



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
2023

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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 2023 (the “**Reporting Period**”), together with the unaudited comparative figures for the six months ended 30 September 2022 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	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	5	4,268	7,616	9,954	19,856
Cost of sales		(752)	(5,053)	(3,760)	(13,129)
Gross profit		3,516	2,563	6,194	6,727
Other gains or losses	6	(15)	(23)	1,936	202
Administrative expenses		(3,976)	(6,076)	(8,902)	(13,276)
(Loss) from operations	7	(475)	(3,536)	(772)	(6,347)
Finance costs	8	(4,804)	(6,986)	(9,712)	(15,071)
Loss before taxation		(5,279)	(10,522)	(10,484)	(21,418)
Income tax expense	9	(365)	(827)	(470)	(942)
Loss for the period		(5,644)	(11,349)	(10,954)	(22,360)
Loss for the period attributable to:					
Owners of the Company		(3,730)	(7,898)	(7,623)	(15,561)
Non-controlling interests		(1,914)	(3,451)	(3,331)	(6,799)
		(5,644)	(11,349)	(10,954)	(22,360)
		<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>
Loss per share	10				
Basic and diluted		(0.10)	(0.22)	(0.21)	(0.43)

	For the three months ended		For the six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	<u>(5,644)</u>	<u>(11,349)</u>	<u>(10,954)</u>	<u>(22,360)</u>
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	<u>599</u>	<u>(2,281)</u>	<u>3,311</u>	<u>(55)</u>
Other comprehensive income/(expense) for the period	<u>599</u>	<u>(2,281)</u>	<u>3,311</u>	<u>(55)</u>
Total comprehensive expense for the period	<u>(5,045)</u>	<u>(13,630)</u>	<u>(7,643)</u>	<u>(22,415)</u>
Total comprehensive expense for the period attributable to:				
Owners of the Company	<u>(3,581)</u>	<u>(9,674)</u>	<u>(5,433)</u>	<u>(15,934)</u>
Non-controlling interests	<u>(1,460)</u>	<u>(3,956)</u>	<u>(2,210)</u>	<u>(6,481)</u>
	<u>(5,045)</u>	<u>(13,630)</u>	<u>(7,643)</u>	<u>(22,415)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2023 HK\$'000 (Unaudited)	At 31 March 2023 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	427	565
Goodwill		3,207	3,362
Right-of-use assets		1,592	1,586
Financial assets at fair value through other comprehensive income		15,533	16,346
		<u>20,759</u>	<u>21,859</u>
Current assets			
Trade and other receivables and deposits	12	635,700	680,137
Financial assets at fair value through profit or loss		1,344	1,344
Inventory		374	374
Bank balances and cash		12,951	8,880
Tax recoverable		721	786
		<u>651,090</u>	<u>691,421</u>
Current liabilities			
Trade and other payables	13	396,502	402,369
Contract liabilities		1,476	1,547
Borrowings	14	579,261	605,431
Lease liabilities		1,414	1,426
Tax payable		37,159	38,827
		<u>1,015,812</u>	<u>1,049,600</u>
Net current assets		<u>(364,722)</u>	<u>(358,179)</u>
Total assets less current liabilities		<u>(343,963)</u>	<u>(336,320)</u>
Non-current liabilities			
Lease liabilities		653	653
Net liabilities		<u>(344,616)</u>	<u>(336,973)</u>

		At 30 September 2023	At 31 March 2023
	<i>Notes</i>	HK\$'000 (Unaudited)	<i>HK\$'000</i> <i>(Audited)</i>
Capital and reserves			
Share capital	15	36,406	36,406
Reserves		(174,406)	(168,973)
Capital deficiency to owners of the Company		(138,000)	(132,567)
Non-controlling interests		(206,616)	(204,406)
Total capital deficiency		(344,616)	(336,973)

