hr/>
Equity attributable to owners of the Company		472,567	483,912
Non-controlling interests		49,618	51,903
		<hr/>	<hr/>
Total equity		522,185	535,815
		<hr/>	<hr/>
Non-current liabilities			
Borrowings	14	–	547,226
Lease liabilities		955	2,429
		<hr/>	<hr/>
		955	549,655
		<hr/>	<hr/>
Total equity and non-current liabilities		523,140	1,085,470
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to equity shareholders of the Company

	Issued capital	Share premium	Contributed surplus	Share-based compensation reserve	Statutory reserve	Revaluation reserve	Translation reserve	Accumulated losses	Subtotal	Non-controlling interests	Total equity
	HK\$'000	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)	(Unaudited)
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 interests	-	-	-	-	-	-	-	-	-	5,569	5,569
At 30 September 2019	35,649	1,823,073	325,798	7,802	1,318	-	11,580	(1,724,692)	480,528	34,102	514,630
At 1 April 2020	35,649	1,823,073	325,798	-	6,939	(1,093)	(8,489)	(1,697,965)	483,912	51,903	535,815
Loss for the period	-	-	-	-	-	-	-	(27,524)	(27,524)	(6,030)	(33,554)
Other comprehensive income for the period	-	-	-	-	-	-	16,179	-	16,179	1,711	17,890
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	16,179	(27,524)	(11,345)	(4,319)	(15,664)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	2,034	2,034
At 30 September 2020	35,649	1,823,073	325,798	-	6,939	(1,093)	7,690	(1,725,489)	472,567	49,618	522,185

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from/(used in) operations	4,231	(446,045)
Tax refunded	257	–
	<u>4,488</u>	<u>(446,045)</u>
Net cash generated from/(used in) operating activities		
Investing activities		
Other cash flows arising from investing activities	4,158	(22,744)
	<u>4,158</u>	<u>(22,744)</u>
Net cash generated from/(used in) investing activities		
Financing activities		
Proceeds from other borrowings	–	574,121
Other cash flows used in financing activities	(27,521)	(13,908)
	<u>(27,521)</u>	<u>560,213</u>
Net cash (used in)/generated from financing activities		
Net (decrease)/increase in cash and cash equivalents	(18,875)	91,424
Cash and cash equivalents at beginning of period	55,871	57,605
Effect of foreign exchange rate changes	(2,756)	(974)
	<u>34,240</u>	<u>148,055</u>
Cash and cash equivalents at end of period	34,240	148,055
Analysis of cash and cash equivalents		
Cash and cash equivalents of the Group	34,240	148,055

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 unaudited condensed consolidated interim 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 distributing of books, advertising and media related services and financial leasing and other financial services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 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 (the “HKICPA”), and applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

The unaudited condensed consolidated interim 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 2020.

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 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 unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of new standards and interpretations effective as of 1 April 2020. 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 interim period and prior interim 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: | Engaged in publication, purchase and distribution of books in the People's Republic of China ("PRC") |
| (ii) | Advertising and media related services: | Engaged in designing, production, acting as agency and placement of advertisements, information consulting and marketing planning in Hong Kong and 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:								
Sales to external customers	<u>246,721</u>	<u>386,323</u>	<u>-</u>	<u>50,365</u>	<u>-</u>	<u>247</u>	<u>246,721</u>	<u>436,935</u>
Segment results	<u>26,572</u>	<u>69,652</u>	<u>-</u>	<u>4,880</u>	<u>-</u>	<u>(3,895)</u>	<u>26,572</u>	<u>70,637</u>
Unallocated other income and gains							<u>347</u>	<u>486</u>
Unallocated expenses							<u>(25,747)</u>	<u>(12,604)</u>
Profit from operations							<u>1,172</u>	<u>58,519</u>
Finance costs							<u>(29,067)</u>	<u>(15,896)</u>
(Loss)/profit before taxation							<u>(27,895)</u>	<u>42,623</u>
Income tax expense							<u>(5,659)</u>	<u>(13,590)</u>
(Loss)/profit for the period							<u>(33,554)</u>	<u>29,033</u>

