



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)

FIRST QUARTERLY REPORT **2021**

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange 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 the GEM of the Stock Exchange 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 QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company presents the unaudited condensed consolidated results (the “Unaudited Consolidated Results”) of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2021 (the “Period”), together with the comparative unaudited figures for the three months ended 30 June 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the three months ended 30 June	
		2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Revenue	3	9,852	243,740
Cost of sales		(2,446)	(205,591)
Gross profit		7,406	38,149
Other income and gains	4	191	1,591
Administrative expenses		(12,222)	(12,321)
(Loss)/profit from operations	5	(4,625)	27,419
Finance costs	6	(16,216)	(14,123)
(Loss)/profit before taxation		(20,841)	13,296
Income tax expense	7	(1,519)	(5,592)
(Loss)/profit for the period		(22,360)	7,704
(Loss)/profit for the period attributable to:			
owners of the Company		(15,246)	470
non-controlling interests		(7,114)	7,234
		(22,360)	7,704
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/learnings per share	8		
Basic and diluted		(0.42)	0.013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
(Loss)/profit for the period	<u>(22,360)</u>	<u>7,704</u>
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>8,796</u>	<u>22</u>
Other comprehensive expense for the period, net of income tax	<u>8,796</u>	<u>22</u>
Total comprehensive (expense)/income for the period	<u>(13,564)</u>	<u>7,726</u>
Total comprehensive (expense)/income for the period attributable to:		
owners of the Company	(7,034)	469
non-controlling interests	<u>(6,530)</u>	<u>7,257</u>
	<u>(13,564)</u>	<u>7,726</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to equity holders of the Company

	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
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
Profit for the period	-	-	-	-	-	-	470	470	7,234	7,704
Other comprehensive (loss)/income for the period	-	-	-	-	-	(1)	-	(1)	23	22
Total comprehensive (loss)/income for the period	-	-	-	-	-	(1)	470	469	7,257	7,726
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	2,034	2,034
At 30 June 2020 (Unaudited)	35,649	1,823,073	325,798	6,939	(1,093)	(8,490)	(1,697,495)	484,381	61,194	545,575
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	-	-	-	-	-	-	(15,246)	(15,246)	(7,114)	(22,360)
Other comprehensive income for the period	-	-	-	-	-	8,212	-	8,212	584	8,796
Total comprehensive income/(expense) for the period	-	-	-	-	-	8,212	(15,246)	(7,034)	(6,530)	(13,564)
At 30 June 2021 (Unaudited)	36,406	1,828,573	311,538	7,706	12,616	41,948	(1,866,478)	372,309	(15,385)	356,924

NOTES

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 Consolidated Results 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 and the principal activities of its subsidiaries are publication, purchase and distribution of books, environmental consultancy services, advertising and media related services and provision of financial leasing and other financial services.

2. BASIS OF PREPARATION AND CONSOLIDATION

The Unaudited Consolidated Results have been prepared in accordance with the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Unaudited Consolidated Results should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2021.

The accounting policies and basis of preparation adopted in the preparation of the Unaudited Consolidated Results are consistent with those adopted in the annual financial statements for the year ended 31 March 2021.

The Group has applied new and amended standards and interpretations of HKFRSs which are mandatory during the current accounting and relevant to its operations. The application of such new and amended standards and interpretations does not have material impact on the Unaudited Consolidated Results and does not result in substantial changes to the Group's accounting policies.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective but the Directors are in the process of assessing their impact on the results of operation and financial position of the Group.

3. REVENUE

	For the three months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Environmental consultancy services	9,852	–
Publication, purchase and distribution of books	–	243,740
	<u>9,852</u>	<u>243,740</u>

4. OTHER INCOME AND GAINS

	For the three months ended 30 June 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Bank interest income	20	72
Interest received from financial assets at fair value through other comprehensive income	–	1,325
Other income	171	194
	<u>191</u>	<u>1,591</u>

5. (LOSS)/PROFIT FROM OPERATIONS

	For the three months ended 30 June 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
(Loss)/profit from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	72	105
Net foreign exchange loss	39	1
Staff costs including directors' emoluments	6,458	4,803
	<u>6,569</u>	<u>4,914</u>

6. FINANCE COSTS

	For the three months ended 30 June 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest on other borrowing	16,216	14,123

7. INCOME TAX EXPENSE

- (i) 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 three months ended 30 June 2021 (2020: Nil).
- (ii) PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Income tax expense of approximately HK\$1.5 million was accrued for the three months ended 30 June 2021 (2020: HK\$5.6 million).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 June 2021 (2020: Nil).

8. (LOSS)/EARNINGS 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 June 2021 of approximately HK\$15,246,000 (2020: profit attributable to owners of HK\$470,000) and the weighted average of 3,640,627,457 shares in issue during the three months ended 30 June 2021 (2020: 3,564,945,946 shares).

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board resolved not to declare any interim dividend for the three months ended 30 June 2021 (corresponding period in 2020: Nil).

