



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 **2021**

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 2021 (the “Reporting Period”), together with the unaudited comparative figures for the six months ended 30 September 2020 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	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	5	9,461	2,981	19,313	246,721
Cost of sales		(6,205)	(2,516)	(8,651)	(208,107)
Gross profit		3,256	465	10,662	38,614
Other gains or losses	6	1,652	274	1,843	1,865
Administrative expenses		(11,234)	(26,986)	(23,456)	(39,307)
(Loss)/profit from operations	7	(6,326)	(26,247)	(10,951)	1,172
Finance costs	8	(10,280)	(14,944)	(26,496)	(29,067)
Loss before taxation		(16,606)	(41,191)	(37,447)	(27,895)
Income tax expense	9	(13)	(67)	(1,532)	(5,659)
Loss for the period		(16,619)	(41,258)	(38,979)	(33,554)
Loss for the period attributable to:					
Owners of the Company		(11,253)	(27,994)	(26,499)	(27,524)
Non-controlling interests		(5,366)	(13,264)	(12,480)	(6,030)
		(16,619)	(41,258)	(38,979)	(33,554)
		<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>
Loss per share	10				
Basic and diluted		(0.31)	(0.79)	(0.73)	(0.77)

	For the three months ended		For the six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	<u>(16,619)</u>	<u>(41,258)</u>	<u>(38,979)</u>	<u>(33,554)</u>
Other comprehensive income/(expense)				
for the period				
<i>Items that may be reclassified subsequently</i>				
<i>to profit or loss:</i>				
Exchange differences on translation				
of financial statements of				
overseas subsidiaries	<u>(696)</u>	<u>17,868</u>	<u>8,100</u>	<u>17,890</u>
Other comprehensive income/(expense)				
for the period	<u>(696)</u>	<u>17,868</u>	<u>8,100</u>	<u>17,890</u>
Total comprehensive expense				
for the period	<u>(17,315)</u>	<u>(23,390)</u>	<u>(30,879)</u>	<u>(15,664)</u>
Total comprehensive expense				
for the period attributable to:				
Owners of the Company	<u>(11,921)</u>	<u>(11,814)</u>	<u>(18,955)</u>	<u>(11,345)</u>
Non-controlling interests	<u>(5,394)</u>	<u>(11,576)</u>	<u>(11,924)</u>	<u>(4,319)</u>
	<u>(17,315)</u>	<u>(23,390)</u>	<u>(30,879)</u>	<u>(15,664)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	971	889
Goodwill		6,417	6,417
Right-of-use assets		1,396	1,379
Financial assets at fair value through other comprehensive income		36,767	39,789
Intangible asset		43	–
Investment in an associate		316	312
		<u>45,910</u>	<u>48,786</u>
Current assets			
Trade and other receivables and deposits	12	1,240,130	1,221,750
Deposit for film production		31,759	30,151
Deposit for purchase of film rights		4,248	4,033
Financial assets at fair value through profit or loss		2	2
Bank balances and cash		24,806	36,196
		<u>1,300,945</u>	<u>1,292,132</u>
Current liabilities			
Trade and other payables	13	327,900	298,848
Borrowings	14	35,566	627,156
Lease liabilities		2,421	2,390
Tax payable		40,944	41,821
		<u>406,831</u>	<u>970,215</u>
Net current assets		<u>894,114</u>	<u>321,917</u>
Total assets less current liabilities		<u>940,024</u>	<u>370,703</u>

		At 30 September 2021	At 31 March 2021
	<i>Notes</i>	HK\$'000 (Unaudited)	<i>HK\$'000 (Audited)</i>
Capital and reserves			
Share capital	15	36,406	36,406
Reserves		<u>323,982</u>	<u>342,937</u>
Equity attributable to owners of the Company		360,388	379,343
Non-controlling interests		<u>(20,779)</u>	<u>(8,855)</u>
Total equity		<u>339,609</u>	<u>370,488</u>
Non-current liabilities			
Borrowings	14	600,197	–
Lease liabilities		<u>218</u>	<u>215</u>
		<u>600,415</u>	<u>215</u>
Total equity and non-current liabilities		<u>940,024</u>	<u>370,703</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to equity shareholders of the Company

