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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

References are made to (i) the announcement (the “**Unaudited Annual Results Announcement**”) of Dadi International Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 30 June 2022 in relation to the unaudited annual results of the Group for the year ended 31 March 2022 (the “**Year**”); and (ii) the announcement (the “**Audited Annual Results Announcement**”) of the Company dated 31 August 2022 in relation to the audited annual results of the Group for the Year. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Audited Annual Results Announcement.

ADDITIONAL INFORMATION IN RELATION TO THE MATERIAL DIFFERENCES BETWEEN THE FINANCIAL INFORMATION IN THE UNAUDITED RESULTS ANNOUNCEMENT AND THE AUDITED RESULTS ANNOUNCEMENT

Further to the information disclosed in the Audited Annual Results Announcement, the Board would like to provide additional information (the “**Additional Information**”) in relation to the details and reasons for the differences between the financial information in the Unaudited Annual Results Announcement and the Audited Annual Results Announcement. The Board would like to emphasize that the figures contained in the Audited Annual Results Announcement, which showed the numerical differences between the Unaudited Annual Results Announcement and the Audited Annual Results Announcement, remain unchanged.

Shareholders and potential investors of the Company are advised to pay attention to the Additional Information set out below.

In respect of the material differences contained in the consolidated statement of profit or loss and other comprehensive income of the Group for the Year

1. Allowances for expected credit losses, net

The net allowances for ECL in the amount of approximately HK\$300.72 million in the Audited Annual Results Announcement represented the impairment losses recognised to the Group's profit or loss for the Year in respect of its trade, bills and other receivables and deposits, deposit for film production and deposit for purchase of film rights. The Group recognised the ECL in accordance with the ECL model set out in the section headed "Financial risk management objectives and policies – Credit risk" under note 6 to the consolidated financial statements (the "**Consolidated Financial Statements**") in the Audited Annual Results Announcement and in compliance with the relevant requirements under HKFRS 9 Financial Instruments, details of which have been set out in the section headed "Financial instruments – Financial assets – Impairment of financial assets subject to impairment assessment under HKFRS 9" under note 4 to the Consolidated Financial Statements. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The net allowances for ECL of the Group for the Year comprised of those in the amount of approximately HK\$277.62 million, HK\$18.64 million, HK\$3.93 million and HK\$0.53 million for the Group's trade receivables, other receivables and deposits, deposit for film production and deposit for purchase of film rights, respectively, accounting for approximately 92.32%, 6.20%, 1.31% and 0.17% of the Group's total net allowances for ECL for the Year. Please refer to notes 11, 24 and 25 to the Consolidated Financial Statements for details of the breakdown of the net allowances for ECL of the Group for the Year and the background against which the allowances for ECL had been recognised.

The Group's net allowances for ECL for the Year were mainly attributable to the substantial impairment of the credit risk in respect of certain downstream distributors in the Group's books publication, purchase and distribution business segment, which had been suffering from the continued sporadic outbreak of COVID-19 confirmed cases in various regions in the PRC due to the evolvement of the COVID-19 variants over the Year, the resultant impact of the COVID-19 pandemic led to an overall slowdown of business activities within the industry leading to tightened cash flow positions faced by those industry participants and a nearly stalled settlement of payments and receivables along the industry chain. For details against the background where such ECL is recognised, please refer to the section headed "Management Discussion and Analysis – Business Review – Publication, Purchase and Distribution of Books" in the Audited Annual Results Announcement for details.

The net allowances for ECL were only recognised by the Group in the Audited Annual Results Announcement upon completion of the audit procedures as set out in the section headed “Key audit matters – Assessment of expected credit losses of trade, bills and other receivables and deposits, deposit for film production and deposit for purchase of film rights” in the independent auditors’ report as contained in the 2022 Annual Report. As part of the auditing process, valuation reports in respect of the ECL of the various components as mentioned above had been obtained by the management of the Group and reviewed by the Auditors. Whilst having subject to delay in the performance of both the auditing and valuation works due to the practical difficulties faced by the Auditors and the valuer engaged by the Company (the “Valuer”) to deploy full-scale manpower and resources to attend the offices on-site and to review the underlying documents, as well as the inability of other third parties to furnish the necessary information in time due to the backlog faced by the latter in responding to similar information requests, as a result of the impact of the restrictions arising from the prevention and control measures (the “**Prevention and Control Measures**”) imposed by the PRC authorities to combat the COVID-19 pandemic. As such, the substantively agreed-upon valuation and determination of the ECLs had not been readily available until shortly before the publication of the Audited Annual Results Announcement and thus, the net allowances for ECL of the Group for the Year were only included in the Consolidated Financial Statements. Please refer to the announcements of the Company dated 12 August 2022 and 22 August 2022 for details.

2. Fair value gain on financial assets through other comprehensive income (“FVTOCI”)

The fair value gain on financial assets through other comprehensive income in the amount of approximately HK\$6.90 million in the Audited Annual Results Announcement was mainly attributable to the increase in the fair value of the Group’s equity interests in various companies established in the PRC, whereby the Directors had elected to designate such investments at FVTOCI as the Group’s strategy of holding them is for long-term purposes and realizing their performance potential in the long run.

