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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Dadi International Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the nine months ended 31 December 2019. This announcement, containing the full text of the 2019 third quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of quarterly results.

This results announcement will be published on the GEM website of The Stock Exchange of Hong Kong Limited (www.hkgem.com) and the website of the Company (<http://dadi-international.com.hk>).

Printed version of the Company’s 2019 third quarterly report will be dispatched to the shareholders of the Company and available for viewing on the GEM website and the website of the Company in due course.

By order of the Board
Dadi International Group Limited
FU Yuanhong
Chairman

Hong Kong, 11 February 2020

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

This announcement, for which the directors of 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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the day of its posting and the Company’s website at <http://dadi-international.com.hk>.

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

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) of the Company presents the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and the nine months ended 31 December 2019 (the “Period”), together with the comparative figures for the corresponding periods in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	359,338	32,047	796,273	80,809
Cost of sales		<u>(294,138)</u>	<u>(25,386)</u>	<u>(652,786)</u>	<u>(66,696)</u>
Gross profit		65,200	6,661	143,487	14,113
Other gains and losses	5	2,800	(31)	3,411	1,524
Administrative expenses		(24,392)	(8,198)	(44,765)	(27,771)
Gain/(loss) on disposal of property, plant and equipment		(53)	3	(59)	(94)
Loss on disposal of financial assets at fair value through profit or loss		<u>–</u>	<u>(2)</u>	<u>–</u>	<u>(1)</u>
Profit/(loss) from operations	6	43,555	(1,567)	102,074	(12,229)
Finance costs	7	(15,196)	(897)	(31,092)	(2,876)
Profit/(loss) before taxation		28,359	(2,464)	70,982	(15,105)
Income tax expense	8	(8,664)	(31)	(22,254)	(44)
Profit/(loss) for the period		<u>19,695</u>	<u>(2,495)</u>	<u>48,728</u>	<u>(15,149)</u>
Profit/(loss) for the period attributable to:					
owners of the Company		6,192	(3,310)	16,234	(15,133)
non-controlling interests		13,503	815	32,494	(16)
		<u>19,695</u>	<u>(2,495)</u>	<u>48,728</u>	<u>(15,149)</u>
		HK cents	HK cents	HK cents	HK cents
Profit/(loss) per share					
Basic and diluted	9	<u>0.17</u>	<u>(0.10)</u>	<u>0.46</u>	<u>(0.47)</u>

	For the three months ended		For the nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period	19,695	(2,495)	48,728	(15,149)
Other comprehensive income/(expense)				
Exchange differences on translation of financial statements of overseas subsidiaries	1,415	9,883	(8,870)	(17,750)
Other comprehensive income/(expense) for the period	1,415	9,883	(8,870)	(17,750)
Total comprehensive income/(expense) for the period	21,110	7,388	39,858	(32,899)
Total comprehensive income/(expense) attributable to:				
owners of the Company	7,856	8,407	8,259	(26,940)
non-controlling interests	13,254	(1,019)	31,599	(5,959)
	21,110	7,388	39,858	(32,899)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the nine months ended 31 December 2019 has been prepared in accordance with the Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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

The condensed consolidated financial statements for the nine months ended 31 December 2019 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

3. ACCOUNTING POLICIES

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

4. REVENUE

	For the three months ended 31 December		For the nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers				
<i>Over time</i>				
Financial Services	118	115	365	1,525
Provision of advertising and media related service	25,782	31,963	76,147	77,918
	25,900	32,078	76,512	79,443
<i>At point of time</i>				
Publication, purchase and distribution of books	333,438	–	719,761	–
	333,438	–	719,761	–
<i>Other sources:</i>				
Finance lease	–	(31)	–	1,366
	359,338	32,047	796,273	80,809

5. OTHER GAINS AND LOSSES

	For the three months ended 31 December		For the nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	67	5	186	25
Interest income on loan to independent third parties	–	(27)	–	1,243
Management fee income	–	(5)	–	192
Other income/(loss)	2,733	(4)	3,225	64
	2,800	(31)	3,411	1,524

