



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

2022



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

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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 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 FIRST QUARTERLY RESULTS

The board (the “Board”) of Directors (the “Directors”) of the Company presents the unaudited condensed consolidated results (the “Unaudited Consolidated Results”) of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 June 2022 (the “Period”), together with the comparative unaudited figures for the three months ended 30 June 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	3	12,240	9,852
Cost of sales		(8,076)	(2,446)
Gross profit		4,164	7,406
Other income and gains	4	225	191
Administrative expenses		(7,200)	(12,222)
Loss from operations	5	(2,811)	(4,625)
Finance costs	6	(8,085)	(16,216)
Loss before taxation		(10,896)	(20,841)
Income tax expense	7	(115)	(1,519)
Loss for the period		(11,011)	(22,360)
Loss for the period attributable to:			
owners of the Company		(7,663)	(15,246)
non-controlling interests		(3,348)	(7,114)
		(11,011)	(22,360)
		HK cents	HK cents
Loss per share			
Basic and diluted	8	(0.21)	(0.42)

	For the three months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(11,011)	(22,360)
Other comprehensive income 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	2,226	8,796
Other comprehensive income for the period, net of income tax	2,226	8,796
Total comprehensive expense for the period	(8,785)	(13,564)
Total comprehensive expense for the period attributable to:		
owners of the Company	(6,260)	(7,034)
non-controlling interests	(2,525)	(6,530)
	(8,785)	(13,564)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Contributed surplus	Statutory reserve	Revaluation reserve	Translation reserve	Accumulated losses			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
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
Comprehensive expense 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	36,406	1,828,573	311,538	7,706	12,616	41,948	(1,866,478)	372,309	(15,385)	356,924
At 1 April 2022	36,406	1,828,573	325,798	7,706	13,135	38,246	(1,918,332)	331,532	(33,427)	298,105
Profit/(Loss) for the year	-	-	-	-	-	-	(7,663)	(7,663)	(3,348)	(11,011)
Other comprehensive (expense)/income for the period	-	-	-	-	-	1,403	-	1,403	823	2,226
Total comprehensive (expense)/income for the period	-	-	-	-	-	1,403	(7,663)	(6,260)	(2,525)	(8,785)
At 30 June 2022	36,406	1,828,573	325,798	7,706	13,135	39,649	(1,925,995)	325,272	(35,952)	289,320

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 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. The Group is principally engaged in publication, purchase and distribution of books; provision of environmental protection services and sales of healthcare products.

2. BASIS OF PREPARATION AND CONSOLIDATION

The Unaudited Consolidated Results have been prepared in accordance with the applicable disclosures required by 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 Unaudited Consolidated Results should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2022.

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

	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Environmental protection services	12,125	9,852
Sale of healthcare products	115	–
	<u>12,240</u>	<u>9,852</u>

4. OTHER INCOME AND GAINS

	For the three months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	40	20
Interest received from financial assets at fair value through other comprehensive income	–	–
Other income	185	171
	<u>225</u>	<u>191</u>

5. LOSS FROM OPERATIONS

	For the three months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	76	72
Net foreign exchange loss/(gain)	(26)	39
Staff costs including directors' emoluments	4,797	6,458
	<u>4,797</u>	<u>6,458</u>

6. FINANCE COSTS

	For the three months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on other borrowing	8,085	16,216
	<u>8,085</u>	<u>16,216</u>

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 2022 (2021: 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\$0.11 million was accrued for the three months ended 30 June 2022 (2021: HK\$1.5 million).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 June 2022 (2021: Nil).

8. PROFIT/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 June 2022 of approximately HK\$7,663,000 (2021: loss attributable to owners of HK\$15,246,000) and the weighted average of 3,640,627,457 shares in issue during the three months ended 30 June 2022 (2021: 3,640,627,457 shares).

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Board resolved not to declare any interim dividend for the three months ended 30 June 2022 (corresponding period in 2021: nil).

Business Review

During the Period, leveraging on the increasing awareness of the general public and the industry participants as to the need to control and mitigate the environmental impact arising from various corporates' operational activities, as well as the strengthened regulatory requirements and policy initiatives in place to encourage the compliance with the enhanced pollutant and radiation emission standards and to promote the adoption of various environmental protection initiatives, the Group was met with further business opportunities for its environmental protection services. To this end, the Group increased its dedication of resources into this business segment, and expanded its scale of operations to cope with the increasing demand. Meanwhile, since the commencement of the sales of healthcare product business segment in the last quarter of the year ended 31 March 2022, the Group had been expanding its segmental operations in a gradual manner by enhancing its product portfolio and promoting the sales to the local public, and in particular, the younger generations, in the People's Republic of China (the "PRC") of various healthcare and dietary supplements sourced from overseas.