Such fair value measurement included that of the Group’s investment in 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 EIF**”), whereby 60% of the equity interest of the latter (based on its registered capital) was held by the Group. During the Year, Shanxi Dadi EIF ceased to be a subsidiary of the Company. Pursuant to the resolutions of the board of directors of Shanxi Dadi EIF (the “**Shanxi Dadi EIF Board**”) on 31 May 2021, Shanxi Dadi EIF appointed the new directors who were nominated and delegated by Shanxi Environment Group Company Limited, which was a substantial Shareholder holding approximately 28.24% of the issued shares of the Company and a minority shareholder of Shanxi Dadi EIF. Upon the change of the composition of the Shanxi Dadi EIF Board members on the same day, the Group lost the direct or indirect involvement at the Shanxi Dadi EIF Board level and could no longer participate in the policy-making related processes or other business or operational activities of Shanxi Dadi EIF. Accordingly, the Group lost its control over Shanxi Dadi EIF. The latter ceased to be a subsidiary of the Group and was accounted for as financial assets at FVTOCI in the Consolidated Financial Statements. Please refer to notes 28 and 34 to the Consolidated Financial Statements for details.

The fair value gain in respect of the Group's investments in unlisted equity securities are subject to the fair value measurement conducted in compliance with HKFRS 13 *Fair Value Measurement*. As such, the Valuer had been engaged to prepare reasonable estimations of the fair value of the above investments. Similarly, the Valuer had been faced with practical difficulties to obtain sufficient information in time and to conduct the necessary due diligence to prepare the valuation model due to the restrictions arising from the Prevention and Control Measures. Accordingly, the substantively agreed-upon valuations of those investments, as well as the determination of the fair value gain, had not been readily available until shortly before the publication of the Audited Annual Results Announcement and thus, the fair value gain on financial assets through other comprehensive income of the Group for the Year were only included in the Consolidated Financial Statements.

3. *Exchange differences on translation of foreign operations*

The difference in the amount of approximately HK\$21.23 million (between that of approximately HK\$8.41 million in the Unaudited Annual Results Announcement and that of approximately HK\$29.64 million in the Audited Annual Results Announcement) as to the Group's exchange differences on translation of foreign operations was mainly attributable to the adjustments for the translation of the finalised financial statements upon completion of the audit procedures of those subsidiaries of the Company having their principal operations outside Hong Kong and/or engaging in business operations in a currency other than Hong Kong Dollars from their functional currencies to the presentation currency in the consolidated financial statements set out in the Audited Annual Results Announcement.

4. *Other comprehensive income for the Year, net of income tax*

The difference in the amount of approximately HK\$28.39 million (between that of approximately HK\$8.16 million in the Unaudited Annual Results Announcement and that of approximately HK\$36.55 million in the Audited Annual Results Announcement) as to the Group's other comprehensive income for the Year (net of income tax) was mainly attributable to the combined resultant effect of the recognition of the fair value gain on financial assets at FVTOCI and the adjustments on the exchange differences on translation of foreign operations of the Group as mentioned above.

5. *Other income and gains or losses, net*

The difference in the amount of approximately HK\$110,000 (between that of approximately HK\$2.95 million in the Unaudited Annual Results Announcement and that of approximately HK\$3.06 million in the Audited Annual Results Announcement) as to the Group's net other income and gains or losses was mainly attributable to the recognition of the impairment loss on certain non-current assets having been reclassified from net other gains or losses upon finalisation of the audit procedures and having agreed upon with the Auditors.

In respect of the material differences contained in the consolidated statement of financial position of the Group as at 31 March 2022

6. *Reclassification of intangible assets*

The non-recognition of any intangible assets of the Group as at 31 March 2022 (as opposed to the recognition of intangible assets in the amount of approximately HK\$79,000 in the Unaudited Annual Results Announcement) was due to the reclassification of certain computer software and equipment from intangible assets to property, plant and equipment of the Group upon finalisation of the audit procedures and having agreed upon with the Auditors.

7. *Reclassification of other payables*

The difference in the amount of approximately HK\$32.49 million (between that of approximately HK\$393.82 million in the Unaudited Annual Results Announcement and that of approximately HK\$361.32 million in the Audited Annual Results Announcement) as to the Group's trade and other payables was mainly attributable to certain other payables attributable to the intra-group companies have been reclassified and eliminated in Consolidated Financial Statements upon finalisation of the audit procedures and having agreed upon with the Auditors.

8. *Reclassification of borrowings from non-current liabilities to current liabilities of the Group*

The difference in the amount of approximately HK\$616.09 million (between that of approximately HK\$36.57 million in the Unaudited Annual Results Announcement and that of approximately HK\$652.66 million in the Audited Annual Results Announcement) as to the Group's borrowings was mainly attributable to the reclassification of certain entrusted loans from a financial institution (being initially a long-term borrowing of the Group) with a carrying amount of approximately HK\$616.52 million from non-current liabilities to current liabilities of the Group as a result of the Group having defaulted in payment of interest over the Year which constituted an event of default and thus the entire loan had become repayable on demand pursuant to the loan agreement. The Group had been negotiating with the financial institution for a settlement plan and the financial institutions had agreed to waive the defaulted interests. Please refer to note 31 to the Consolidated Financial Statements for details.

The Additional Information does not affect other information contained in the Audited Annual Results Announcement and the 2022 Annual Report. All the information in the Audited Annual Results Announcement and the 2022 Annual Report remains unchanged.

By order of the Board
Dadi International Group Limited
Wu Xiaoming
Executive Vice Chairman

Hong Kong, 14 October 2022

As at the date of this announcement, the Board comprises of three executive Directors, namely Mr. Qu Zhongrang, Mr. Fu Yuanhong and Mr. Wu Xiaoming, two non-executive Directors, namely Mr. Ju Mengjun and 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 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 website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the day of its posting and the Company’s website at <http://www.dadi-international.com.hk>.