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 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Segment assets	682,720	661,618	204,411	331,776	90,983	102,506	978,114	1,095,900
Unallocated assets							255,171	129,229
Total assets							1,233,285	1,225,129
Segment liabilities	615,251	587,815	51,543	56,554	27,019	26,171	693,813	670,540
Unallocated liabilities							17,287	18,774
Total liabilities							711,100	689,314

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 2020 HK\$'000 (Unaudited)	For the six months ended 30 September 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2020 HK\$'000 (Unaudited)	For the six months ended 30 September 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2020 HK\$'000 (Unaudited)	For the six months ended 30 September 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2020 HK\$'000 (Unaudited)	For the six months ended 30 September 2019 HK\$'000 (Unaudited)
Addition to non-current assets	-	3,245	-	-	-	86	-	3,331
Depreciation of property, plant and equipment	481	453	-	-	92	46	573	499

5. REVENUE

	For the three months ended 30 September		For the six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers				
<i>At a point in time</i>				
Publication, purchase and distribution of books	2,981	308,594	246,721	386,323
<i>Over time</i>				
Financial leasing and other financial services	-	71	-	247
Provision of advertising and media related services	-	25,932	-	50,365
	<u>-</u>	<u>26,003</u>	<u>-</u>	<u>50,612</u>
	2,981	334,597	246,721	436,935

6. OTHER INCOME AND GAINS

	For the three months ended 30 September		For the six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Bank interest income	92	90	164	119
Interest received from subsidiary	16	-	1,341	-
Other income	166	35	360	492
	<u>166</u>	<u>35</u>	<u>360</u>	<u>492</u>
Total	274	125	1,865	611

7. (LOSS)/PROFIT FROM OPERATIONS

	For the three months ended 30 September		For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The Group's (loss)/profit from operations is arrived at after charging/(crediting):				
Cost of sales	2,516	274,139	208,107	358,648
Depreciation charge – property, plant and equipment	66	157	171	309
– right-of-use assets	1,359	1,865	2,704	1,865
Loss on disposal of property, plant and equipment	–	5	–	6
Net foreign exchange loss/(gain)	18	(14)	19	(24)
Staff costs (including directors' remuneration)	6,415	4,570	11,395	8,836

8. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on other borrowings	14,625	12,480	28,748	15,521
Interest on lease liabilities	319	375	319	375
Total	14,944	12,855	29,067	15,896

9. INCOME TAX EXPENSE

	For the three months ended 30 September		For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax charged:				
PRC Enterprise Income Tax	<u>67</u>	<u>10,783</u>	<u>5,659</u>	<u>13,590</u>
Total tax charged	<u>67</u>	<u>10,783</u>	<u>5,659</u>	<u>13,590</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 2020 (2019: Nil).

The Group had no significant unprovided deferred tax assets and liabilities at 30 September 2020 (2019: Nil).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to owners of the Company for the three months ended 30 September 2020 of approximately HK\$27,994,000 (2019: profit attributable to owners of the Company of approximately HK\$10,008,000) and loss attributable to owners of the Company for the six months ended 30 September 2020 of approximately HK\$27,524,000 (2019: profit attributable to owners of the Company of approximately HK\$10,042,000) and the weighted average of 3,564,945,946 shares in issue during the three months ended 30 September 2020 (2019: 3,564,945,946 shares) and the weighted average of 3,564,945,946 shares in issue during the six months ended 30 September 2020 (2019: 3,564,945,946 shares).

Diluted (loss)/earnings per share

No diluted loss per share were presented as there were no potential ordinary shares in issue for the three months and six months ended 30 September 2020.