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 2022	36,406	1,828,573	311,538	8,001	19,546	59,909	(2,069,100)	194,873	(168,790)	26,083
Loss for the period	-	-	-	-	-	-	(15,561)	(15,561)	(6,799)	(22,360)
Other comprehensive income for the period	-	-	-	-	-	(373)	-	(373)	318	(55)
Total comprehensive income/(expense) for the period	-	-	-	-	-	(373)	(15,561)	(15,934)	(6,481)	(22,415)
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-
At 30 September 2022	36,406	1,828,573	311,538	8,001	19,546	59,536	(2,084,661)	178,939	(175,271)	3,688
At 1 April 2023	36,406	1,828,573	311,538	8,001	(7,448)	46,611	(2,356,248)	(132,567)	(204,406)	(336,973)
Loss for the period	-	-	-	-	-	-	(7,623)	(7,623)	(3,331)	(10,954)
Other comprehensive income for the period	-	-	-	-	-	2,190	-	2,190	1,121	3,311
Total comprehensive income/(expense) for the period	-	-	-	-	-	2,190	(7,623)	(5,433)	(2,210)	(7,643)
At 30 September 2023	36,406	1,828,573	311,538	8,001	(7,448)	48,801	(2,363,871)	(138,000)	(206,616)	(344,616)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from/(used in) operations	2,901	(2,621)
Tax refunded	369	188
	<u>3,270</u>	<u>(2,433)</u>
Net cash generated from/(used in) operating activities		
Investing activities		
Other cash flows arising from investing activities	1,605	1,600
	<u>1,605</u>	<u>1,600</u>
Net cash generated from investing activities		
Financing activities		
Proceeds from other borrowings	-	-
Repayment of other borrowings	-	-
	<u>-</u>	<u>-</u>
Other cash flows used in financing activities	-	-
	<u>-</u>	<u>-</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	4,875	(833)
Cash and cash equivalents at beginning of period	8,880	16,854
Effect of foreign exchange rate changes	(804)	(898)
	<u>(804)</u>	<u>(898)</u>
Cash and cash equivalents at end of period	12,951	15,123
Analysis of cash and cash equivalents		
Cash and cash equivalents of the Group	12,951	15,123
	<u>12,951</u>	<u>15,123</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 Office Unit 02, 31st 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 provision of environmental consultancy services, sales of healthcare products and publication, purchase and distributing of books.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2023 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 2023.

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2023 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 2023 are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 March 2023, except for the adoption of new standards and interpretations effective as of 1 April 2023. 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 geographical locations. In a manner consistent with the way in which information is reported internally to the chief operating decision maker (“CODM”) for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- | | | |
|-------|--|---|
| (i) | 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. |
| (ii) | Financial leasing and other financial services: | Provision of financial leasing and other financial services in the PRC. |
| (iii) | Publication, purchase and distribution of books: | Engaged in publication, purchase and distribution of books in the PRC. |
| (iv) | Environmental consultancy services: | Provision of environmental consultancy services in the PRC. |
| (v) | Healthcare products: | Engaged in sales of healthcare products 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 consultancy services		Healthcare products		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		For the six months ended 30 September	
	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)	HKS'000 (Unaudited)
Revenue:												
Sales to external customers	-	-	-	122	-	-	9,954	19,487	-	247	9,954	19,856
Segment results	-	-	-	117	-	-	6,194	6,926	-	(316)	6,194	6,727
Unallocated other income and gains											1,936	202
Unallocated expenses											(8,902)	(13,277)
(Loss) from operations											(772)	(6,347)
Unallocated finance costs											(9,712)	(15,071)
Loss before taxation											(10,484)	(21,418)
Income tax expense											(470)	(942)
Loss for the period											(10,954)	(22,360)

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 consultancy services		Healthcare products		Total	
	At 30 September 2023	At 31 March 2023	At 30 September 2023	At 31 March 2023	At 30 September 2023	At 31 March 2023	At 30 September 2023	At 31 March 2023	At 30 September 2023	At 31 March 2023	At 30 September 2023	At 31 March 2023
	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)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Segment assets	612,441	642,091	4,321	4,885	6,303	6,203	26,945	28,899	5,161	6,197	655,261	688,275
Unallocated assets											16,588	25,005
Total assets											671,849	713,280
Segment liabilities	854,500	903,041	26,304	27,009	31,123	31,368	7,659	7,208	7,577	7,437	927,163	975,963
Unallocated liabilities											89,302	74,390
Total liabilities											1,016,465	1,050,253

Other segment information

	Publication, purchase and distribution of books		Advertising and media related services		Financial leasing and other financial services		Environmental consultancy services		Healthcare products		Total	
	For the six months ended 30 September 2023		For the six months ended 30 September 2022		For the six months ended 30 September 2023		For the six months ended 30 September 2022		For the six months ended 30 September 2023		For the six months ended 30 September 2022	
	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)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Addition to non-current assets	-	-	-	-	-	-	-	441	-	-	-	441
Depreciation of property, plant and equipment	-	18	-	-	-	-	59	34	-	3	59	55

5. REVENUE

	For the three months ended 30 September		For the six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue from contracts with customers				
<i>At a point in time</i>				
Publication, purchase and distribution of books	-	-	-	-
<i>Overtime</i>				
Environmental consultancy services	4,268	7,362	9,954	19,487
Healthcare products	-	132	-	247
Advertising and media related business	-	-	-	122
	<u>4,268</u>	<u>7,494</u>	<u>9,954</u>	<u>19,856</u>

6. OTHER GAINS OR LOSSES

	For the three months ended 30 September		For the six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Bank interest income	-	52	331	92
Dividend income	-	0	1,605	0
Other (loss)/Income	(15)	(75)	-	110
Total	<u>(15)</u>	<u>23</u>	<u>1,936</u>	<u>202</u>