6. PROFIT/(LOSS) FROM OPERATIONS

	For the three months ended 31 December		For the nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The Group's profit/(loss) from continuing operation is arrived at after charging/(crediting):				
Cost of sales	294,138	25,386	652,786	66,696
Depreciation charge				
– owned property,				
plant and equipment	167	459	476	1,384
– right-of-use assets	1,383	–	3,248	–
Loss on disposal of property, plant and equipment	53	3	59	94
Net foreign exchange gain/(loss)	40	2	16	(41)
Minimum lease payment under operating lease on premises	–	654	–	4,169
Staff costs (including directors' remuneration)	5,151	2,856	13,987	11,326

7. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on other borrowings	14,946	897	30,467	2,829
Interest on obligation under finance leases	–	–	–	47
Other interest expense	250	–	625	–
Total	15,196	897	31,092	2,876

8. INCOME TAX EXPENSE

	For the three months ended 31 December		For the nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax charged:				
PRC Enterprise Income Tax	8,664	31	22,254	44
Total tax charged	8,664	31	22,254	44

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 nine months ended 31 December 2019(2018: Nil).

The Group had no significant unprovided deferred tax assets and liabilities at 31 December 2019 (2018: Nil).

9. PROFIT/(LOSS) PER SHARE

Basic profit per share

The calculation of the basic profit per share is based on the profit attributable to owners of the Company for the three months ended 31 December 2019 of approximately HK\$6,192,000 (2018: loss attributable to owners of HK HK\$3.3 million) and profit attributable to owners of the Company for the nine months ended 31 December 2019 of approximately HK\$16,234,000 (2018: loss attributable to owners of HK\$15.1 million) and the weighted average of 3,564,945,946 shares in issue during the three months ended 31 December 2019 (2018: 3,240,859,951 shares) and the weighted average of 3,564,945,946 shares in issue during the nine months ended 31 December 2019(2018: 3,240,859,951 shares).

Diluted profit/(loss) per share

Diluted profit/(loss) per share for the three months and nine months ended 31 December 2019 and 2018 are the same as the respective basic profit/(loss) per share because all potential dilutive ordinary shares would decrease the loss per share and, therefore, is anti-dilutive.

10. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company							Non-controlling interests	Total equity
	Issued capital	Share premium	Contributed surplus	Share-based compensation reserve	Statutory reserve	Translation reserve	Accumulated losses		
	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)
At 1 April 2018	32,409	1,770,215	325,798	11,023	1,318	38,217	(1,694,297)	484,683	18,316
Loss for the period	-	-	-	-	-	-	(15,133)	(15,133)	(16)
Other comprehensive expense for the period	-	-	-	-	-	(11,807)	-	(11,807)	(5,943)
Total comprehensive expense for the period	-	-	-	-	-	(11,807)	(15,133)	(26,940)	(5,959)
Cancellation of share options	-	-	-	(11,023)	-	-	11,023	-	-
At 31 December 2018	32,409	1,770,215	325,798	-	1,318	26,410	(1,698,407)	457,743	12,357
At 1 April 2019	35,649	1,823,073	325,798	7,802	1,318	21,219	(1,734,734)	480,125	10,188
Profit for the period	-	-	-	-	-	-	16,234	16,234	32,494
Other comprehensive expense for the period	-	-	-	-	-	(7,975)	-	(7,975)	(8,870)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(7,975)	16,234	8,259	39,858
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	5,569
Dividend distribution to Non-controlling	-	-	-	-	-	-	-	-	(19,115)
At 31 December 2019	35,649	1,823,073	325,798	7,802	1,318	13,244	(1,718,500)	488,384	28,241

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board resolved not to declare any interim dividend for the nine months ended 31 December 2019 (2018: Nil).

Business Review

Publication, purchase and distribution of books

During the Period, the revenue contributed from publication, purchase and distribution of books in the PRC was approximately HK\$719.8 million (2018: Nil).

