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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2020

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 three months ended 30 June 2020. This announcement, containing the full text of the first quarterly report of the Company (the “**First Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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://www.dadi-international.com.hk>).

Printed version of the First 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 August 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, a non-executive Director, namely Mr. Zhang Xiongfeng, and three independent non-executive Directors, namely Dr. Zhang Wei, Mr. Law Yui Lun and Dr. Jin Lizuo.

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 7 days from the day of its posting and the Company’s website at <http://www.dadi-international.com.hk>.

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.

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 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 2020, together with the comparative unaudited figures for the three months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the three months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	243,740	102,338
Cost of sales		(205,591)	(84,509)
Gross profit		38,149	17,829
Other income and gains	4	1,591	486
Administrative expenses		(12,321)	(8,644)
Profit from operations	5	27,419	9,671
Loss on disposal of property, plant and equipment		—	(1)
Finance costs	6	(14,123)	(3,041)
Profit before taxation		13,296	6,629
Income tax expense	7	(5,592)	(2,807)
Profit for the period		7,704	3,822
Profit for the period attributable to:			
Owners of the Company		470	34
Non-controlling interests		7,234	3,788
		7,704	3,822
		HK cents	HK cents
Earnings per share	8		
Basic and diluted		0.013	0.001

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit for the period	7,704	3,822
Other comprehensive income/(expense) for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	22	(3,146)
Other comprehensive income/(expense) for the period, net of income tax	22	(3,146)
Total comprehensive income for the period	7,726	676
Total comprehensive income/(expense) for the period attributable to:		
Owners of the Company	469	(2,997)
Non-controlling interests	7,257	3,673
	7,726	676

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	Share-based compensation reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Revaluation reserve (Unaudited) HK\$'000	Transition 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 2019	35,649	1,823,073	325,798	7,802	1,318	-	21,219	(1734,734)	480,125	10,188	490,313
Profit for the period	-	-	-	-	-	-	-	34	34	3,788	3,822
Other comprehensive expense for the period	-	-	-	-	-	-	(3,031)	-	(3,031)	(115)	(3,146)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	(3,031)	34	(2,997)	3,673	676
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	2,785	2,785
At 30 June 2019	35,649	1,823,073	325,798	7,802	1,318	-	18,188	(1734,700)	477,128	16,646	493,774
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 (expense)/income for the period	-	-	-	-	-	-	(1)	-	(1)	23	22
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(1)	470	469	7,257	7,726
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	2,034	2,034
At 30 June 2020	35,649	1,823,073	325,798	-	6,939	(1,093)	(8,490)	(1,697,495)	484,381	61,194	545,575

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 the publication, purchase and distribution of books.

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 2020.

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 2020.

The Group has applied new and amended standards and interpretations of HKFRSs which are mandatory during the current accounting period 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

	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Publication, purchase and distribution of books	243,740	77,729
Provision of advertising and media related service	–	24,433
Financial leasing and other financial services	–	176
	<u>243,740</u>	<u>102,338</u>

4. OTHER INCOME AND GAINS

	For the three months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	72	28
Education service	–	448
Interest received from financial assets at fair value through other comprehensive income	1,325	–
Other income	194	10
	1,591	486

5. PROFIT FROM OPERATIONS

	For the three months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	105	152
Net foreign exchange gain/(loss)	1	(10)
Staff costs including directors' emoluments	4,803	3,421

6. FINANCE COSTS

	For the three months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on other borrowing	14,123	3,041

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 2020 (2019: 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\$5.6 million was accrued for the three months ended 30 June 2020 (2019: approximately HK\$2.8 million).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 June 2020 (2019: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for the three months ended 30 June 2020 of approximately HK\$470,000 (2019: approximately HK\$34,000) and the weighted average of 3,564,945,946 shares in issue during the three months ended 30 June 2020 (2019: 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 2020 (Corresponding period in 2019: Nil).

Business Review

Publication, purchase and distribution of books

During the period under review, the revenue contributed by such segment was approximately HK\$243.7 million (Corresponding period in 2019: HK\$77.7 million), which was generated from the publication, purchase and distribution of books in the PRC.

