



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 REPORT | 2020



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

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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.

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2020 (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 2020 (the “Period”), together with the comparative figures for the corresponding periods in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended		For the nine months ended	
		31 December		31 December	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	352,541	359,338	599,262	796,273
Cost of sales		<u>(275,054)</u>	<u>(294,138)</u>	<u>(483,161)</u>	<u>(652,786)</u>
Gross profit		77,487	65,200	116,101	143,487
Other gains and losses	5	3,310	2,800	5,175	3,411
Administrative expenses		(10,860)	(24,392)	(50,167)	(44,765)
Loss on disposal of property, plant and equipment		<u>-</u>	<u>(53)</u>	<u>-</u>	<u>(59)</u>
Profit from operations	6	69,937	43,555	71,109	102,074
Finance costs	7	<u>(15,310)</u>	<u>(15,196)</u>	<u>(44,377)</u>	<u>(31,092)</u>
Profit before taxation		54,627	28,359	26,732	70,982
Income tax expense	8	<u>(9,097)</u>	<u>(8,664)</u>	<u>(14,756)</u>	<u>(22,254)</u>
Profit for the period		45,530	19,695	11,976	48,728
Profit/(loss) for the period attributable to:					
owners of the Company		19,437	6,192	(8,087)	16,234
non-controlling interests		<u>26,093</u>	<u>13,503</u>	<u>20,063</u>	<u>32,494</u>
		45,530	19,695	11,976	48,728
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Profit/(loss) per share					
Basic and diluted	9	0.55	0.17	(0.23)	0.46

	For the three months ended		For the nine months ended	
	31 December		31 December	
	Notes	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	45,530	19,695	11,976	48,728
Other comprehensive income/(expense)				
Exchange differences on translation of financial statements of overseas subsidiaries	22,008	1,415	39,898	(8,870)
Other comprehensive income/(expense) for the period	22,008	1,415	39,898	(8,870)
Total comprehensive income for the period	67,538	21,110	51,874	39,858
Total comprehensive income attributable to:				
owners of the Company	39,165	7,856	27,820	8,259
non-controlling interests	28,373	13,254	24,054	31,599
	67,538	21,110	51,874	39,858

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 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 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 2020.

The condensed consolidated financial statements for the nine months ended 31 December 2020 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 2020 are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of new standards and interpretations effective as of 1 April 2020. 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from contracts with customers				
<i>Over time</i>				
Financial Services	-	118	-	365
Provision of advertising and media related service	-	25,782	-	76,147
	-	25,900	-	76,512
<i>At point of time</i>				
Publication, purchase and distribution of books	352,541	333,438	599,262	719,761
	352,541	359,338	599,262	796,273

5. OTHER GAINS AND LOSSES

	For the three months ended 31 December		For the nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	19	67	183	186
Interest received from financial assets at fair value through other comprehensive income	23	-	1,364	-
Other income	3,268	2,733	3,628	3,225
Total	3,310	2,800	5,175	3,411

6. PROFIT FROM OPERATIONS

	For the three months ended 31 December		For the nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The Group's profit from continuing operation is arrived at after charging/(crediting):				
Cost of sales	275,054	294,138	483,161	652,786
Depreciation charge				
– owned property, plant and equipment	56	167	227	476
– right-of-use assets	1,303	1,383	4,007	3,248
Loss on disposal of property, plant and equipment	–	53	–	59
Net foreign exchange loss/(gain)	19	(40)	38	(16)
Staff costs (including directors' remuneration)	5,030	5,151	16,425	13,987

7. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on other borrowings	15,192	14,946	43,940	30,467
Interest on lease liabilities	118	250	437	625
Total	15,310	15,196	44,377	31,092

8. INCOME TAX EXPENSE

	For the three months ended 31 December		For the nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax charged:				
PRC Enterprise Income Tax	<u>9,097</u>	<u>8,664</u>	<u>14,756</u>	<u>22,254</u>
Total tax charged	<u>9,097</u>	<u>8,664</u>	<u>14,756</u>	<u>22,254</u>

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 2020 (2019: Nil).