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the three months and six months ended 30 September 2019.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group did not acquire any property, plant and equipment (six months ended 30 September 2019: HK\$763,000) and items of property, plant and equipment with carrying amounts were not disposed of (six months ended 30 September 2019: HK\$15,000).

12. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	574,840	438,657
Allowance for expected credit losses	(1,989)	(1,989)
	<u>572,851</u>	<u>436,668</u>
Deposits	122,832	18,939
Prepayments	120,227	282,052
Other receivables	199,930	191,684
Loan receivables	19,159	18,419
	<u>1,034,999</u>	<u>947,762</u>

An aged analysis of the Group's trade receivables, based on the invoice date, which approximates the respective revenue recognition dates and net of allowance for expected credit losses, at the end of the Reporting Period is as follows:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
0 – 30 days	–	17,473
31 – 60 days	–	–
61 – 90 days	–	401,989
Over 90 days	572,851	17,206
	<u>572,851</u>	<u>436,668</u>

13. TRADE AND OTHER PAYABLES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	9,545	4,333
Accruals and other payables	89,600	87,721
Security deposit received	1,426	1,372
Other non-income tax payable	8	–
	<u>100,579</u>	<u>93,426</u>

An aged analysis of the Group's trade payables presented based on the invoice date at the end of the Reporting Period is as follows:

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
0 – 30 days	–	3,275
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	9,545	1,058
	9,545	4,333

14. BORROWINGS

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Borrowing-secured	569,009	547,226
The carrying amounts of the above borrowings are repayable:		
Within one year	569,009	–
Within a period of more than one year but not exceeding two years	–	547,226
	569,009	547,226
Less: amounts due within one year shown under current liabilities	569,009	–
Amounts shown under non-current liabilities	–	547,226

The range of interest rates per annum on the Group's borrowings were as followed:

	At 30 September 2020 (Unaudited)	At 31 March 2020 (Audited)
Fixed rate	10.22%	10.22%

As at 30 September 2020, the borrowings of approximately HK\$569,009,000 (year ended 31 March 2020: approximately HK\$547,226,000) granted to the Group are secured by trust guarantee fund of approximately HK\$5,690,000 (year ended 31 March 2020: approximately HK\$4,981,000) which was classified as financial asset at fair value through other comprehensive income.

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020, ordinary shares of HK\$0.01 each	20,000,000,000	200,000
Issued and fully paid:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020, ordinary shares of HK\$0.01 each	3,564,945,946	35,649

16. MATERIAL RELATED PARTY TRANSACTION

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had entered into the following material transaction with related party during the period:

Name of related party	Nature	Notes	For the six months ended 30 September	
			2020	2019
			HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Shanxi Environment Protection Fund Co., Ltd ("Shanxi Fund")	Financing services fee	(i), (ii)	10,298	-

Notes:

- (i) Shanxi Fund is a subsidiary of Shanxi Dadi Environment Investment Holding Co., Ltd. ("Dadi Environment"), a substantial shareholder of the Company. Therefore, Shanxi Fund is an associate of a substantial shareholder of the Company.
- (ii) On 11 August 2020, the Company and Shanxi Fund entered into a financing services framework agreement (the "Framework Agreement"). Pursuant to the Framework Agreement, Shanxi Fund agreed to provide financing services to the Group for the period from 11 August 2020 to 31 December 2020, with the expected amount of services fees payable by the Group to Shanxi Fund under the Financing Services Framework Agreement being no more than RMB10 million.

Please refer to the announcement of the Company dated 11 August 2020 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

Industry Overview

Publication, purchase and distribution of books business (the “Book Distribution Business”)

In May 2018, the Ministry of Education of the PRC promulgated the Regulation for Libraries in Primary and Secondary School, which stipulates the minimum requirement for book inventory and establishes the book keeping requirement for libraries in primary and secondary schools according to the Recommended Book List and Core Book List for Libraries in Primary and Secondary Schools Nationwide. Authorized provincial agent platforms is responsible for concentrated handling of book procurement requests from provincial primary and secondary schools and places centralized procurement orders with the authorized book procurement entities, such as Dadi Feichi Culture Development (Shanghai) Co., Limited (大地飛馳文化發展(上海)有限公司), a subsidiary of the Company, to address the demand for local primary and secondary education.

