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DADI EDUCATION HOLDINGS LIMITED

大地教育控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8417)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “**Directors**”) of Dadi Education Holdings Limited (the “**Company**”), together with its subsidiaries, (the “**Group**”) 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 (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 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.

FINANCIAL HIGHLIGHTS

- Our Group's revenue for the year ended 31 March 2017 was approximately HK\$23.5 million, representing a decrease of approximately 7.4% from approximately HK\$25.4 million for the year ended 31 March 2016. The decrease was mainly contributed by the depreciation of the GBP against HK\$ and the decrease in number of successful placements in the high school of the United Kingdom during the year ended 31 March 2017;
- Profit before income tax for the year ended 31 March 2017 decreased approximately by 53.9% from approximately HK\$11.6 million for the year ended 31 March 2016 to approximately HK\$5.4 million for the year ended 31 March 2017;
- Profit attributable to the equity holders of the Company for the year ended 31 March 2017 decreased by approximately 68.4% from approximately HK\$8.4 million for the year ended 31 March 2016 to approximately HK\$2.7 million;
- Basic earnings per share for the year ended 31 March 2017 was HK0.17 cents (2016: HK0.54 cents); and
- The Directors do not recommend the payment of any final dividend for the year ended 31 March 2017 (2016: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

The board of directors (the “**Board**”) is pleased to announce the audited consolidated results of the Company and the Group for the year ended 31 March 2017 together with the consolidated statement of financial position of the Group as at 31 March 2017, and the notes with comparative figures for the year ended 31 March 2016 as follows. These information should be read in conjunction with the prospectus of the Company dated 26 January 2017 (the “**Prospectus**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

| | <i>Notes</i> | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Revenue | 4 | 23,481 | 25,367 |
| Other income | 5 | 1,776 | 2,626 |
| Marketing costs | | (2,561) | (2,345) |
| Employee benefits expenses | 6 | (7,934) | (6,912) |
| Operating lease charges | | (1,480) | (1,449) |
| Other expenses | | (7,752) | (5,500) |
| Finance costs | 7 | (168) | (150) |
| Profit before income tax | 8 | 5,362 | 11,637 |
| Income tax expense | 9 | (1,883) | (2,466) |
| Profit and total comprehensive income for the year | | <u>3,479</u> | <u>9,171</u> |
| Profit and total comprehensive income for the year attributable to: | | | |
| Equity holders of the Company | | 2,652 | 8,399 |
| Non-controlling interest | | 827 | 772 |
| | | <u>3,479</u> | <u>9,171</u> |
| Earnings per share for profit attributable to equity holders of the Company | | | |
| Basic and diluted | 11 | <u>HK0.17 cents</u> | <u>HK0.54 cents</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

| | <i>Notes</i> | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|--------------|-------------------------|-------------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 72 | 22 |
| Current assets | | | |
| Trade and other receivables | 12 | 11,702 | 12,972 |
| Amount due from a related party | | – | 1 |
| Tax recoverable | | 771 | – |
| Cash and bank balances | | 67,982 | 6,768 |
| | | <u>80,455</u> | <u>19,741</u> |
| Current liabilities | | | |
| Accrued charges and other payables | 13 | 2,819 | 1,889 |
| Amount due to a related party | | – | 2 |
| Bank borrowings | | 1,276 | 1,879 |
| Income tax payable | | – | 370 |
| | | <u>4,095</u> | <u>4,140</u> |
| Net current assets | | <u>76,360</u> | <u>15,601</u> |
| Net assets/Total assets less current liabilities | | <u>76,432</u> | <u>15,623</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 17,504 | – |
| Reserves | | 58,590 | 15,310 |
| Equity attributable to equity holders of the Company | | <u>76,094</u> | <u>15,310</u> |
| Non-controlling interest | | <u>338</u> | <u>313</u> |
| Total equity | | <u>76,432</u> | <u>15,623</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

(Amounts expressed in thousands of Hong Kong dollars, unless otherwise stated)

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company on 19 October 2015 with limited liability. The address of its registered office is PO box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business of the Company is Unit 1911, 19/F., Office Tower One, Grand Plaza, 639 Nathan Road, Kowloon, Hong Kong.

The Company's shares are listed on the GEM of The Stock Exchange on 16 February 2017 (the "Listing").

The Company is an investment holding company and its subsidiaries are principally engaged in provision of overseas studies consultancy services in Hong Kong which involves the consultancy of local students and their placement with study programmes provided by overseas education providers.