The Group had no significant unprovided deferred tax assets and liabilities at 31 December 2020 (2019: Nil).

9. PROFIT/(LOSS) PER SHARE

Basic profit/(loss) per share

The calculation of the basic profit/(loss) per share is based on the profit/(loss) attributable to owners of the Company for the three months ended 31 December 2020 of approximately HK\$19,437,000 (2019: approximately HK\$6,192,000) and loss attributable to owners of the Company for the nine months ended 31 December 2020 of approximately HK\$8,087,000 (2019: profit attributable to owners of approximately HK\$16,234,000) and the weighted average of 3,564,945,946 shares in issue during the three months and the nine months ended 31 December 2020 (2019: 3,564,945,946 shares).

Diluted profit/(loss) per share

Diluted profit/(loss) per share for the three months and nine months ended 31 December 2020 and 2019 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. MATERIAL RELATED PARTY TRANSACTION

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had entered into the following material transaction with related party during the period:

Name of related party	Nature	Notes	For the three months ended		For the nine months ended	
			31 December		31 December	
			2020	2019	2020	2019
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Shanxi Environment Protection Fund Co., Ltd ("Shanxi Fund")	Financing services fee	(i), (ii)	-	-	10,474	-

Notes:

- (i) Shanxi Fund is a subsidiary of 山西大地環境投資控股有限公司, a substantial shareholder of the Company. Therefore, Shanxi Fund is an associate of a substantial shareholder of the Company.
- (ii) On 11 August 2020, the Company and Shanxi Fund entered into a financing services framework agreement (the "Framework Agreement"). Pursuant to the Framework Agreement, Shanxi Fund agreed to provide financing services to the Group for the period from 11 August 2020 to 31 December 2020, with the expected amount of services fees payable by the Group to Shanxi Fund under the Framework Agreement being no more than RMB10 million.

Please refer to the announcement of the Company dated 11 August 2020 for further details.

11. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								Subtotal HK\$'000 (Unaudited)	Non- controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
	Issued capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Contributed surplus HK\$'000 (Unaudited)	Share-based compensation reserve HK\$'000 (Unaudited)	Statutory reserve HK\$'000 (Unaudited)	Revaluation Reserve HK\$'000 (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)			
At 1 April 2019	35,649	1,823,073	325,798	7,802	1,318	-	21,219	(1,734,734)	480,125	10,188	490,313
Profit for the period	-	-	-	-	-	-	-	16,234	16,234	32,494	48,728
Other comprehensive expense for the period	-	-	-	-	-	-	(7,975)	-	(7,975)	(895)	(8,870)
Total comprehensive (expense)/ income for the period	-	-	-	-	-	-	(7,975)	16,234	8,259	31,599	39,858
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	5,569	5,569
Dividend distribution to Non-controlling interests	-	-	-	-	-	-	-	-	-	(19,115)	(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	516,625
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	-	-	-	-	-	-	-	(8,087)	(8,087)	20,063	11,976
Other comprehensive expense for the period	-	-	-	-	-	-	35,907	-	35,907	3,991	39,898
Total comprehensive (expense)/ income for the period	-	-	-	-	-	-	35,907	(8,087)	27,820	24,054	51,874
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	2,034	2,034
Dividend distribution to Non-controlling interests	-	-	-	-	-	-	-	-	-	(33,840)	(33,840)
At 31 December 2020	35,649	1,823,073	325,798	-	6,939	(1,093)	27,418	(1,706,052)	511,732	44,151	555,883

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board resolved not to declare any interim dividend for the nine months ended 31 December 2020 (Corresponding period in 2019: Nil).

Business Review

Publication, purchase and distribution of books

The decrease in revenue during the Period as compared to the corresponding period in 2019 was due to the disrupted operation of primary and secondary schools in China before September 2020 and the prolonged operation of Book Distribution Business as affected by the COVID-19 pandemic. As schools in China gradually reopened in October 2020, the Book Distribution Business is gradually resuming normal operation. During the Period, the revenue contributed from publication, purchase and distribution of books in the PRC was approximately HK\$599.3 million (2019: HK\$719.8 million).