7. LOSS FROM OPERATIONS

	For the three months ended 30 September		For the six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
The Group's loss from operations is arrived at after charging:				
Cost of sales	752	5,053	3,760	13,129
Depreciation charge – property, plant and equipment	45	925	90	1,001
Net foreign exchange (loss)/gain	(18)	27	(15)	1
Staff costs (including directors' remuneration)	3,433	4,382	7,191	9,179

8. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on other borrowing	4,804	6,986	9,712	15,071
Total	4,804	6,986	9,712	15,071

9. INCOME TAX EXPENSE

	For the three months ended 30 September		For the six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax charged:				
PRC Enterprise Income Tax	<u>365</u>	<u>827</u>	<u>470</u>	<u>942</u>
Total tax charged	<u>365</u>	<u>827</u>	<u>470</u>	<u>942</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 2023 (30 September 2022: nil).

The Group had no significant unprovided deferred tax assets and liabilities at 30 September 2023 (30 September 2022: 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 2023 of approximately HK\$3,730,000 (30 September 2022: loss attributable to owners of the Company of approximately HK\$7,898,000) and loss attributable to owners of the Company for the six months ended 30 September 2023 of approximately HK\$7,623,000 (30 September 2022: loss attributable to owners of the Company of approximately HK\$15,561,000) and the weighted average of 3,640,627,457 shares in issue during the three months ended 30 September 2023 (30 September 2022: 3,640,627,457 shares) and the weighted average of 3,640,627,457 shares in issue during the six months ended 30 September 2023 (30 September 2022: 3,640,627,457 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 2023.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired property, plant and equipment amount to HK\$Nil (six months ended 30 September 2022: HK\$441,000) and items of property, plant and equipment with carrying amounts were not disposed of (six months ended 30 September 2022: nil).

12. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	At 30 September 2023 HK\$'000 (Unaudited)	At 31 March 2023 HK\$'000 (Audited)
Trade receivables	621,064	640,641
Allowance for expected credit losses	<u>(271,078)</u>	<u>(271,078)</u>
	<u>349,986</u>	<u>369,563</u>
Deposits	691	691
Prepayments	292,271	303,361
Other receivables	227,929	236,578
Loan receivables	6,491	11,612
Allowance for expected credit losses	<u>(241,668)</u>	<u>(241,668)</u>
	<u>285,714</u>	<u>310,574</u>
	<u>635,700</u>	<u>680,137</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 2023 HK\$'000 (Unaudited)	At 31 March 2023 HK\$'000 (Audited)
0 – 30 days	2,175	2,297
31 – 60 days	1,238	1,307
61 – 90 days	591	624
Over 90 days	<u>340,861</u>	<u>365,335</u>
	<u>344,865</u>	<u>369,563</u>

13. TRADE AND OTHER PAYABLES

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Trade payables	165,218	172,253
Accruals and other payables	196,552	195,384
Dividend payables to non-controlling interests	33,584	33,584
Security deposits received	1,148	1,148
	<u>396,502</u>	<u>402,369</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 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
0 – 30 days	153	160
31 – 60 days	330	344
61 – 90 days	2,374	2,475
Over 90 days	162,361	169,274
	<u>165,218</u>	<u>172,253</u>

14. BORROWINGS

	At 30 September 2023 HK\$'000 (Unaudited)	At 31 March 2023 HK\$'000 (Audited)
Borrowings-secured	<u>546,568</u>	<u>571,161</u>
Borrowings-unsecured	<u>32,693</u>	<u>34,270</u>
	<u>579,261</u>	<u>605,431</u>
The carrying amounts of the above borrowings are repayable:		
Within one year	<u>579,261</u>	<u>605,431</u>
Within a period of more than one year but not exceeding two years	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Less: amounts due within one year shown under current liabilities	<u>-</u>	<u>-</u>
Amounts shown under non-current liabilities	<u>-</u>	<u>-</u>

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

	At 30 September 2023 (Unaudited)	At 31 March 2023 (Audited)
Fixed rate	<u>8%</u>	<u>8%</u>

As at 30 September 2023, the borrowings of approximately HK\$546,568,000 (31 March 2023: approximately HK\$571,161,000 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 31 March 2023, 1 April 2023 and 30 September 2023, ordinary shares of HK\$0.01 each	20,000,000,000	200,000
Issued and fully paid:		
At 31 March 2023 and 1 April 2023, ordinary shares of HK\$0.01 each (Audited) and 30 September 2023, 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	
			2023 HK\$'000 (Unaudited)	2022 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)	546,568	552,828

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-year 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 2023 (2022: nil).