	Issued capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Contributed surplus HK\$'000 (Unaudited)	Statutory reserve HK\$'000 (Unaudited)	Revaluation reserve HK\$'000 (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
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 interest	-	-	-	-	-	-	-	-	2,034	2,034
At 30 September 2020	35,649	1,823,073	325,798	6,939	(1,093)	7,690	(1,725,469)	472,567	49,618	522,185
At 1 April 2021	36,406	1,828,573	311,538	7,706	12,616	33,736	(1,851,232)	379,343	(8,855)	370,488
Loss for the period	-	-	-	-	-	-	(26,499)	(26,499)	(12,480)	(38,979)
Other comprehensive income for the period	-	-	-	-	-	7,544	-	7,544	556	8,100
Total comprehensive income/(expense) for the period	-	-	-	-	-	7,544	(26,499)	(18,955)	(11,924)	(30,879)
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-
At 30 September 2021	36,406	1,828,573	311,538	7,706	12,616	41,280	(1,877,731)	360,388	(20,779)	339,609

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Operating activities		
Cash generated from/(used in) operations	(10,142)	4,231
Tax refunded	–	257
Net cash generated from/(used in) operating activities	<u>(10,142)</u>	<u>4,488</u>
Investing activities		
Other cash flows arising from investing activities	<u>4,788</u>	<u>4,158</u>
Net cash generated from investing activities	<u>4,788</u>	<u>4,158</u>
Financing activities		
Proceeds from other borrowings	600,197	–
Repayment of other borrowings	<u>(591,590)</u>	<u>–</u>
Other cash flows used in financing activities	<u>(14,968)</u>	<u>(27,521)</u>
Net cash used in financing activities	<u>(6,361)</u>	<u>(27,521)</u>
Net decrease in cash and cash equivalents	(11,715)	(18,875)
Cash and cash equivalents at beginning of period	36,196	55,871
Effect of foreign exchange rate changes	<u>325</u>	<u>(2,756)</u>
Cash and cash equivalents at end of period	<u>24,806</u>	<u>34,240</u>
Analysis of cash and cash equivalents		
Cash and cash equivalents of the Group	<u>24,806</u>	<u>34,240</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 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, environmental protection business 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 2021 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 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 2021.

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2021 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 2021 are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 March 2021, except for the adoption of new standards and interpretations effective as of 1 April 2021. 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 four 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. |
| (iv) | Environmental protection business: | Provision of environmental consultancy service 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		Environmental protection business		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		For the six months ended 30 September	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Revenue:										
Sales to external customers	2,670	246,721	-	-	-	-	16,643	-	19,313	246,721
Segment results	(24,953)	26,572	-	-	-	-	6,004	-	(18,949)	26,572
Unallocated other income and gains									271	347
Unallocated expenses									(17,291)	(25,747)
(Loss)/profit from operations									(35,969)	1,172
Unallocated finance costs									(1,478)	(29,067)
Loss before taxation									(37,447)	(27,895)
Income tax expense									(1,532)	(5,659)
Loss for the period									(38,979)	(33,554)

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		Environmental protection business		Total	
	At 30 September 2021	At 31 March 2021	At 30 September 2021	At 31 March 2021	At 30 September 2021	At 31 March 2021	At 30 September 2021	At 31 March 2021	At 30 September 2021	At 31 March 2021
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Segment assets	934,757	925,569	72,265	70,105	187,675	190,505	37,612	38,847	1,232,309	1,225,026
Unallocated assets									114,546	115,892
Total assets									1,346,855	1,340,918
Segment liabilities	874,527	258,307	45,353	45,049	28,883	28,540	6,691	6,701	955,454	338,597
Unallocated liabilities									51,792	631,833
Total liabilities									1,007,246	970,430