As at 31 March 2017, the directors consider the immediate parent of the Company to be Grand Courage Investments Limited ("Grand Courage"), which is incorporated in the British Virgin Islands (the "BVI"). Grand Courage is controlled by Mr. Chung Wang Lung (the "Controlling Shareholder").

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Pursuant to a corporate reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Company and the Group on 18 April 2016.

Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Company's prospectus dated 26 January 2017. The Group was under the common control of the Controlling Shareholder prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the current group structure had been in existence throughout the years ended 31 March 2017 and 2016, or since their respective dates of incorporation, where it is a shorter period. The consolidated statement of financial position at the end of the reporting period have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange ("GEM Listing Rules").

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 April 2016

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2016:

| | |
|-----------------------|--|
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle |

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

| | |
|------------------------------------|--|
| Amendments to HKAS 7 | Disclosure Initiative ¹ |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| HKFRS 9 | Financial Instruments ² |
| HKFRS 15 | Revenue from Contracts with Customers ² |
| HKFRS 16 | Leases ³ |
| HK(IFRIC) — Interpretation 22 | Foreign Currency Transactions and Advance Consideration ² |

¹ *Effective for annual periods beginning on or after 1 January 2017*

² *Effective for annual periods beginning on or after 1 January 2018*

³ *Effective for annual periods beginning on or after 1 January 2019*

⁴ *Effective date to be determined*

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

Amendments to HKAS 7: Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be made in the financial statements. The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The Directors consider that the application of Amendments to HKAS 7 in the future will not have a significant impact on the Group's consolidated financial statements.

HKFRS 9 “Financial Instruments”

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 and will replace HKAS 39 in its entirety. The new standard introduces changes to HKAS 39’s guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held.

Most of the HKAS 39’s requirements for financial liabilities were carried forward unchanged to HKFRS 9. The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity chooses to measure its own debt at fair value, HKFRS 9 requires the amount of the change in fair value due to changes in the entity’s own credit risk to be presented in other comprehensive income, unless effect of changes in the liability’s credit risk would create or enlarge an accounting mismatch in profit or loss, in which case, all gains or losses on that liability are to be presented in profit or loss.

HKFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

HKFRS 9 also provides new guidance on the application of hedge accounting. The new hedge accounting models retain the three types of hedge accounting and the requirements of formal designation and documentation of hedge accounting relationships. The new hedge accounting requirements look to align hedge accounting more closely with entities’ risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The Directors are currently assessing the possible impact of HKFRS 9 on the Group’s results and financial position in the first year of application.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 “Revenue”, HKAS 11 “Construction Contracts”, and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Directors have started to assess the impact of this HKFRS that not yet in a position to provide qualitative information.

HKFRS 16 “Leases”

HKFRS 16 “Leases” will replace HKAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. HKFRS 16 is effective from periods beginning on or after 1 January 2019. The Directors are yet to fully assess the impact of HKFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact, the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under HKFRS 16’s new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

4. REVENUE AND SEGMENT INFORMATION

The Group is engaged in provision of overseas studies consultancy services in Hong Kong which involves the consultancy of local students and their placement with study programmes provided by overseas education providers. Revenue of the Group is the revenue from these activities and represents the value of services rendered.

The Group has determined the operating segments based on the information reported to the Group’s most senior executive management, the chief operating decision-maker. The most senior executive management regards the Group’s business of provision of overseas studies consultancy services as a single operating segment and assesses the operating performance and allocates the resources of the Group as a whole. Accordingly, no segment analysis information is presented.

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers, which is based on the location of customers.

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Australia | 8,962 | 8,731 |
| Canada | 1,569 | 1,304 |
| New Zealand | 383 | 539 |
| United Kingdom | 10,966 | 13,145 |
| United States | 1,345 | 1,235 |
| Others | 256 | 413 |
| | <u>23,481</u> | <u>25,367</u> |

All non-current assets of the Group are physically located in Hong Kong.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out as below:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer A | 3,571 | 3,761 |
| Customer B | 3,397 | 3,545 |

5. OTHER INCOME

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Bank interest income | 3 | 2 |
| Commission income from guardianship | 106 | 96 |
| Gain on disposal of available-for-sale financial asset | – | 10 |
| Interest income from investment in a life insurance policy | – | 30 |
| Marketing income | 1,606 | 2,015 |
| Net foreign exchange gain | – | 112 |
| Sponsorship income | 61 | 76 |
| Others | – | 285 |
| | <u>1,776</u> | <u>2,626</u> |

6. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Salaries, commission and other benefits | 7,629 | 6,625 |
| Contributions to defined contribution retirement plans | 305 | 287 |
| | <u>7,934</u> | <u>6,912</u> |