Industry Overview

Environmental Protection Service Industry

In respect of environmental consultancy services, the Ministry of Ecology and Environment issued the 14th Five-Year Plan for Ecological Protection Supervision (《“十四五”生態保護監管規劃》) in March 2022, proposing that a relatively comprehensive system of ecological protection supervision and the system of rules and standards will be established by 2025. In the same month, the Ministry of Ecology and Environment issued the Circular on Environmental Impact Assessment of Major Investment Projects (《關於做好重大投資項目環評工作的通知》) to direct for the strengthening of the environmental impact assessment services for major investment projects. In April 2022, the Ministry of Ecology and Environment issued the 14th Five-Year Plan for Environmental Impact Assessment and Pollutant Discharge Permission Work Implementation Plan (《“十四五”環境影響評價與排污許可工作實施方案》), proposing the source prevention system underpinned primarily by the environmental impact assessment system. In August 2022, eight ministries and commissions, including the MIIT, the NDRC and the Ministry of Ecology and Environment, issued the Action Plan on the Green and Low-carbon Development of the Information Communication Industry (2022-2025) (《信息通信行業綠色低碳發展行動計劃(2022-2025年)》), which focuses on three key facilities, namely data centers, communication base stations and communication machine rooms, strengthens the coordinated layout of data centers through the intensive layout, high-efficient design, green construction, low-carbon technologies and intelligent operation and maintenance in all dimensions and all processes to advance the application and promotion of energy-saving technology in major and ancillary equipment at base stations and speed up in the green and low-carbon restructuring of core communication machine rooms. In December 2022, the Ministry of Ecology and Environment issued the Circular on Issuing the Principles for the Review and Approval of Environmental Impact Assessment Documents for Construction Projects in Steel/Coking, Modern Coal Chemical, Petrochemical and Thermal Power Industries (《關於印發鋼鐵/焦化、現代煤化工、石化、火電四個行業建設項目環境影響評價文件審批原則的通知》), regulating the selection of sites for the construction of petroleum refining, production of organic chemicals with raw materials and petroleum chemical projects and requiring the adoption of advanced and applicable technology and equipment in projects to reach an advanced level in clean production. It also required strengthening service guarantees on environmental impact assessment of major projects. With higher requirements of the state on environmental governance, the releasing of environmental regulation policies as well as higher environmental impact assessment requirements on major projects and different industries, the significant increase in the demand of enterprises and projects for environmental consultancy services brings about the potential for development of the environmental consultancy services industry.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Industry Overview *(Continued)*

Environmental Protection Service Industry *(Continued)*

In respect of mine remediation and ecological protection, the Ministry of Land and Resources, the Ministry of Environmental Protection and other ministries and commissions jointly released the Guiding Opinions on Strengthening Geological Environmental Remediation and Comprehensive Governance of Mines (《關於加強礦山地質環境恢復和綜合治理的指導意見》) in July 2016, proposing comprehensive governance of environmental issues of mines across the country. In December 2019, the Ministry of Natural Resources issued the Opinions on Exploring the Use of Market-oriented Ways to Promote Mine Ecological Remediation (《關於探索利用市場化方式推進礦山生態修復的意見》), specifying incentive policies to attract social investment, promote market-based operation and speed up in advancing ecological remediation in mines. In January 2022, the Ministry of Finance issued the Circular on Supporting Demonstration Projects on Ecological Remediation of Historical Abandoned Mines (《關於支持開展歷史遺留廢棄礦山生態修復示範工程的通知》), proposing financial supports from the central government to ecological remediation and governance of historical abandoned mines, which play a key role in guaranteeing ecological security, benefit a wide area and are located in key areas with common fiscal authority. In April 2022, the Ministry of Ecology and Environment issued the Administrative Measures for the Prevention of Environmental Pollution by Tailings (《尾礦污染環境防治管理辦法》), proposing detailed environmental management requirements on all processes from the generation, storage, transportation to comprehensive utilization of tailings; highlighting targeted and scientific prevention of pollution in accordance with laws, providing comprehensive analysis on major issues in the prevention of pollution by tailings, proposing requirements on the prevention of pollution in all processes of tailings and specifying the responsibilities of relevant enterprises and entities. Against such background, the demand for mine remediation and the comprehensive utilization of solid wastes at mines in the environmental and ecological protection market surged. With the increasingly surging of new projects, multi-layered capital guarantees for projects and the continuous innovation in business models, the industry has exhibited an unprecedented market potential.