The Group remained to be suffering from the resultant impact from the COVID-19 pandemic in respect of its book publication, purchase and distribution business segment, in particular, the Group observed a nearly stalled settlement of payments and receivables along the industry chain due to the tightened cash flow of the industry players. The Group is in the course of taking active initiatives in light of the circumstances including to conduct consultations with the authorities and resort to legal measures to recover the outstanding fees and seek compensations as appropriate.

Financial Review

Revenue

The Group recorded a period-on-period increase of approximately 24.24% in its revenue from approximately HK\$9.85 million for the three months ended 30 June 2021 to approximately HK\$12.24 million for the Period, within which the Group recognised (i) approximately HK\$12.13 million from the provision of environmental protection services (representing a period-on-period increase of approximately 23.07% from approximately HK\$9.85 million in the corresponding period in 2021); and (ii) approximately HK\$115,000 from its sales of healthcare products (with nil revenue generated from this business segment during the corresponding period in 2021 as this business segment only came into operation in the last quarter of the year ended 31 March 2022). The increase in the Group's revenue was mainly attributable to the increase in the segmental revenue generated from the provision of environmental protection services. To this end, the Group had participated in various environmental protection projects including radiation monitoring, environmental technology consultation including electromagnetic and ionisation environmental impact assessment, soil contamination investigation and risk assessment, soil remediation planning and technology support services for corporate pollutant discharge permit, and water environment technology consultation including water environment protection policy formation, water-soil monitoring and flood prevention assessment.

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 sales of healthcare products; the procurement costs of the healthcare products for sales in the PRC; and the costs in relation to procurement of outsourced technology services for the purpose of rendering certain environmental protection services for the Group's customers.

The Group recorded costs of sales of approximately HK\$8.08 million for the Period, representing a period-on-period increase of approximately 230.17% from that of approximately HK\$2.45 million for the corresponding period in 2021. The significant increase in the costs of sales incurred by the Group was mainly attributable to (i) the relatively large increase in the expenses recognised for the procurement of a number of outsourced technology services required to support the Group's rendering of environmental protection services, particularly in light of the increased demand for such services from the Group's customers and the diverse nature of the projects undertaken by the Group; and (ii) the initial start-up costs incurred to prepare for the commencement of the sales of healthcare product business segment, as well as the procurement costs for the enhanced product portfolio and equipment and technology infrastructure support for the online sales platform and distribution channel.

Gross profit and gross margin

The Group's gross profit recorded a period-on-period decrease of approximately 43.78% from approximately HK\$7.41 million for the three months ended 30 June 2021 to approximately HK\$4.16 million for the Period. Meanwhile, the gross margin (expressed as a percentage of gross profit over revenue) of the Group decreased from approximately 75.17% for the three months ended 30 June 2021 to 34.02% for the Period. The decrease in the gross profit and gross margin of the Group was mainly attributable to the relatively substantial increase in the direct costs of the Group incurred to support the expanding scale of operation in respect of its environmental protection service provision and the initial start-up costs for the development of the sales of healthcare products segment, details of which are set out in the paragraph headed "Costs of sales" above.

Administrative expenses

The Group recorded a period-on-period decrease in its administrative expenses of approximately 41.09% from approximately HK\$12.22 million for the three months ended 30 June 2021 to approximately HK\$7.20 million for the Period. The decrease is mainly attributable to its cost saving efforts including, among others, reduction in the office rental of the Group as a result of the more prevalent work-from-home arrangement for its employees and reduced travelling and entertainment expenses incurred as a result of the restrictions imposed by the prevention and control measures to combat the COVID-19 pandemic, as well as the cessation of recognition of the relevant expenses incurred by Shanxi Dadi Holdings Equity Investment Fund Management Co., Ltd (山西大地控股股權投資基金管理有限公司) ("Shanxi Dadi Equity Investment Fund") as a result of the deconsolidation of its accounts into that of the Company in accordance with the applicable accounting standards due to a change in the composition of the board of directors of Shanxi Dadi Equity Investment Fund resulting in a cessation of control of such entity by the Group during the Period.