7. FINANCE COSTS

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Interests on bank borrowings wholly repayable within five years | 168 | 150 |

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Auditor's remuneration | 380 | 70 |
| Depreciation | 12 | 7 |
| Operating lease charges in respect of: | | |
| — land and buildings | 1,462 | 1,434 |
| — office equipment | 18 | 15 |
| | <u>1,480</u> | <u>1,449</u> |
| Gain on disposal of available-for-sale financial asset | – | (10) |
| Impairment loss on other receivable | – | 129 |
| Listing expenses | 3,990 | 3,779 |
| Net foreign exchange loss/(gain) | 482 | (112) |

9. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong Profits Tax has been provided at the rate of 16.5% for the year ended 31 March 2017 (2016: 16.5%) on the estimated assessable profit for the year. For the year ended 31 March 2016, a reduction was granted by the Government of Hong Kong Special Administrative Region of 75% of the tax payable for the year of assessment 2015/2016, subject to a maximum reduction of \$20,000 for each business.

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Current tax — Hong Kong Profits Tax | | |
| Current year | 1,818 | 2,466 |
| Under provision in respect of prior years | 65 | – |
| | <u>1,883</u> | <u>2,466</u> |

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Profit before income tax | <u>5,362</u> | <u>11,637</u> |
| Tax on profit before income tax, calculated at the rates of Hong Kong Profits Tax rate of 16.5% (2016: 16.5%) | 885 | 1,920 |
| Tax effects of: | | |
| — non-deductible expenses | 943 | 630 |
| — non-taxable income | (1) | (22) |
| — unrecognised temporary differences | (9) | (2) |
| Tax concession | – | (60) |
| Under provision in respect of prior years | 65 | – |
| Income tax expense for the year | <u>1,883</u> | <u>2,466</u> |

As at 31 March 2017, the Group did not have any significant unrecognised deferred tax assets or liabilities (2016: HK\$Nil).

10. DIVIDENDS

| | 2017 HK\$'000 | 2016 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Dividends declared and paid by the subsidiaries of the Group prior to the Reorganisation (<i>note ii</i>) | – | 4,382 |
| Interim dividend of 82 Australian dollars (“AUD”) per ordinary share (<i>note iii</i>) | <u>4,777</u> | <u>–</u> |
| | <u><u>4,777</u></u> | <u><u>4,382</u></u> |

Notes:

- (i) The directors of the Company do not recommend the payment of any final dividend for the years ended 31 March 2017 and 2016.
- (ii) For the year ended 31 March 2016, dividends of HK\$4,382,000 were declared and paid by the companies now comprising the Group to the then shareholders of the subsidiaries.
- (iii) For the year ended 31 March 2017, the interim dividend of HK\$4,777,000 (AUD82 per ordinary share) was paid on 11 July 2016.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK\$2,652,000 (2016: HK\$8,399,000) and the weighted average 1,577,161,644 ordinary shares (2016: 1,552,800,000) in issue during the year ended 31 March 2017, as if the Reorganisation and capitalisation issue had been effective since 1 April 2015.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 March 2017 includes (i) an ordinary share of the Company issued upon incorporation, (ii) additional 9,999 new ordinary shares issued on 18 April 2016; and (iii) the 1,552,790,000 new ordinary shares issued pursuant to the capitalisation issue, as if all these shares had been in issue throughout the year ended 31 March 2017, and (iv) 24,361,644 shares, representing the weighted average of 197,600,000 new ordinary shares issued pursuant to the public offering and placing.

The number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 March 2016 was based on 1,552,800,000 ordinary shares, representing the number of ordinary shares of the Company immediately after the capitalisation issue, as if all these shares had been in issue throughout the year ended 31 March 2016.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2017 and 2016 as the Group had no potentially dilutive ordinary shares in issue for the years ended 31 March 2017 and 2016. The basic earnings per share equals to the diluted earnings per share.