Healthcare Products Industry

The enthusiasm for new healthcare materials, technologies, formulations and products has been increasing in recent years. With the stagnified competition among the domestic healthcare and functional food producers, the public had turned to look for overseas resources and supplies. Meanwhile, the higher disposable income of residents in the People's Republic of China (the "PRC") has promoted the demand for better lifestyles and the consumption pattern transfers from affordable products to high-quality and diversified products. In addition, imported products can offer opportunities for potentially higher premiums with more diversified types for selection by the customers. Further, overseas products with innovative formulas usually offer better functional experience, and healthy snack products are usually favoured by and has become popular among domestic consumers.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Industry Overview *(Continued)*

Healthcare Products Industry *(Continued)*

Healthcare product demand has remained strong in recent years. Whilst healthcare and functional food product will be an essential element in the realisation of the comprehensive healthcare awareness in the PRC, the per capital consumption of healthcare products in the PRC remains to be far behind with that of other developed countries such as Japan and the United States. Therefore, with the increased consumption level of the public in the PRC, it is expected that there will be much growth potential for the sales of imported healthcare products.

Furthermore, the COVID-19 pandemic had raised the public awareness for a healthy lifestyle and bodily care. Particularly, alongside with the extended “long COVID” symptoms suffered by certain patients, quality healthcare products and functional food supplements have received higher level of attention and have become increasingly welcomed by the public.

Business Review

The Group’s principal business activities during the Reporting Period arose from the provision of the environmental consultancy services segment. The Reporting Period represents a challenge to the operations of the Group, alongside with various market participants in the economy of the PRC. Whereas the global economy had been unstable with heightening costs of borrowing and inflation witnessed in overseas countries, the PRC economy had also continued to exhibit a generally lower level of business, investment and consumption activities. Meanwhile, the PRC economy had yet to have resumed its strong growth trend in the post-COVID era, and was suffering from the impact from unfavorable market news including various bond defaults and potential bankruptcy of certain key industry players and conglomerates in the PRC and elsewhere due to the refinancing issues and the inability to pay off their accumulated debts. The market remained to be on a wait-and-see approach and reduced the current level of investment pending more favorable policies in place to stimulate the PRC economy activities towards the end of 2023 and early 2024. Accordingly, the Group had received a relatively lower level of new project engagement in respect of the environmental consultancy services. Nevertheless, the Group took advantage of the relatively quiet market environment to re-assess its strategy in terms of the sales of healthcare segment and is consolidating its product sourcing pathways and new product supply chain to introduce more attractive, advanced and novel healthcare products and nutrition supplements from overseas to the domestic market in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review

Revenue

The Group recorded a period-on-period decrease of approximately 49.87% in its revenue from approximately HK\$19.86 million for the six months ended 30 September 2022 to approximately HK\$9.95 million for the Reporting Period. The Group's revenue for the Reporting Period was principally derived from its provision of the environmental consultancy services. The period-on-period decrease of the Group's revenue was mainly attributable to the reduction in the new environmental protection and remediation consultancy projects successfully obtained by the Group following the gradual completion of the on-going projects from the previous financial year. Meanwhile, whereas the PRC economy remained relatively quiet with lower level of business and investment activities; and the general market was adopting a wait-and-see attitude towards its future development, coupled with the relatively unstable economy in overseas countries and increased finance costs following therefrom, as well as unfavourable market news such as the potential default of certain key industry players in the PRC and elsewhere, the Group had witnessed a temporary reduction in the willingness of certain project owners to make substantive investments for environmental conservation and remediation projects, thereby leading to the relatively lower number of consultancy engagements undertaken by the Group during the Reporting Period and thus the service income resulting therefrom.

Costs of sales

The costs of sales of the Group consisted primarily of costs directly attributable to the provision of its services and sales of goods, which mainly included, among other things, the direct labour and staff costs associated to the provision of services; and the costs in relation to procurement of outsourced technology services for the purpose of rendering certain environmental consultancy services for the Group's customers.

The Group recorded costs of sales of approximately HK\$3.76 million for the Reporting Period, representing a period-on-period decrease of approximately 71.36% from that of approximately HK\$13.13 million for the corresponding period in 2022. The significant decrease in the costs of sales incurred by the Group was mainly attributable to a period-on-period reduction in terms of the scale of operations of the Group's environmental consultancy services segment due to the uncertain economic condition and the stalled investment incentive of market participants, leading to a corresponding decrease in the Group's demand for outsourced technology services to cater for the on-site performance of certain consultancy works, particularly when were then needed due to the local lockdown policies in place in various regions of the PRC to combat the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Gross profit and gross margin

The Group's gross profit recorded a period-on-period decrease of approximately 7.92% from approximately HK\$6.73 million for the six months ended 30 September 2022 to approximately HK\$6.19 million for the Reporting Period. Meanwhile, the gross margin (expressed as a percentage of gross profit over revenue) of the Group increased from approximately 33.88% for the six months ended 30 September 2022 to 62.23% for the Reporting Period. The period-on-period decrease in the gross profit of the Group was attributable to the temporary reduction in the number of new environmental consultancy projects undertaken by the Group during the Reporting Period as a result of the uncertain economic environment in the PRC and thus the revenue derived from the provision of environmental consultancy services by the Group. The period-on-period increase in the gross margin of the Group, however, was mainly attributable to the relatively large reduction in the direct costs associated with the procurement of outsourced technology services which were then needed to meet the project schedule during the corresponding period in 2022 when there had been local lockdown policies, thus mandating the Group to engage local technical consultancy companies to assist with the performance of the on-site works.