Advertising and Media Related Services

During the Period, the revenue contributed by such segment was nil (2019: HK\$76.1 million).

Reference is made to the announcement of the Company dated 9 October 2020. Due to the bleak market prospect of such segment in the foreseeable future, the Company has temporarily suspended business activities in such segment. As at the date of this report, the Company does not have any concrete resumption plans for such segment.

Provision of Financial Leasing and other Financial Services

During the Period, the revenue contributed by such segment was nil (2019: HK\$0.4 million).

Reference is made to the announcement of the Company dated 9 October 2020. Due to the bleak market prospect of such segment in the foreseeable future, the Company has temporarily suspended business activities in such segment. As at the date of this report, the Company does not have any concrete resumption plans for such segment.

Financial Review

During the Period, the revenue of the Group for the nine months ended 31 December 2020 was approximately HK\$599.3million (2019: HK\$796.3 million), which was entirely from the publication, purchase and distribution of books. The revenue decreased by approximately HK\$197 million or 24.7% as compared with the nine months ended 31 December 2019 due to the reason(s) mentioned in the "Business Review" section.

Loss attributable to owners of the Company for the nine months ended 31 December 2020 amounted to approximately HK\$8.1million (2019: profit attributable to owners of the Company: HK\$16.2million) due to the reasons mentioned in the "Business Review" section.

Finance costs incurred during the Period amounted to approximately HK\$44.4 million (2019: HK\$31.1 million). The increase was mainly due to the granting of a trust loan with a principal amount of RMB500 million in May 2019 from a third party independent of and not connected with the Company and the interest expense covered the whole Period, as compared to the interest expense which only covered seven months of the corresponding period in 2019.

Outlook

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 publication, purchase and distribution of books business to significantly expand the business scale; and continue to explore the development model of financial business and promote the business development of the Group through industry funds.

The Group entered into an agreement to acquire 60% equity interests in Shanxi Jinxin Keyuan Environmental Protection Science and Technology Co., Ltd.* (山西晉新科源環保科技有限公司) (“Jinxin Keyuan”). Subject to the completion of the transaction, in the future, by leveraging on the dominant position of Jinxin Keyuan in the radiation monitoring field in Shanxi Province, the Group will gradually implement and expand its investment and development in the environmental protection sector to promote the diversification of the Group’s profit base.

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 2020, 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	Number of Shares held/ interested	Percentage of the Company's issued share capital
Mr. Wu Xiaoming	Beneficial owner	41,240,000	1.16%
Mr. Zhang Xiongfeng	Beneficial owner	237,209,900	6.65%

DIRECTORS AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, as at 31 December 2020, 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.

OTHER INFORMATION (Continued)

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

As at 31 December 2020, 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	Number of Shares held/ interested	Percentage of the Company's issued share capital
山西省國有資本運營有限公司	Interest of controlled corporation	1,027,985,995 (Note)	28.84%
山西大地環境投資控股有限公司	Interest of controlled corporation	1,027,985,995 (Note)	28.84%
山西省環境集團有限公司	Interest of 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 山西省國有資本運營有限公司, 山西大地環境投資控股有限公司 and 山西省環境集團有限公司 is deemed to be interested in the Shares held by Dadi International Holdings Co., Ltd.

Save as disclosed above, as at 31 December 2020, 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.

OTHER INFORMATION *(Continued)*

COMPETING INTEREST

As at 31 December 2020, none of the Directors or their respective close associates had any interests in any business which competes or may compete with the business of the Group.

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.

EVENTS AFTER THE PERIOD

On 28 December 2020, the Company entered into an acquisition agreement, pursuant to which, its wholly owned subsidiary conditionally agreed to acquire 60% equity interests in Jinxin Keyuan. The initial consideration for the Acquisition is RMB27 million, of which RMB12 million will be satisfied by the allotment and issuance of the 75,681,511 Shares under the general mandate given to the Board (the "Acquisition"). Please refer to the announcements of the Company dated 28 December 2020 and 19 January 2021 for further details.

Save as disclosed above, the Group did not have any material subsequent event after 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, Mr. Law Yui Lun and Dr. Jin Lizuo.

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

Hong Kong, 8 February 2021