



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
2023

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 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 2023 (the “Period”), together with the comparative unaudited figures for the three months ended 30 June 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	3	5,686	12,240
Cost of sales		<u>(3,008)</u>	<u>(8,076)</u>
Gross profit		2,678	4,164
Other income and gains	4	1,951	225
Administrative expenses		<u>(4,926)</u>	<u>(7,200)</u>
Loss from operations	5	(297)	(2,811)
Finance costs	6	<u>(4,908)</u>	<u>(8,085)</u>
Loss before taxation		(5,205)	(10,896)
Income tax expense	7	<u>(105)</u>	<u>(115)</u>
Loss for the period		<u>(5,310)</u>	<u>(11,011)</u>
Loss for the period attributable to:			
owners of the Company		(3,893)	(7,663)
non-controlling interests		<u>(1,417)</u>	<u>(3,348)</u>
		<u>(5,310)</u>	<u>(11,011)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	8	<u>(0.11)</u>	<u>(0.21)</u>

	For the three months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(5,310)</u>	<u>(11,011)</u>
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	<u>2,712</u>	<u>2,226</u>
Other comprehensive income for the period, net of income tax	<u>2,712</u>	<u>2,226</u>
Total comprehensive expense for the period	<u>(2,598)</u>	<u>(8,785)</u>
Total comprehensive expense for the period		
attributable to:		
owners of the Company	<u>(2,037)</u>	<u>(6,260)</u>
non-controlling interests	<u>(561)</u>	<u>(2,525)</u>
	<u>(2,598)</u>	<u>(8,785)</u>

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	Statutory reserve	Revaluation reserve	Translation reserve	Accumulated losses			Total
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	
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
At 1 April 2023	36,406	1,828,573	311,538	8,001	(7,448)	46,611	(2,356,248)	(132,567)	(204,406)	(336,973)
Profit/(Loss) for the year	-	-	-	-	-	-	(3,893)	(3,893)	(1,417)	(5,310)
Other comprehensive (expense)/income for the period	-	-	-	-	-	1,856	-	1,856	856	2,712
Total comprehensive (expense)/income for the period	-	-	-	-	-	1,856	(3,893)	(2,037)	(561)	(2,598)
At 30 June 2023	36,406	1,828,573	311,538	8,001	(7,448)	48,467	(2,360,141)	(134,604)	(204,967)	(339,571)

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 Office Unit 02, 31st 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 provision of environmental consultancy services, sales of healthcare products and 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 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 2023.

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 2023.

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

	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Environmental consultancy services	5,686	12,125
Sale of healthcare products	–	115
	<u>5,686</u>	<u>12,240</u>

4. OTHER INCOME AND GAINS

	For the three months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	325	40
Interest received from financial assets at fair value through other comprehensive income	–	–
Other income	1,626	185
	<u>1,951</u>	<u>225</u>

5. LOSS FROM OPERATIONS

	For the three months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	76	76
Net foreign exchange loss/(gain)	(20)	(26)
Staff costs including directors' emoluments	3,826	4,797
	<u>3,826</u>	<u>4,797</u>

6. FINANCE COSTS

	For the three months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on other borrowing	4,908	8,085
	<u>4,908</u>	<u>8,085</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 2023 (2022: 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\$105,000 was accrued for the three months ended 30 June 2023 (2022: HK\$115,000).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 June 2023 (2022: 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 2023 of approximately HK\$3,893,000 (2022: loss attributable to owners of HK\$7,663,000) and the weighted average of 3,640,627,457 shares in issue during the three months ended 30 June 2023 (2022: 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 2023 (corresponding period in 2022: nil).

Business Review

The Group's principal business activities during the Period arose from the provision of the environmental consultancy services segment. The Period represents a challenge to the operations of the Group, alongside with various market participants in the economy of the People's Republic of China (the "PRC"). Whereas the global economy had been unstable with heightening costs of borrowing and inflation witnessed in overseas countries, the PRC economy had also exhibited a generally lower level of business, investment and consumption activities. Meanwhile, the PRC economy had just stepped into the post-COVID era, and the market had adopted a wait-and-see approach and reduced the current level of investment pending more favourable policies in place to stimulate the PRC economy activities. Accordingly, the Group had received a relatively lower level of new project engagement in respect of the environmental consultancy services. Nevertheless, the Group took advantage of the relatively quiet market environment to re-assess its strategy in terms of the sales of healthcare segment and to adjust its product sourcing pathways so as to introduce more attractive, advanced and novel healthcare products and nutrition supplements from overseas to the domestic market in the PRC.

