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

Reference is made to the Results Announcement and the First Quarterly Report. In addition to the information provided in the Results Announcement and the First Quarterly Report, the Board wishes to provide the following supplemental information: –

REASONS FOR TEMPORARY SUSPENSION OF CERTAIN BUSINESS SEGMENTS

(i) Advertising and Media Related Services

As disclosed in the Annual Report, during FY 2019, the revenue and loss from advertising and media related services amounted to approximately HK$104.5 million and HK$2.5 million respectively; whereas during FY 2020, the revenue and profit from this segment amounted to approximately HK$101.2 million and HK$11.3 million respectively, representing approximately 5.1% of the Company's gross profit for FY 2020. Hence, the contribution of this business segment to the Company's profit is insignificant.

The Group conducts online advertising campaigns for clients and collects service fees after completion of the advertising campaigns. In order to minimise the risk of bad debts, more strict payment conditions were imposed on clients, and it is thus more difficult to achieve business growth. This business segment has not generated any revenue during Q1 2020. At the same time, with the development of advertising technologies and methodologies, the input and costs associated with market expansion have also increased continuously.

Impacted by the coronavirus epidemic, the Group's business negotiations in this business segment nearly completely suspended during the first half of 2020. The Company expects that the segment may suffer a loss over a certain period of time in the future. To avoid the potential risks brought to the Company's operations, it decided to temporarily suspend this business in June 2020.

(ii) Financial Leasing and Other Financial Services

As disclosed in the Annual Report, during FY 2019, the revenue and loss from financial leasing and other financial services amounted to approximately HK$2.7 million and HK$9.9 million respectively; whereas during FY 2020, the revenue and loss from this business segment amounted to approximately HK$0.8 million and HK$12.1 million respectively, and no revenue was generated during Q1 2020. This segment has been continuously suffering losses.

Affected by the current macroeconomic conditions, the size of non-performing assets of financial institutions has been increasing. To avoid the risks brought to the Company's operations, it decided to temporarily suspend this business in June 2020.

PLANS FOR RESUMING THE SUSPENDED BUSINESS SEGMENTS

As the Company's publication, purchase and distribution of books business (the "**Book Distribution Business**") exhibited higher growth rates, the Company decided to focus its competitive edge to generate higher return for its shareholders. The Company has temporarily suspended advertising and media related services and financial leasing and other financial services for the foreseeable future due to bleak market prospect. If there is a favourable change in the industry landscape in the future, the Company will consider resuming the above business segments but it does not have a concrete resumption timeline as at the date of this announcement.

FURTHER INFORMATION OF THE BOOK DISTRIBUTION BUSINESS

Overview of the book distribution business industry

In May 2018, the Ministry of Education of the PRC promulgated the Libraries Regulations, which stipulates the minimum requirement for book inventory and establishes the book keeping requirement for libraries in primary and secondary schools according to the Recommended Book List and Core Book List. Only Book Publishers are authorized to publish books for libraries in primary and secondary schools. In the meantime, given the number of libraries in secondary and primary schools situated across different provinces in the PRC, primary and secondary schools are required to submit their book procurement orders to the Authorized Provincial Agent Platforms. After consolidating the book procurement orders, Authorized Provincial Agent Platforms will place centralized procurement orders with the Authorized Book Procurement Entities to address the demand for local primary and secondary education.

The book publishing industry involves a significant number of Book Publishers and book categories. As the quantity procured by each Authorised Provincial Agent Platform for each book category is different, it would practically be difficult for the Book Publishers from a resource allocation perspective to publish all book categories listed on the Recommended Book List and Core Book List with off the shelf stock without knowing categories which are more popular or the aggregate order required by each province. The Authorized Book Procurement Entities are responsible for collecting the procurement information from different provinces which could not be synchronized with publishing size of the books due to geographical demand and content demand; and places orders based on the Recommended Book List and Core Book List on behalf of the Authorized Provincial Agent Platforms which are situated across different regions and provinces across China.

Geographical coverage of the Authorized Book Procurement Entities

The two original Authorized Book Procurement Entities are situated in Beijing and North China and principally provided the geographical coverage to the Book Publishers in Beijing and North China area. In order to expand the geographical coverage of the Book Publishers to supply more books for the libraries in primary and secondary schools, Dadi Feichi, which is situated in Shanghai and East China area, was given the Qualification and became the third Authorized Book Procurement Entity to provide further geographical coverage for Book Publishers in the region, and becomes eligible to bridge the link between Shanghai and East China Book Publishers and the Authorized Provincial Agent Platforms.