Administrative expenses

The Group recorded a period-on-period decrease in its administrative expenses of approximately 32.95% from approximately HK\$13.28 million for the six months ended 30 September 2022 to approximately HK\$8.90 million for the Reporting Period. The decrease was principally as a result of the continued cost-saving measures implemented by the Group in its day-to-day operations owing to the difficult business environment and the lack of investment initiatives on the part of the PRC market participants, having influenced by, among others, the unfavorable and relatively unstable economy witnessed in overseas countries during the Reporting Period.

Finance costs

The Group recognised finance costs of approximately HK\$9.71 million for the Reporting Period, representing a period-on-period decrease of approximately 35.56% from that of approximately HK\$15.10 million for the six months ended 30 September 2022. The decrease in the Group's finance costs was mainly attributable to the reduction in the principal of the outstanding loans upon repayment.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Loss for the period

The Group recorded loss for the period and loss for the period attributable to owners of the Company of approximately HK\$10.95 million and HK\$7.62 million for the Reporting Period, when compared to those of approximately HK\$22.36 million and HK\$15.56 million for the six months ended 30 September 2022, respectively. The improvement of the period-on-period loss position of the Group was mainly attributable to (i) the reduction in the direct costs associated with the provision of environmental consultancy services, particularly as to the engagement of outsourced technology services for the on-site performance necessitated by the local lockdown policies in place of the project sites during the COVID-19 pandemic period; and (ii) the overall reduction in the administrative expenses and finance costs incurred by the Group in light of the generally uncertain economic environment, partially offset by the decrease in the Group's revenue in the environmental consultancy services provision segment due to the temporary reduction in the investment incentives on the part of the project owners into environmental conservation and remediation works, leading to a corresponding decrease in the level of project engagement by the Group during the Reporting Period.

Discussion of going concern issue

The Board would like to remind all investors that the net current assets of the Group as at 30 September 2023 are HK\$(357,542,000). It was mainly due to that the Group's receivables remained relatively significant in terms of its asset profile, resulting in the Company's cash flow shortage, and then its principal business could not be further expanded or promoted in light of the difficult operational circumstances. Whilst the majority of such trade receivables represent those from the downstream customers, namely the book distributors, of the Group's publication, purchase and distribution of books segment, which were incurred during the early stage of the COVID-19 pandemic upon which the whole industry chain suffered from a nearly stalled settlement of payments and receivables, leading to the prevalent tightened cash flows and generalised slowdown among the industry players. The Group had taken various legal recourses to recover such outstanding receivables. However, given the number of claims and parties involved in these claims and that the court-directed enforcement procedures would take time for the foreclosure of the assets of such debtors and distribution of those proceeds to the creditors, the recovery of these receivables remained slow. The Board is highly concerned about and requires the management team of the Company to solve the going concern issue of the Company through multiple channels and means. The Company will negotiate with investors as soon as practicable to obtain further support if necessary, including financial support, business cooperation, injection of new assets, etc. At the same time, the Company will also continue to actively reach agreement with potential investors to introduce capital into the Company to solve its going concern issue as soon as practicable.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

The Reporting Period represents the time when the global economy stepped into the post-COVID era. Whereas the COVID-19 pandemic had struck hard on the worldwide economy, the recovery had been slow. The unstable economy in overseas countries and heightened costs of borrowing had stifled the investment incentive of the market participants in a number of industries. Despite the relative adverse business environment witnessed during the Reporting Period, the PRC government has been formulating and promulgating initiatives to encourage consumer spending and industrial investment. The Group believes the resultant impact from the COVID will be temporary, and remains optimistic for the long-term development of the PRC economy.

The Group expects that the PRC economy will gradually revive by the last quarter of 2023 and in the first half of 2024. Whereas there has been increasing public awareness and policy support on environmental protection initiatives as well as enhanced compliance obligations imposed by the strengthened regulatory framework, the demand for its environmental consultancy services will, following the recovery of the economy, continue to grow. Alongside with the return of the level of consumption and the attention for healthy lifestyle, overseas healthcare product will be expected to receive higher popularity (particularly for the younger generation). The Group's strategic positioning and adjustment of product sourcing pathways during the Reporting Period will enable it to better capture the first mover advantage to expand the healthcare product market when the PRC economy resumes in the near future.