Such segment commenced operation in March 2019 and then developed rapidly. Meanwhile, the Ministry of Education, the Ministry of Culture and the State Administration of Press, Publication, Radio, Film and Television of the PRC promulgated the Opinions on Strengthening the Construction and Application of Libraries in Primary and Secondary Schools in the New Era (《關於加強新時期中小學圖書館建設與應用工作的意見》) in 2015, which specified that by 2020, the vast majority of primary and secondary schools shall build libraries in accordance with national standards. In October 2019, the Department of Basic Education under the Ministry of Education promulgated the Notice on Launching Campaign for the Review and Cleanup of Books in Libraries in Primary and Secondary Schools (《關於開展全國中小學圖書館圖書審查清理專項行動的通知》), which required the review and cleanup of books supplied by libraries in primary and secondary schools by self-inspection, cleanup and spot check, with the Recommended Book List for Libraries in Primary and Secondary Schools Nationwide (《全國中小學圖書館(室)推薦書目》) as the major reference basis for the supply of books by libraries. Such policies accelerated the cleanup and update of books supplied by libraries in primary and secondary schools in China, and caused the purchase volume of libraries in primary and secondary schools to increase, which also increased the order volume of the Company from the downstream platform. Therefore, revenue contributed by such segment significantly increased during the Reporting Period as compared with that of last year.

Advertising and media related services

During the period under review, the revenue contributed by such segment was nil (Corresponding period in 2019: HK\$24.4 million). The Company has temporarily suspended the provision of such services.

Provision of Financial Leasing and other Financial Services

During the period under review, the revenue contributed by such segment was nil (Corresponding period in 2019: HK\$0.2 million). The Company has temporarily suspended the provision of such services.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review

For the period under review, the revenue of the Group from continuing operations for the three months ended 30 June 2020 was approximately HK\$243.7 million (Corresponding period in 2019: HK\$102.3 million), representing an increase of approximately 138.22% as compared with the period ended 30 June 2019; of which approximately HK\$243.7 million (Corresponding period in 2019: HK\$77.7 million) was generated from publication, purchase and distribution of books.

Profit attributable to owners of the Company for the three months ended 30 June 2020 amounted to approximately HK\$470,000 (Corresponding period in 2019: HK\$34,000). The increase in profit was mainly attributed to development of publication, purchase and distribution of books.

Outlook

The Company will overcome the adverse impacts caused by the COVID-19 pandemic, and continue to increase efforts in the publication, purchase and distribution of books business to strive for greater growth in future sales, while actively promoting cooperation with institutions such as Shanghai Juvenile Children's Publishing House Co., Ltd.* (上海少年儿童出版社有限公司) to improve its profitability in the culture industry sector.

In terms of financial service business, the Group will cooperate with well-known institutions to set up industry funds to achieve breakthrough in financial service business.

Looking ahead, the Group will continue to integrate various resources to actively seek business opportunities that can help maintain the future development of the Group and bring better returns 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 2020, 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 ("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	31,240,000	0.88%
Mr. Zhang Xiongfeng	Beneficial owner	235,329,900	6.60%

OTHER INFORMATION *(Continued)*

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 38 to the financial statements as included in the annual report of the Company for the year ended 31 March 2020.

As at 30 June 2020, no share options were outstanding under the New Share Option Scheme and no options were exercised, cancelled or lapsed during the period.

Directors’ and Chief Executives’ Rights to Acquire Shares or Debentures

At 30 June 2020, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives 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

At 30 June 2020, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the following shareholder had an interest of 5% or more in the issued share capital of the Company:

OTHER INFORMATION (Continued)

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
山西省國有資本運營有限公司	Interest in a controlled corporation	1,027,985,995 ^(Note)	28.84%
山西大地環境投資控股有限公司	Interest in a controlled corporation	1,027,985,995 ^(Note)	28.84%
山西省環境集團有限公司	Interest in a controlled corporation	1,027,985,995 ^(Note)	28.84%
Dadi International Holdings Co., Ltd	Beneficial owner	1,027,985,995 ^(Note)	28.84%

Note:

Dadi International Holdings Co., Ltd is beneficially and wholly-owned by 山西省環境集團有限公司, which is in turn beneficially and 90% owned by 山西大地環境投資控股有限公司, which is in turn beneficially and wholly-owned by 山西省國有資本運營有限公司. As such, each of 山西省環境集團有限公司, 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, at 30 June 2020, the Company has not been notified that any persons (other than the Directors and chief executives of the Company) 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

At 30 June 2020, 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.

OTHER INFORMATION *(Continued)*

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 three months ended 30 June 2020.

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 2020.

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 director is 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, 11 August 2020