Advertising and Media Related Services & Financial Leasing and Other Financial Services

Affected by changes in the macro-economic environment and industry development, especially the challenges posed by the COVID-19 pandemic to the economy and the increase in the development costs of related business, the Group’s advertising and media related services and financial leasing business have been suspended.

Key Risk Factors and Uncertainties

The following lists out the key risks and uncertainties faced by the Group, which may materially and adversely affect its business, financial condition or results of operations. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Policy risk

The Group’s Book Distribution Business is mainly based on the relevant policy background of the three ministries and commissions, namely the Ministry of Education, the Ministry of Culture, and the National Radio and Television Administration and the China Educational Equipment Industry Association and the All-China Federation of Booksellers and Publishers Chamber, especially the Recommended Book List and the Core Book List may be updated every year. Significant changes and adjustments of relevant policies may bring uncertainties to the Group’s daily operating environment and market competitiveness. The Group will continue to track the direction of relevant national policies and respond to changes in policies in a timely manner.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Book quality risk and delivery risk

If local primary and secondary schools and local education commissions fail to accept books as agreed with the Group, the Group shall bear the risks of book quality and delivery. The Group has agreed on the quality standards and delivery methods of specific category of books in the procurement contracts with book publishers who owns the intellectual property rights of the book under the Recommended Book List and Core Book List (“Book Publishers”), so that these risks are borne by the Book Publishers to the greatest possible extent.

Prepayment risk

Since the Book Distribution Business requires the Group to make prepayments to Book Publishers, there is a risk of prepayments, and therefore the Book Publishers that have business dealings with the Group are all large-scale publishing groups to avoid the risk of bad debts of prepayments.

Receivables collection risk

End customers of the Books Distribution Business are primary and secondary schools and local education commissions in all areas, and the funds for purchase of books depends on the special appropriation funds from the Ministry of Education of the PRC. Since the appropriation funds are limited and there is time lag of a few months each year, and the authorized provincial agent platforms usually do not make prepayments for purchase of books, and there exists risk of bad debts collection. Therefore, the Group will closely monitor the book flow and the appropriation funds in all areas, and timely collect the receivables to minimize the collection time.

During the Reporting Period, the suspension of classes in primary and secondary schools and the abnormal administrative work of schools throughout the PRC as a result of the outbreak of COVID-19 pandemic led to the delay of business turnover in the first half of the year, as well as the delay in book delivery and collection of receivables, which materially affected the Company’s business performance.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review

During the Reporting Period, the Group faced severe challenges caused by the outbreak of the COVID-19 pandemic as it has disrupted the operation of schools and libraries in the PRC. This situation was detrimental to the business development of the Group, and the Group will closely monitor the development of the pandemic and assess its impact on its operations.

Publication, purchase and distribution of books

During the Reporting Period, the revenue contributed by such segment was approximately HK\$246.72 million (2019: HK\$386.32 million) from publication, purchase and distribution of books in the PRC.

The significant decrease in revenue during the three months ended 30 September 2020 as compared to the three months ended 30 June 2020 was due to the disrupted operation of primary and secondary schools in China before September 2020 and the prolonged operation of Book Distribution Business as affected by the COVID-19 pandemic. As schools in China gradually reopened in October 2020, the Book Distribution Business is gradually resuming normal operation.

The Group is exploring business opportunities with authorized provincial agent platforms in order to furnish all books listed in the Core Book List and Recommended Book List to entities in the provincial level.

Advertising and media related services

During the Reporting Period, the revenue contributed by such segment was nil (2019: HK\$50.37 million).