The Group remains committed to develop its principal businesses and expand its scale of operations in a reasonable manner. It will pay close attention to the industry developments, identify favourable government policies in place to support the industry segments in which the Group operations, seize the opportunities and strive to enhance the revenue drivers of the Group in order to improve the overall financial performance of the Group and bring values to the shareholders of the Company.

Liquidity and Financial Resources

The Group generally derives cash for operation from internal cash flow and borrowings in the PRC. As at 30 September 2023, the Group had total assets of approximately HK\$671.85 million (31 March 2023: HK\$713.28 million), including trade and other receivables and deposits of approximately HK\$635.70 million (31 March 2023: HK\$680.14 million) and bank balances and cash of HK\$12.95 million (31 March 2023: HK\$8.88 million). As at 30 September 2023, the Group's borrowings amounted to approximately HK\$579.26 million (31 March 2023: HK\$605.43 million).

The Group's current assets and current liabilities as at 30 September 2023 were approximately HK\$651.09 million (31 March 2023: HK\$691.42 million) and approximately HK\$1,008.63 million (31 March 2023: HK\$1,049.6 million), respectively. The Group's non-current assets and non-current liabilities as at 30 September 2023 were approximately HK\$20.76 million (31 March 2023: HK\$21.86 million) and HK\$0.65 million (31 March 2023: HK\$0.65 million), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources *(Continued)*

The decrease of approximately 5.83% in the Group's current assets from that as at 31 March 2023 to that as at 30 September 2023 was mainly attributable to a decrease in the trade and other receivables and deposits from that of approximately HK\$680.14 million as at 31 March 2023 to that of approximately HK\$635.7 million as at 30 September 2023 due to the reduced trade receivables from customers of the Group's environmental consultancy services business as a result of a lower level of new projects undertaken by the Group during the Reporting Period against the background of the generally unfavourable economic conditions in the PRC, and resulting from which, the prepayments made by the Group to third party suppliers for the purpose of performance of such projects correspondingly decreased; partially offset by the improvement of the Group's bank balances and cash position from that of HK\$8.88 million as at 31 March 2023 to that of HK\$12.95 million as at 30 September 2023 due to the enhanced recovery of the level of cash from its operations during the Reporting Period.

The Group recorded a slight decrease of approximately 3.90% in its current liabilities from that as at 31 March 2023 to that as at 30 September 2023. This was mainly attributable to the combined effect of (i) the reduced trade and other payables from that of HK\$402.37 million as at 31 March 2023 to that of HK\$389.32 million as at 30 September 2023 due to the lower level of environmental consultancy projects undertaken by the Group necessitating a corresponding decrease in the payables to those suppliers during the Reporting Period; and (ii) the decrease in the Group's borrowings from that of HK\$605.43 million as at 31 March 2023 to that of HK\$579.26 million as at 30 September 2023 due to the repayment of certain principal of the Group's borrowings during the Reporting Period.

Capital Structure

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

As at 30 September 2023, the total borrowings of the Group, all of which were denominated in Renminbi, amounted to approximately HK\$579.26 million (31 March 2023: approximately HK\$605.43 million) that bore interest rate of approximately 8% per annum as at 30 September 2023. 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 approximately 151% (31 March 2022: approximately 147.24%).

Charge on the Group's Assets

As at 30 September 2023, 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Capital Commitment

As at 30 September 2023, the Group did not have any significant capital commitments (31 March 2023: nil).

Contingent Liabilities

As at 30 September 2023, the Group had no significant contingent liabilities (31 March 2023: 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 2023, the Group had 63 full-time 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 are subject to social insurance contribution plans or other pension schemes organised by the regional governments and the Group 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 2023, save for the investment in its subsidiaries by the Company, the Group had no significant investments (31 March 2022: nil).

Future Plans for Material Investments and Capital Assets

As at 30 September 2023, the Group did not have other plans for material investment and capital assets.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group since 30 September 2023 and up to the date of this report.

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 2023, 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 2023, 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 2023, 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 2023, 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)*

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of Directors and chief executive of the Company during the Reporting Period and up to the date of this report are as follows:

Name of Directors	Particulars	Effective date
Mr. Fu Yuanhong ("Mr. Fu")	Resigned as an executive Director, the chairman (the " Chairman ") of the Board, a member of the remuneration committee of the Board, the chairman of the nomination committee of the Board, the compliance officer (the " Compliance Officer ") of the Company under Rule 5.19 of the GEM Listing Rules and the authorised representative of the Company (the " Authorised Representative ") under Rule 5.24 of the GEM Listing Rules	28 June 2023
Mr. Qu Zhongrang ("Mr. Qu")	Resigned as an executive Director	28 June 2023
Mr. Wu Xiaoming ("Mr. Wu")	Appointed as the interim chairman of the Board (the " Interim Chairman "), the Compliance Officer, the Authorised Representative and the chairman of the nomination committee of the Board	28 June 2023

COMPETING INTEREST

During the Reporting Period, 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 (the "**CG Code**") and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules except for the following deviation.