Other segment information

	Publication, purchase and distribution of books		Advertising and media related services		Financial leasing and other financial services		Environmental protection business		Total	
	For the six months ended 30 September 2021		For the six months ended 30 September 2021		For the six months ended 30 September 2021		For the six months ended 30 September 2021		For the six months ended 30 September 2021	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Addition to non-current assets	-	-	-	-	128	-	116	-	244	-
Depreciation of property, plant and equipment	25	481	-	-	-	92	36	-	61	573

5. REVENUE

	For the three months ended 30 September		For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers				
<i>At a point in time</i>				
Publication, purchase and distribution of books	2,670	2,981	2,670	246,721
<i>Overtime</i>				
Environmental protection business	6,791	–	16,643	–
	<u>9,461</u>	<u>2,981</u>	<u>19,313</u>	<u>246,721</u>

6. OTHER GAINS OR LOSSES

	For the three months ended 30 September		For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	32	92	51	164
Dividend income	1,449	16	1,449	1,341
Other (loss)/Income	171	166	343	360
	<u>1,652</u>	<u>274</u>	<u>1,843</u>	<u>1,865</u>

7. LOSS/PROFIT FROM OPERATIONS

	For the three months ended 30 September		For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
The Group's (loss)/profit from operations is arrived at after charging/(crediting):				
Cost of sales	6,205	2,516	8,651	208,107
Depreciation charge				
– property, plant and equipment	57	66	111	171
– right-of-use assets	–	1,359	–	2,704
Net foreign exchange (loss)/gain	1	18	1	19
Staff costs (including directors' remuneration)	5,940	6,415	12,398	11,395

8. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on other borrowing	10,280	14,625	26,496	28,748
Interest on lease liabilities	–	319	–	319
Total	10,280	14,944	26,496	29,067

9. INCOME TAX EXPENSE

	For the three months ended 30 September		For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax charged:				
PRC Enterprise Income Tax	13	67	1,532	5,659
Total tax charged	<u>13</u>	<u>67</u>	<u>1,532</u>	<u>5,659</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 2021 (2020: Nil).

The Group had no significant unprovided deferred tax assets and liabilities at 30 September 2021 (2020: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to owners of the Company for the three months ended 30 September 2021 of approximately HK\$11,253,000 (2020: loss attributable to owners of the Company of approximately HK\$27,994,000) and loss attributable to owners of the Company for the six months ended 30 September 2021 of approximately HK\$26,499,000 (2020: loss attributable to owners of the Company of approximately HK\$27,524,000) and the weighted average of 3,640,627,457 shares in issue during the three months ended 30 September 2021 (2020: 3,564,945,946 shares) and the weighted average of 3,640,627,457 shares in issue during the six months ended 30 September 2021 (2020: 3,564,945,946 shares).

Diluted loss 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 2021.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired property, plant and equipment amount to HK\$262,000 (six months ended 30 September 2020: nil) and items of property, plant and equipment with carrying amounts were not disposed of (six months ended 30 September 2020: nil).

12. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Trade receivables	667,613	659,674
Allowance for expected credit losses	<u>(6,931)</u>	<u>(6,931)</u>
	660,682	652,743
Deposits	20,705	19,915
Prepayments	321,323	308,410
Other receivables	276,563	279,548
Loan receivables	19,817	20,094
Allowance for expected credit losses	<u>(58,960)</u>	<u>(58,960)</u>
	579,448	569,007
	1,240,130	1,221,750

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 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
0 – 30 days	5,405	2,420
31 – 60 days	1,053	1,660
61 – 90 days	1,342	1,678
Over 90 days	<u>652,882</u>	<u>646,985</u>
	660,682	652,743

13. TRADE AND OTHER PAYABLES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables	175,371	171,289
Accruals and other payables	111,068	90,696
Dividend payables to non-controlling interests	39,383	34,785
Security deposits received	2,078	2,078
	<u>327,900</u>	<u>298,848</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 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
0 – 30 days	1,926	157,959
31 – 60 days	–	–
61 – 90 days	204	–
Over 90 days	173,241	13,330
	<u>175,371</u>	<u>171,289</u>