Reference is made to the announcement of the Company dated 9 October 2020. Due to the bleak market prospect of such segment in the foreseeable future, the Company has temporarily suspended business activities in such segment. As at the date of this interim report, the Company does not have any concrete resumption plans for such segment.

Provision of Financial Leasing and other Financial Services

During the Reporting Period, the revenue contributed by such segment was nil (2019: HK\$0.25 million).

Reference is made to the announcement of the Company dated 9 October 2020. Due to the bleak market prospect of such segment in the foreseeable future, the Company has temporarily suspended business activities in such segment. As at the date of this interim report, the Company does not have any concrete resumption plans for such segment.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review

During the Reporting Period, the revenue of the Group was approximately HK\$246.72 million (2019: \$436.94 million), which HK\$246.72 million was generated from the publication, purchase and distribution of books (2019: HK\$386.32 million), and nil from provision of advertising and media related services (2019: HK\$50.37million) and nil from provision of financial leasing and other financial services (2019: HK\$0.25 million). The revenue decreased by approximately HK\$190.22 million or 43.53% as compared with the six months ended 30 September 2019.

Loss attributable to owners of the Company for the Reporting Period amounted to approximately HK\$27.52 million (2019: profit attributable to owners of HK\$10.04 million) due to the reasons mentioned in the “Business Review” section.

Finance costs incurred during the Reporting Period amounted to approximately HK\$29.07million (2019: HK\$15.90 million). The increase was mainly due to the granting of a trust loan with a principal amount of RMB500 million in May 2019 from a third party independent of and not connected with the Company and the interest expense covered the whole Reporting Period, as compared to the interest expense which only covered half of the corresponding period in 2019.

Administrative expenses increased to approximately HK\$39.31 million (2019: HK\$20.37 million) due to the payment of certain management costs incurred to expand the Group’s Book Distribution Business during the Reporting Period. Please refer to the section headed “Connected Transaction” for further details.

Outlook

Under the guidance and direction of the Board, the Company will strive to promote the business development through the establishment of reliable and solid business layout. The Company will continue to expand the development of its Book Distribution Business, strive for a larger growth in sales; actively cooperate with Juvenile & Children’s Publishing House and Base Media Technology Group Ltd.; and finally accelerate the launch of relevant businesses as soon as possible in order to utilise their technology capabilities and competitive advantages to diversify the Group’s business in the publishing and media industry. The Company may also seek other strategic partner(s) to cooperate or form alliances for the purpose of strengthening its Book Distribution Business.

The Group from time to time conducts feasibility studies and plans of economic, technical, financial and other aspects in different industries in order to seek and cultivate new growth points of business, and the Group will jointly initiate the establishment of industrial funds to promote the development of such businesses with investors when necessary.

Looking ahead, the Group strives to overcome the challenges posed by the COVID-19 pandemic, prudently maintain and develop the business of the Group to continue to create values for the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources

At 30 September 2020, the Group had total assets of approximately HK\$1,233.29 million (31 March 2020: HK\$1,225.13 million), including cash and bank balances of approximately HK\$34.24 million (31 March 2020: HK\$55.87 million). During the Reporting Period, the Group financed its operation mainly with internally generated cash flow and other borrowings.

The cash and cash equivalents of the Group were mainly denominated in Renminbi. The decrease of the cash balance was mainly due to the increase in trade receivables.

Capital Structure

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

As at 30 September 2020, the total borrowings of the Group, all of which were denominated in RMB, amounted to approximately HK\$569.01 million (31 March 2020: HK\$547.23 million) that bore interest rate of approximately 10.2% per annum as at 30 September 2020. No financial instrument was being used for interest rate hedging purpose.

Gearing Ratio

The gearing ratio, expressed as percentage of total liabilities over total assets, was 57.66% (31 March 2020: 56.3%).

Charge on the Group's Assets

At 30 September 2020, 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 the exposures and will consider hedging the exposures should the need arise.

Capital Commitment

At 30 September 2020, the Group did not have any significant capital commitments. (31 March 2020: Nil).