Before obtaining the Qualification, in order to satisfy the demand of the libraries of primary and secondary schools under the new regulatory environment, Dadi Feichi entered into contracts with the two original Authorized Book Procurement Entities, which in turn allowed Dadi Feichi to supply books listed on the Core Book List and Recommended Book List based on the Authorized Book Procurement Entities' existing contracts with Authorized Provincial Agent Platforms. After Dadi Feichi obtained the Qualification, it can enter sales contracts directly with all Authorized Provincial Agent Platforms and furnish all books listed in the Core Book List and Recommended Book List to libraries in primary and secondary schools. In the future, the Company may seek other strategic partner(s) to cooperate or form alliances for the purpose of strengthening its Book Distribution Business.

Background of the Book Distribution Business

Leveraging on the Company's chief executive officer and director, Mr. Wu Xiaoming's experience, the Company operated the Book Distribution Business through Dadi Feichi, which provides services in relation to redesign and entrusting the Book Publishers to carry out unified printing of the books based on the actual request and demand from libraries in primary and secondary schools.

The contracts between Dadi Feichi and its customers for the Book Distribution Business are for a period of two years. The current contracts will expire by the end of 2021. Unless the parties agree otherwise, the contracts shall be renewed for a term of two years automatically.

Information of Dadi Feichi

Dadi Feichi was established by Zhongwang Financial and Beijing Feiyang in March 2019, and the capital contribution of each of them is RMB5.1 million and RMB4.9 million respectively, representing 51% and 49% of Dadi Feichi's equity interest.

The above information does not affect any other information contained in the Results Announcement and the First Quarterly Report. Save as disclosed herein, the contents of the Results Announcement and the First Quarterly Report remain unchanged.

DEFINITION

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

"Annual Report"	the annual report of the Company for FY 2020
"Authorized Book Procurement Entities"	book procurement entities authorized by the Governing Body
"Authorized Provincial Agent Platforms"	provincial agent planforms authorized by China Educational Equipment Industry Association to handle book procurement request from primary and secondary schools
"Beijing Feiyang"	Beijing Feiyang Times Cultural Industry Co., Ltd（北京飛揚時代文化產業有限公司）, a company established in the PRC with limited liability and wholly-owned by Ms. Yang Yue（楊悅）, an independent third party
"Book Publishers"	book publishers which owns the intellectual property rights of the books under the Recommended Book List and Core Book List

"Company"	Dadi International Group Limited (大地國際集團有限公司), a company incorporated in Cayman Islands and continued in Bermuda with limited liability, whose issued Shares are listed and traded on GEM (stock code: 8130)
"Core Book List"	Core Book List for Libraries in Primary and Secondary Schools Nationwide (《全國中小學圖書館(室)配備核心書目》) promulgated by PAC and China Educational Equipment Industry Association (中國教育裝備行業協會)
"Dadi Feichi"	Dadi Feichi Culture Development (Shanghai) Co., Limited (大地飛馳文化發展(上海)有限公司), a company established in the PRC with limited liability and a non-wholly-owned subsidiary of the Company
"First Quarterly Report"	the first quarterly report of the Company for Q1 2020
"FY 2019"	the financial year ended 31 March 2019
"FY 2020"	the financial year ended 31 March 2020
"Governing Body"	All-China Federation of Booksellers and Publishers Chamber (全聯書業商會), the governing body responsible for reviewing the contents and categorizing books that can be distributed in primary and secondary schools in the PRC
"Group"	the Company and its subsidiaries
"Libraries Regulations"	Regulation for Libraries in Primary and Secondary School (《中小學圖書館(室)規程》的通知) promulgated by the Ministry of Education of the PRC
"PAC"	Publishers Association of China (中國出版協會)
"PRC"	the People's Republic of China, excluding Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
"Qualification"	the acknowledgement provided by the Governing Body in March 2020, acknowledging Dadi Feichi as one of the Authorised Book Procurement Entities
"Q1 2020"	the three months ended 30 June 2020

"Recommended Book List"	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》) promulgated by the Ministry of Education of the PRC
"Results Announcement"	the first quarterly results announcement of the Company for Q1 2020
"Zhongwang Financial"	Zhongwang Financial Technology Development Co., Limited (眾網金融科技發展有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company

By order of the Board
Dadi International Group Limited
FU Yuanhong
Chairman

Hong Kong, 9 October 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 at least 7 days from the day of its posting and the Company's website at http://www.dadi-international.com.hk.