14. BORROWINGS

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Borrowings-secured	–	591,590
Borrowings-unsecured	635,763	35,566
	635,763	627,156
The carrying amounts of the above borrowings are repayable:		
Within one year	35,566	627,156
Within a period of more than one year but not exceeding two years	600,197	–
	635,763	627,156
Less: amounts due within one year shown under current liabilities	35,566	627,156
Amounts shown under non-current liabilities	600,197	–

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

	At 30 September 2021 (Unaudited)	At 31 March 2021 (Audited)
Fixed rate	8.00%	8.00%- 10.22%

As at 30 September 2021, the borrowings of approximately HK\$600,197,000 (year ended 31 March 2021: approximately HK\$591,590,000 which granted by trust guarantee fund) was granted to the Group by Shanxi Environment Group Co., Ltd which is a substantial shareholder of the Company.

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021, ordinary shares of HK\$0.01 each	20,000,000,000	200,000
Issued and fully paid:		
At 1 April 2020, ordinary shares of HK\$0.01 each (Audited)	3,564,945,946	35,649
Issue of shares	75,681,511	757
At 31 March 2021 and 1 April 2021, ordinary shares of HK\$0.01 each (Audited) and 30 September 2021, ordinary shares of HK\$0.01 each (Unaudited)	3,640,627,457	36,406

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 parties during the period.

Name of related party	Nature	Note	For the six months ended 30 September	
			2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Shanxi Environment Group Co., Ltd* (山西省環境集團有限公司· “Shanxi Environment”)	Long-term loan	(i)	600,197	-

Note:

- (i) On 23 June 2021, the Company and Shanxi Environment reached a loan contract. Pursuant to the Framework Agreement, Shanxi Environment granted a two-years term loan amount to RMB500,000,000 to Dadi Feichi Culture Development (Shanghai) Co., Limited (大地飛馳文化發展(上海)有限公司) .

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 September 2021 (2020: 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 (《中小學圖書館(室)規程》), 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 are 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 to address the demand for local primary and secondary education.

Environmental protection business

The PRC government has been promulgating various initiatives to support the creation of a consistent environmental quality monitoring network with online and automatic pollution emission and monitoring capabilities. With the rapid growth of demand for environmental monitoring, there is a corresponding need to improve the quality of data monitoring performance which is a key step towards realising smart environment protection. With the gradual implementation of the policies expected to be in place in the coming years, the environment protection and monitoring industry shall witness continuous growth.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Key Risk Factors and Uncertainties *(Continued)*

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, as well as the All-China Federation of Booksellers and Publishers Chamber. In particular, the Recommended Book List and the Core Book List may be reviewed and updated on an annual basis by the authorities. Meanwhile, the environmental protection business segment is highly regulated in the PRC with various laws, rules and regulations, policies and industry standards in place, such as the 13th Five-Year Plan for Nuclear Safety and Radioactive Pollution Prevention and Control with the Vision 2025 (《核安全與放射性污染防治「十三五」規劃及二零二五年遠景目標》), the Law on Prevention and Control of Radioactive Pollution of the People's Republic of China (《中華人民共和國放射性污染防治法》), the Regulation on Safety and Protection of Radioisotopes and Radioactive Devices (《放射性同位素與射線裝置安全和防護條例》), the Administrative Measures for the Safety Permit for Radioisotopes and Radiation Devices (《放射性同位素與射線裝置安全許可管理辦法》) and the Monitoring Method for Electromagnetic Radiation Environment of Mobile Communication Base Station (《移動通信基站電磁輻射環境監測方法》). 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.