Financial Review

Revenue

The Group recorded a period-on-period decrease of approximately 53.55% in its revenue from approximately HK\$12.24 million for the three months ended 30 June 2022 to approximately HK\$5.69 million for the Period. The Group's revenue for the Period was principally derived from its provision of the environmental consultancy services. The period-on-period decrease of the Group's revenue was mainly attributable to the reduction in the new environmental protection and remediation consultancy projects successfully obtained by the Group following the gradual completion of the on-going projects from the previous financial year. Meanwhile, whereas the PRC economy had just stepped into the post-COVID era and the general market was adopting a wait-and-see attitude towards its future development, coupled with the relatively unstable economy in overseas countries and increased finance costs following therefrom, the Group had witnessed a temporary reduction in the willingness of certain project owners to make substantive investments for environmental conservation and remediation projects, thereby leading to the relatively lower number of consultancy engagements undertaken by the Group during the Period and thus the service income resulting therefrom.

Costs of sales

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

The Group recorded costs of sales of approximately HK\$3.01 million for the Period, representing a period-on-period decrease of approximately 62.75% from that of approximately HK\$8.08 million for the corresponding period in 2022. The significant decrease in the costs of sales incurred by the Group was mainly attributable to a period-on-period reduction in terms of the scale of operations of the Group's environmental consultancy services segment due to the uncertain economic condition and the stalled investment incentive of market participants, leading to a corresponding decrease in the Group's demand for outsourced technology services to cater for the on-site performance of certain consultancy works, particularly when were then needed due to the local lockdown policies in place in various regions of the PRC to combat the COVID-19 pandemic.

Gross profit and gross margin

The Group's gross profit recorded a period-on-period decrease of approximately 35.69% from approximately HK\$4.16 million for the three months ended 30 June 2022 to approximately HK\$2.68 million for the Period. Meanwhile, the gross margin (expressed as a percentage of gross profit over revenue) of the Group increased from approximately 34.02% for the three months ended 30 June 2022 to 47.10% for the Period. The period-on-period decrease in the gross profit of the Group was attributable to the temporary reduction in the number of new environmental consultancy projects undertaken by the Group during the Period as a result of the uncertain economic environment in the PRC and thus the revenue derived from the provision of environmental consultancy services by the Group. The period-on-period increase in the gross margin of the Group, however, was mainly attributable to the relatively large reduction in the direct costs associated with the procurement of outsourced technology services which were then needed to meet the project schedule during the corresponding period in 2022 when there had been local lockdown policies, thus mandating the Group to engage local technical consultancy companies to assist with the performance of the on-site works.

Administrative expenses

The Group recorded a period-on-period decrease in its administrative expenses of approximately 31.58% from approximately HK\$7.20 million for the three months ended 30 June 2022 to approximately HK\$4.93 million for the Period. The decrease was principally as a result of the continued cost-saving measures implemented by the Group in its day-to-day operations owing to the difficult business environment and the lack of investment initiatives on the part of the PRC market participants, having influenced by, among others, the unfavourable and relatively unstable economy witnessed in overseas countries during the Period.

Finance costs

The Group recognised finance costs of approximately HK\$4.91 million for the Period, representing a period-on-period decrease of approximately 39.29% from that of approximately HK\$8.09 million for the three months ended 30 June 2022. The decrease in the Group's finance costs was mainly attributable to the reduction in the principal of the outstanding loans upon repayment.

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\$5.31 million and HK\$3.89 million for the Period, when compared to those of approximately HK\$11.01 million and HK\$7.66 million for the three months ended 30 June 2022, respectively. The improvement of the period-on-period loss position of the Group was mainly attributable to (i) the reduction in the direct costs associated with the provision of environmental consultancy services, particularly as to the engagement of outsourced technology services for the on-site performance necessitated by the local lockdown policies in place of the project sites during the COVID-19 pandemic period; and (ii) the overall reduction in the administrative expenses and finance costs incurred by the Group in light of the generally uncertain economic environment, partially offset by the decrease in the Group's revenue in the environmental consultancy services provision segment due to the temporary reduction in the investment incentives on the part of the project owners into environmental conservation and remediation works, leading to a corresponding decrease in the level of project engagement by the Group during the Period.

Outlook

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

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

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

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 2023, 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 Xiongfang	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 2023, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

As at 30 June 2023, so far as the Directors are aware, the following persons (not being a Director or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in the shares

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 2023, the Company has not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Competing Interest

As at 30 June 2023, 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 one executive Director, namely 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
Wu Xiaoming
Interim Chairman

Hong Kong, 11 August 2023