Advertising and media related services

During the Period, the revenue contributed from advertising and media services projects in Hong Kong and the PRC was approximately HK\$76.1 million (2018: HK\$77.9 million).

Provision of Financial Leasing and other Financial Services

During the Period, the revenue contributed from financial leasing and other financial services in the PRC was approximately HK\$0.4 million (2018: HK\$2.9 million).

Financial Review

During the Period, the revenue of the Group for the nine months ended 31 December 2019 was approximately HK\$796.3 million (2018: HK\$80.8 million), of which HK\$719.8 million (2018: Nil) was generated from the publication, purchase and distribution of books, HK\$76.1 million was generated from provision of advertising and media related services (2018: HK\$77.9 million) and HK\$0.4 million was generated from provision of financial leasing and other financial services (2018: HK\$2.9 million). The revenue increased by HK\$715.5 million or 885% as compared with the nine months ended 31 December 2018.

Profit attributable to owners of the Company for the nine months ended 31 December 2019 amounted to approximately HK\$16.2 million (2018: loss attributable to owners of the Company: HK\$15.1 million). The change was mainly attributed to overall improving operating performance, which was largely due to the satisfactory operating performance of the Group's publication, purchase and distribution of books business.

Significant Investment

During the Period, the Group acquired a minority equity investment in a PRC factoring company located in Shanghai of approximately HK\$22.3 million. This minority equity investment previously belonged to Shanghai Wangshi Jinfu Information Service Company Limited (上海網實金服數據服務有限公司), a subsidiary of the Company during the period from October 2015 to March 2017 (31 December 2018: Nil).

Future Plans

The management of the Company will continue to expand the business scopes specified by the Company under the leadership of the Board.

The Company will continue to put more efforts in developing its cultural and media business to significantly expand the business scale; while continuing to push for investment in the environmental protection field to strive to achieve a zero breakthrough as soon as possible; and continue to explore the development model of financial business and promote the business development of the Group through industry funds.

OTHER INFORMATION

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

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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	Approximate percentage of the Company's issued share capital
Mr. Wu Xiaoming	Beneficial owner	31,240,000	0.88%
Mr. Zhang Xiongfeng	Beneficial owner	218,189,900	6.12%

SHARE OPTION SCHEME

The Company adopted a new share option scheme (the "New Share Option Scheme") pursuant to a resolution passed at the annual general meeting of the Company on 25 September 2012. The principal terms of the New Share Option Scheme have been set out in note 40 to the financial statements as included in the annual report of the Company for the year ended 31 March 2019.

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

Date of Grant	Category of eligible persons	Exercise Price	Exercise Period	Outstanding at 1/4/2019	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31/12/2019
13/01/2017	Consultants	HK\$0.275	13/01/2017 to 12/01/2020	61,600,000	-	-	-	-	61,600,000

OTHER INFORMATION (Continued)

DIRECTORS AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, as at 31 December 2019, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

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

As at 31 December 2019, so far as the Directors are aware, the following persons (not being a Director or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in the Shares

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	1,024,325,995 (Note)	28.73%
山西大地環境投資控股有限公司	Interest of controlled corporation	1,024,325,995 (Note)	28.73%
山西省環境集團有限公司	Interest of controlled corporation	1,024,325,995 (Note)	28.73%
Dadi International Holdings Co., Ltd	Beneficial owner	1,024,325,995 (Note)	28.73%

Note:

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

OTHER INFORMATION *(Continued)*

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

Long position in the Shares *(Continued)*

Save as disclosed above, as at 31 December 2019, 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 31 December 2019, none of the directors, substantial shareholders, and their respective close associates of the Company had any interests in any business which competes or may compete with the business of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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, risk management 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 Chairman), Dr. Zhang Wei and Dr. Li Zhan. The audit committee has reviewed the Group's unaudited consolidated financial statements for the Period.

BOARD OF DIRECTORS

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

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

Hong Kong, 11 February 2020