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 (the "Book Publishers"), so that these risks are borne by the Book Publishers to the greatest possible extent.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Key Risk Factors and Uncertainties *(Continued)*

Prepayment risk

Since the Book Distribution Business requires the Group to make prepayments to the Book Publishers in line with the industry practice, there exists a prepayment risk associated with such practice. To mitigate such risk, the Group generally sources library books from those Book Publishers that are all large-scale publishing groups and have long term business dealings with the Group.

Receivables collection risk

End customers of the Book 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 in line with the industry practice, and there exists risk of bad debts collection. Therefore, the Group closely monitors the book flow and the appropriation funds in all areas, and timely collects the receivables to minimize the collection time.

Nevertheless, during the Reporting Period, the intermittent 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. Please refer to the section headed “Business Review – Publication, purchase and distribution of books business” below for details.

Business Review

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

Publication, purchase and distribution of books business

During the Reporting Period, the revenue contributed by such segment was approximately HK\$2.67 million (2020: HK\$246.72 million) from publication, purchase and distribution of books in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Publication, purchase and distribution of books business *(Continued)*

The significant period-to-period decrease in the revenue of the Group generated from the book publication, purchase and distribution business segment was due to the resultant impact of the COVID-19 pandemic suffered by the industry participants, leading to poor business and financial performance and a generalised slowdown in the settlement of payments and receivables along the industry chain, including those from the Group's downstream customers, namely the book distributors. This in turn was contributed by the intermittent suspension of classes at the schools in the PRC lending to delayed book order and settlement of bills to such book distributors. Please refer to the section headed "Key Risk Factors and Uncertainties – Receivables collection risk" above for details. In response to the situation in the book publication, purchase and distribution industry, the Group had timely launched legal proceedings in the PRC against certain downstream distributors on contractual claims to seek compensation from them. Please refer to the announcement of the Company dated 25 October 2021 for details. Meanwhile, on a prudent capital management perspective, the Group had to continue with its approach to temporarily ease the pace of its operations under this business segment.

Environmental protection business

During the Reporting Period, the revenue contributed by such segment was approximately HK\$16.64 million (2020: nil).

The Group commenced recognizing the environmental protection business segment following the acquisition of Shanxi Jinxi Keyuan Environmental Protection Science and Technology Company Limited ("Jinxin Keyuan") in February 2021. Such business segment commenced its substantive operation in March 2021, and its operations have been developing in a progressive manner since then.

Financial Review

During the Reporting Period, the revenue of the Group was approximately HK\$19.31 million (2020: HK\$246.72 million), which HK\$2.67 million was generated from the publication, purchase and distribution of books (2020: HK\$246.72 million), and the revenue of HK\$16.64 million from the environmental protection business. The revenue decreased by approximately HK\$227.41 million or 92.17% as compared with the six months ended 30 September 2020. Please refer to the section headed "Business Review" above for details of the reasons of the period-to-period decrease in the revenue of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Finance costs incurred during the Reporting Period amounted to approximately HK\$26.50 million (2020: HK\$29.07 million). The period-to-period decrease of approximately 8.85% was mainly due to the lower interest rate under the loan granted by Shanxi Environment when compared to the loan granted by the trust fund in the corresponding period of 2020. Please refer to notes 14 and 16 of the notes to the condensed consolidated financial statements of the Group for the Reporting Period.

Administrative expenses incurred by the Group recorded a period-to-period decrease of approximately 40.33% from approximately HK\$39.31 million for the six months ended 30 September 2020 to approximately HK\$23.46 million for the Reporting Period due to the expiry of the term of the transactions under the financing services framework agreement entered into between the Company and Shanxi Environment Protection Fund Co., Ltd., details of which are further particularized in the section headed “Management Discussion and Analysis – Connected Transactions” in the 2020 interim report of the Company.

Loss attributable to owners of the Company for the Reporting Period amounted to approximately HK\$26.50 million (2020: Loss attributable to owners of HK\$27.52 million). The loss was mainly attributable to the decrease in the revenue generated by the Book Distribution Business of the Group, and partially offset by (i) the increase in the revenue from the expanding operations of the environmental protection business segment; and (ii) the decrease in the finance costs and administrative expenses of the Group during the Reporting Period as mentioned above.