OTHER INFORMATION (Continued)

CORPORATE GOVERNANCE (Continued)

Deviation from compliance with code provisions C.1.4 and C.2 of the CG Code

In January 2023, the Company has come to the knowledge that, Mr. Qu and Mr. Fu, the executive Directors, are alleged to have seriously violated discipline and law and were under disciplinary review and supervision investigation by the Shanxi Provincial Commission for Discipline Inspection and Supervision Commission (the “Investigation”). Pursuant to code provision C.1.4 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. Due to the reasons discussed above, Mr. Qu and Mr. Fu could not participate in continuous professional development during the Reporting Period and up to the date of their resignation in accordance with the aforesaid code provision. Furthermore, Mr. Fu, as the Chairman, was not able to perform the responsibilities of the Chairman under code provisions C.2 of the CG Code since January 2023 and up to the date of his resignation. On 28 June 2023, Mr. Fu resigned as an executive Director and the Chairman. Following the cessation of Mr. Fu as the Chairman, Mr. Wu, the executive vice chairman of the Board, the chief executive officer of the Company and an executive Director, has been appointed as the Interim Chairman with effect from 28 June 2023 to temporarily take over the duties of the Chairman. Such practice deviates from code provision C.2.1 of part 2 of the CG Code provides that the roles and responsibilities of chairman and chief executive officer should be separated. The reason for such deviation is to allow Mr. Wu, who is already the executive vice chairman of the Board to take over the duties of the Chairman in the interim period whilst the management of the Group and the nomination committee of the Board are looking for the appropriate candidate to be the Chairman.

The Company has adopted the following alternative actions and steps during the Reporting Period to redress the deficiencies in the relevant code provisions:

Code Provision

C.2.1 The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Alternative actions and steps taken during the Reporting Period

The responsibilities of Chairman, including presiding over the daily business meetings and meetings of the Board and implementing the formulated business strategies, etc, were shared and undertaken by Mr. Wu, the executive Director, executive vice chairman of the Board, Interim Chairman and chief executive officer of the Company; Mr. Bai Mingjun (“Mr. Bai”), the head of Hong Kong headquarter and a joint company secretary of the Company; and Mr. Mi Zhaogang, the vice president and the director of the investment asset development center of the Company.

OTHER INFORMATION *(Continued)*

CORPORATE GOVERNANCE *(Continued)*

Deviation from compliance with code provisions C.1.4 and C.2 of the CG Code *(Continued)*

C.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.

Mr. Wu, the executive Director, executive vice chairman, Interim Chairman and chief executive officer of the Company, together with Mr. Bai, the head of Hong Kong headquarter and a joint company secretary, and their respective teams, ensure that the Board operates effectively and discharges its due responsibilities, and promptly discusses all important and appropriate matters and establishes good corporate governance practices and procedures. Mr. Bai prepares the agenda of the Board according to the annual schedule of the Board meetings as well as ad hoc Board meetings from time to time, and communicates with all directors on the key operational and financial matters of the Group in a timely manner, including but not limited to daily announcement disclosure, annual budget review, annual corporate management report, audit matters and risk and internal control audit, etc.

C.2.3 The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable.

Refer to C.2.2 above.

OTHER INFORMATION *(Continued)*

CORPORATE GOVERNANCE *(Continued)*

Deviation from compliance with code provisions C.1.4 and C.2 of the CG Code *(Continued)*

- C.2.4 One of the important roles of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. The chairman should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.
- Refer to C.2.2 above.
- C.2.5 The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.
- Refer to C.2.2 above.
- C.2.6 The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.
- Refer to C.2.2 above.

OTHER INFORMATION *(Continued)*

CORPORATE GOVERNANCE *(Continued)*

Deviation from compliance with code provisions C.1.4 and C.2 of the CG Code *(Continued)*

C.2.8 The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.

There have been no changes to the existing Shareholders' Communication Policy of the Group. Mr. Wu, the executive Director, executive vice chairman of the Board, Interim Chairman and chief executive officer of the Company, together with Mr. Bai, the head of Hong Kong headquarter and a joint company secretary, and their respective teams, have considered that such Shareholders' Communication Policy remains effective given that there is no barrier for the shareholders to communicate their views to the Board as a whole.

C.2.9 The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.

Refer to C.2.2 above.

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 2023.

BOARD OF DIRECTORS

At the date of this report, the executive Director is 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
Wu Xiaoming
Interim Chairman

Hong Kong, 14 November 2023