Finance costs

The Group recognised finance costs of approximately HK\$8.09 million for the Period, representing a period-on-period decrease of approximately 50.14% from that of approximately HK\$16.22 million for the three months ended 30 June 2021. The decrease in the Group's finance costs was mainly attributable to the replacement of its then existing loans with new loans at lower interest rates, as well as the reduced interest expenses arising from settled arrangements in respect of the repayment of certain borrowings from a related party.

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\$11.01 million and HK\$7.66 million for the Period, when compared to those of approximately HK\$22.36 million and HK\$15.25 million for the three months ended 30 June 2021, respectively. The improvement of the period-on-period loss position of the Group was mainly attributable to (i) the increase in the revenue generated by the Group in respect of the business expansion in the environmental protection services segment and development in the healthcare product sales business; and (ii) the decrease in the administrative expenses and finance costs incurred by the Group primarily due to its cost saving efforts to reduce operational costs and interest expenses as mentioned above, and partially offset by the increase in the costs of sales of the Group to support the increased business activities in the environmental protection services segment and the initial start-up costs associated with the development of the healthcare product sales and enhance the varieties in its product portfolio. Nevertheless, owing to the overall less favourable market conditions whilst incurring certain level of costs to sustain the day-to-day operations of the Group, the net effect of the above remained to be an overall loss position of the Group for the Period.

Outlook

Despite the COVID-19 pandemic had struck hard on the worldwide economy, and the Group had suffered the resultant impact, particularly as to its publication, purchase and distribution of books business segment, the Group considers that the impact of the COVID-19 pandemic will be temporary, and will ease off as the general economy and normal business activities gradually resume. With the determined and effective measures imposed by the PRC authorities to combat the COVID-19 pandemic, the impact from the pandemic will eventually diminished. The Group will conduct careful assessment on the outlook of each industry and operate in a stable manner. In respect of the publication, purchase and distribution of books business segment, the Group is strengthening its effort to recoup the outstanding receivables from various industry counterparties (particularly, the downstream book distributors) including by way of resorting to various legal measures as mentioned in the section headed "Business Review" above. Meanwhile, it will conduct careful assessment and select prominent institutions to seek business cooperation opportunities with strategic values to the Group to resume the normal scale of operations in this segment.

In terms of its environmental protection services, in light of the increasing public awareness and policy support on environmental protection initiatives as well as enhanced compliance obligations imposed by the strengthened regulatory framework, the Group expects that the demand for its environmental protection services will continue to grow. In this regard, the Group will continue to enhance its effort in developing its service offerings as well as expanding its customer base so as to cover more industry needs. The Group is planning to devote more resources support to Shanxi Jinxin Keyuan Environmental Protection Science and Technology Company Limited (山西晋新科源环保科技有限公司), the principal subsidiary of the Group responsible for the operations of this business segment, in order to promote its capabilities to undertake a wider variety of environmental protection and conservation projects and diversity its revenue streams and improve the overall profitability. Further, the Group is currently in negotiations with the PRC government subordinate entities in respect of a potential joint development of a centralised and unified green stone material industry trading service platform in Laizhou, Shandong by way of government guidance and market-oriented operation. Please refer to the announcements of the Company dated 3 June 2022 and 15 June 2022 for details.

As a relatively new business segment for the sales of healthcare products, the Group plans to dedicate more resources to explore the market potentials and expand the scale of operations in a gradual manner. In this regard, the Group will further strengthen the cooperation and discussion with professional technology and product development agencies overseas and locally to identify potential healthcare and dietary products in order to expand the product portfolio of the Group. Further, the Group will conduct further market study, particularly in respect of the youth generation market, to identify the market leads with an aim gain a first-mover advantage as one of the first industry participants to introduce the appropriate products from overseas for sale in the PRC, and to meet the increasing awareness of the healthcare needs by the younger generations locally.

The COVID-19 pandemic had brought changes to the economic structure of the PRC and globally, certain strategic emerging industries such as new energy, environmental protection, conservation and restoration, as well as biomedicine and healthcare have evolved as a result, raising the public's attention and resource devotion to the research and development of new technologies, product and service offerings in these industries. In the coming year, the Group will pay close attention to the industry developments, 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.

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 30 June 2022, 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 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:

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

Save as disclosed above, as at 30 June 2022, 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 30 June 2022, 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/Nature of Interests	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 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 2022, 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 2022, none of the Directors, the substantial shareholders of the Company nor their respective close 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 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. Jin Lizuo. 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. Ju Mengjun and Mr. Zhang Xiongfeng, and three independent non-executive Directors, namely Dr. Zhang Wei, Dr. Jin Lizuo and Mr. Law Yui Lun.

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

Hong Kong, 12 August 2022