Business Review

Publication, purchase and distribution of books

During the Period, the revenue contributed by such segment was nil (corresponding period in 2020: HK\$243.7 million).

The principal operation of the Group under this business segment is undertaken by Dadi Feichi Culture Development (Shanghai) Company Limited (大地飛馳文化發展(上海)有限公司), which supplies and distributes books to the primary and secondary schools in the People's Republic of China (the "PRC") for their library collection. Owing to the impact of the COVID-19 pandemic, the participants along the industry chain for the publication, purchase and distribution of books generally exhibited adverse business and financial performance, thereby leading to a material slowdown in the settlement of payments and receivables along the industry chain including those from the Group's downstream book procurement platforms. Adopting a prudent capital management approach, the Group decided to temporarily ease the pace of its operations under this business segment for the Period pending the recovery of the industry in general.

The Board is of the view that the impact would be temporary. It is common expectation in the industry and the PRC, in general, that the recovery shall progress in a gradual and orderly manner in the coming months. Please refer to the section headed "Outlook" below for details.

Environmental consultancy services

During the Period, the revenue contributed by such segment was approximately HK\$9.85 million (corresponding period in 2020: nil).

During the year ended 31 March 2021, the Group recognised the business segment of environmental consultancy services following the acquisition of Shanxi Jinxin Keyuan Environmental Protection Science and Technology Company Limited ("Jinxin Keyuan") (山西晉新科源環保科技有限公司). Such segment commenced its substantive operation in March 2021.

Financial Review

During the Period, the revenue of the Group from continuing operations for the three months ended 30 June 2021 was approximately HK\$9.85 million (corresponding period in 2020: HK\$243.7 million), representing an decrease of approximately 96.0% as compared with that of the three months ended 30 June 2020; such revenue was generated from the provision of environmental consultancy services by Jinxin Keyuan (corresponding period in 2020: nil).

Loss attributable to owners of the Company for the three months ended 30 June 2021 amounted to approximately HK\$15,246,000 (corresponding period in 2020: profit attributable to owners of the Company in the amount of approximately HK\$470,000). The loss was mainly attributed to the decrease in the overall revenue generated by the Group while continuance in incurring administrative expenses of a similar level to that for the corresponding period in 2020, in addition to a slight increase in the finance costs representing the interest on the Group's borrowings to support its day-to-day operations during the Period.

Outlook

The management of the Company 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 business segment of the publication, purchase and distribution of books, the Group has been paying close attention to the development of the COVID-19 pandemic which would in turn impact the recovery progress of the industry and the economy in general. Despite the recent sporadic outburst of COVID-19 cases in certain regions of the PRC, the PRC authorities responded promptly and put in place timely prevention and control measures to combat the pandemic. As such, the Group is of the view that the outbreak would be transient and brought under control in the near future. Meanwhile, there remains a strong demand for library books from primary and secondary schools which are required to procure books in accordance with the core book list and recommended book list for libraries in primary and secondary schools nationwide as promulgated by the respective governing bodies in line with the guiding opinions and notices from the relevant PRC authorities. As the authorised book procurement entity with the requisite qualification to provide coverage to school libraries in Shanghai and Eastern China region, the Group will be able to resume its full-blown operational scale and benefit from the accumulated demand over the Period once the COVID-19 pandemic eases.

The Group will continue to strengthen its business foundation and strive to eliminate the adverse impact due to the epidemic and consolidate its position within the sector. 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 improve its profitability in the cultural industry.

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 within the financial year, 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.

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 June 2021, the following Directors and chief executives of the Company had interests or short positions 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 (the "SFO")) which are required (a) to be 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 are taken or deemed, to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange:

Long positions in ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity/Nature of Interests	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

As at 30 June 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.

Substantial Shareholders

As at 30 June 2021, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long position in ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity/Nature of Interests	Number of Shares held	Percentage of the Company's issued share capital
山西省國有資本投資運營有限公司	Interest in a controlled corporation	1,027,985,995 ^(Note)	28.24%
山西大地環境投資控股有限公司	Interest in a controlled corporation	1,027,985,995 ^(Note)	28.24%
山西省環境集團有限公司	Interest in a 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 山西省國有資本運營有限公司. As such, each of 山西省環境集團有限公司, 山西大地環境投資控股有限公司 and 山西省國有資本運營有限公司 is deemed to be interested in the shares held by Dadi International Holdings Co., Ltd.

Save as disclosed above, as at 30 June 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.

Competing Interest

As at 30 June 2021, none of the Directors, the controlling shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting system, risk management and internal control systems of the Group. The audit committee comprises three independent non-executive Directors and one non-executive Director namely, Mr. Law Yui Lun, Dr. Zhang Wei, Dr. Jin Lizuo and Mr. Zhang Xiongfeng. The audit committee has reviewed the Group's unaudited consolidated financial statements for the three months ended 30 June 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, Mr. Law Yui Lun and Dr. Jin Lizuo.

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

Hong Kong, 13 August 2021