Outlook

The management of the Group will seize the opportunity to promote the development of various businesses and improve the business layout of the Group according to the annual development plan determined by the Board.

In relation to the Book Distribution Business, the Group will continue to strengthen its business foundation, vigorously enhance the effort to urge for early settlement and payment by our downstream customers, reduce the amount of receivables and strive to eliminate the adverse effects caused by the epidemic. Also, the Group will actively advance its cooperation with well-known institutions, such as Shanghai Juvenile Children’s Publishing House Company Limited (上海少年儿童出版社有限公司) to expand its business scale in the cultural industry.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook *(Continued)*

The Group will continue to increase the investments in and business scale of environmental protection as well as its support for Jinxin Keyuan to expand the business scale and improve the revenue stream. Meanwhile, the Group will actively explore other environmental protection businesses, with an aim to achieve business breakthrough in the areas of solid disposal and green and ecological rehabilitation, so as to optimize the Group's industrial layout.

During the financial year, subsidiaries of the Group will continue to make efforts in industrial funds and actively cooperate with well-known institutions to seek to establish industrial funds individually or jointly, so as to improve the Group's investment ability.

The Group will continue to integrate various resources and strive to achieve its operational goal for the whole year to bring better return to its shareholders.

Liquidity and Financial Resources

At 30 September 2021, the Group had total assets of approximately HK\$1,346.86 million (31 March 2021: HK\$1,340.92 million), including cash and bank balances of approximately HK\$24.81 million (31 March 2021: HK\$36.20 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 (“RMB”). 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 2021, the total borrowings of the Group, all of which were denominated in RMB, amounted to approximately HK\$635.76 million (31 March 2021: HK\$627.16 million) that bore interest rate of approximately 8% per annum as at 30 September 2021. 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 74.80% (31 March 2021: 72.4%).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Charge on the Group's Assets

As at 30 September 2021, 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

As at 30 September 2021, the Group did not have any significant capital commitments (31 March 2021: Nil).

Contingent Liabilities

As at 30 September 2021, the Group had no significant contingent liabilities (31 March 2021: 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.

Employees

As at 30 September 2021, the Group had 85 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 Investment

As at 30 September 2021, the Group had no significant investments (31 March 2021: Nil).

Future Plans for Material Investments and Capital Assets

As at 30 September 2021, the Group did not have other plans for material investment and capital assets.

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

As at 30 September 2021, 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 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 held/ interested	Percentage of the Company's issued share capital
Mr. Wu Xiaoming	Beneficial owner	41,240,000	1.13%
Mr. Zhang Xiongfeng	Beneficial owner	237,209,900	6.52%

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

Save as disclosed above, as at 30 September 2021, 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

As at 30 September 2021, 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	Interest in 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	1,027,985,995 (Note)	28.24%
山西大地環境投資控股有限公司	Interest of controlled corporation	1,027,985,995 (Note)	28.24%
山西省環境集團有限公司	Interest of controlled corporation	1,027,985,995 (Note)	28.24%
Dadi International Holdings Co., Ltd	Beneficial owner	1,027,985,995 (Note)	28.24%

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 山西省國有資本投資運營有限公司, 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.

Save as disclosed above, as at 30 September 2021, 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.

OTHER INFORMATION *(Continued)*

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 39 to the financial statements as included in the annual report of the Company for the year ended 31 March 2021.

As at 30 September 2021, 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 2021, 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.

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 condensed consolidated financial statements for the six months ended 30 September 2021.

BOARD OF DIRECTORS

At the date of this report, the executive Directors are Mr. Qu Zhongrang, Mr. Fu Yuanhong and Mr. Wu Xiaoming, the non-executive Directors are Mr. Ju Mengjun and Mr. Zhang Xiongfeng and the independent non-executive Directors are Dr. Zhang Wei, Dr. Jin Lizuo and Mr. Law Yui Lun.

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

Hong Kong, 3 November 2021