Contingent Liabilities

At 30 September 2020, the Group had no significant contingent liabilities (31 March 2020: Nil).

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Employees

At 30 September 2020, 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's employees in the PRC is subject to social insurance contribution plans or other pension schemes organised by the regional governments and is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing fund, whilst the employees in Hong Kong joined the mandatory provident fund scheme. Other benefits include share options may be granted under the share option scheme based on individual performance. The Group provided various training courses to help employees to keep abreast of the latest trend in the industry and the dynamic pace in current market during the Reporting Period.

Significant Investments

At 30 September 2020, the Group had no significant investments. (31 March 2020: Nil).

Future Plans for Material Investments and Capital Assets

As at 30 September 2020, the Group did not have other plans for material investments and capital assets.

Connected Transactions

On 11 August 2020, the Company and Shanxi Environment Protection Fund Co., Ltd. ("Shanxi Fund"), a subsidiary of Shanxi Dadi Environment Investment Holdings Co., Ltd. (a substantial shareholder of the Company), entered into a financing services framework agreement (the "Framework Agreement"). Pursuant to the Framework Agreement, Shanxi Fund agreed to provide financing services to the Group for the period from 11 August 2020 to 31 December 2020, with the expected amount of service fees payable by the Group to Shanxi Fund under the Financing Services Framework Agreement being no more than RMB10 million. The purpose of the transactions under the Framework Agreement is to let the Group have easier access to funds and thereby allowing it to increase the scale of its publication business.

During the six months ended 30 September 2020, the aggregate value of services fees charged by Shanxi Fund under the Framework Agreement was approximately HK\$10.30 million (for the six months ended 30 September 2019: nil).

The Group has imposed internal control procedures to ensure that the continuing connected transactions are conducted in accordance with the pricing policies or mechanism under the Framework Agreement.

Please refer to the announcement of the Company dated 11 August 2020 for further details.

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 2020, the interests and short position 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 of Hong Kong Limited (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	Number of Shares held/ interested	Percentage of the Company's issued share capital
Mr. Wu Xiaoming	Beneficial owner	31,240,000	0.88%
Mr. Zhang Xiongfeng	Beneficial owner	237,209,900	6.65%

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at 30 September 2020, 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 2020, 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	Number of Shares held/ interested	Percentage of the Company's issued share capital
山西省國有資本運營有限公司	Interest of controlled corporation	1,027,985,995 (Note)	28.84%
山西大地環境投資控股有限公司	Interest of controlled corporation	1,027,985,995 (Note)	28.84%
山西省環境集團有限公司	Interest of controlled corporation	1,027,985,995 (Note)	28.84%
Dadi International Holdings Co., Ltd	Beneficial owner	1,027,985,995 (Note)	28.84%

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 山西省國有資本運營有限公司. As such, each of 山西省國有資本運營有限公司, 山西大地環境投資控股有限公司, 山西省環境集團有限公司 is deemed to be interested in the Shares held by Dadi International Holdings Co., Ltd.

OTHER INFORMATION *(Continued)*

Save as disclosed above, as at 30 September 2020, the Company has not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “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 Share Option Scheme have been set out in note 38 to the financial statements as included in the annual report of the Company for the year ended 31 March 2020.

As at 30 September 2020, no share options were outstanding under the Share Option Scheme and no options were exercised, cancelled or lapsed during the Reporting Period.

COMPETING INTEREST

At 30 September 2020, none of the directors, management and substantial shareholders of the Company, or their respective associates had any interests in any business which competes or may compete with the business of the Group or had any other conflicts of interest with 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 Reporting Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the Reporting 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 Reporting 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)*

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the Reporting 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 process and internal control procedures 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 chairperson), Dr. Zhang Wei and Dr. Jin Lizuo. The audit committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 September 2020.

BOARD OF DIRECTORS

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

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

Hong Kong, 6 November 2020