12. TRADE AND OTHER RECEIVABLES

| | <i>Note</i> | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Trade receivables | (a) | <u>4,584</u> | 4,910 |
| Deposit and other receivable in relation to an investment, gross | | 2,379 | 2,379 |
| Less: provision for impairment | | <u>(1,953)</u> | (1,953) |
| Deposit and other receivable in relation to an investment, net | (b) | <u>426</u> | 426 |
| Listing expenses receivable from the Controlling Shareholder | (c) | 5,633 | 5,976 |
| Other deposits | | 698 | 407 |
| Prepayment | | <u>361</u> | 1,253 |
| | | <u>11,702</u> | <u>12,972</u> |

(a) Trade receivables

Sales are generally made without prescribed credit terms but the customers usually take 35 to 90 days to settle the receivables. The ageing analysis based on the recognition date of trade receivables is as follows:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| 0–30 days | 827 | 606 |
| 31–60 days | 3,120 | 2,910 |
| 61–90 days | 289 | 753 |
| 91–365 days | 236 | 641 |
| Over 365 days | <u>112</u> | – |
| | <u>4,584</u> | <u>4,910</u> |

As at 31 March 2017, all trade receivables were past due and no trade receivable was individually determined to be impaired (2016: HK\$Nil).

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) Deposit and other receivable in relation to an investment

In June 2011, the Group's subsidiary, Time Pace Development Limited ("Time Pace"), entered into a cooperation agreement with an independent third party to acquire 37.5% equity interest in CIIC Dadi Overseas Studies Service Center (中智大地留學服務中心) ("CIIC Dadi") (the "Cooperation"). CIIC Dadi is a company established in the People's Republic of China and is principally engaged in provision of overseas studies consultancy services. The total consideration of RMB1,500,000 (equivalent to HK\$1,824,000) and an advance of RMB450,000 (equivalent to HK\$555,000) was paid. The investment deposit of HK\$1,824,000 was fully impaired during the year ended 31 March 2013.

On 15 March 2016, Time Pace and the independent party entered into a termination agreement to terminate the Cooperation. According to the termination agreement, an amount of approximately RMB350,000 (equivalent to approximately HK\$426,000) is expected to be recovered. An impairment loss of HK\$129,000 was recognised during the year ended 31 March 2016.

Movement in the provision for impairment of deposit and other receivable in relation to an investment is as follows:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|------------------------------|--------------------------------|-------------------------|
| At the beginning of the year | 1,953 | 1,824 |
| Impairment loss recognised | – | 129 |
| | <hr/> | <hr/> |
| At the end of the year | 1,953 | 1,953 |
| | <hr/> <hr/> | <hr/> <hr/> |

(c) Listing expenses receivable from the Controlling Shareholder

The amount was subsequently settled to the Group in May 2017.

The directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

13. ACCRUED CHARGES AND OTHER PAYABLES

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| Accrued staff costs | 1,065 | 908 |
| Accrued marketing costs | 657 | 360 |
| Other accrued expenses | 939 | 244 |
| Receipts in advance | 158 | 377 |
| | <hr/> | <hr/> |
| | 2,819 | 1,889 |
| | <hr/> <hr/> | <hr/> <hr/> |

All accrued charges and other payables are denominated in HK\$. All amounts are short-term and hence the carrying values of accrued charges and other payables are considered to be a reasonable approximation of their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Our Group is one of the leading overseas studies consultancy services providers in Hong Kong. Our network consists of overseas education providers from all over the world. Nevertheless, we mainly serve local students who are mainly seeking secondary education and higher education studies in the United Kingdom (the “UK”), Australia, Canada and the United States of America (the “USA”). During the year ended 31 March 2017, our Group’s principal business remained the provision of overseas studies consultancy services in Hong Kong. Commission income generated from the placements of students from the UK and Australia remained as the main driver of our Group’s revenue.

Our Company was listed on GEM on 16 February 2017 (the “**Listing Date**”) when 437,600,000 ordinary shares (comprising a public offer of 131,280,000 Shares and 306,320,000 Shares (comprising 66,320,000 new Shares and 240,000,000 Sale Shares) by way of placing) has been offered for subscription and for sale, at an offer price of HK\$0.34 per Share (the “**Listing**”).

The year ended 31 March 2017 was a year full of challenges and uncertainties to the industry as well as to our Group. The demand for students to study overseas is sensitive to the availability of academic programs, academic requirements, location of study, living costs and the stability of the studying environments. The Brexit Referendum took place in June 2016 had raised concerns about the stability of studying in the UK and the demand for studying in the UK was hammered, in addition to the depreciation to the Great British Pounds (“**GBP**”) against Hong Kong dollar (“**HK\$**”) during the year ended 31 March 2017. Our Group’s commission income generated from the placements of students in the UK had dropped by approximately 16.6% or approximately HK\$2.2 million in comparison to the year ended 31 March 2016.

The diversity of our Group’s network with overseas education providers had provided a strong resilience from the impact of the Brexit Referendum, the wide spectrum of academic courses from our Group’s networked overseas education service providers allows students to select their alternative solution other than studying in the UK. For the year ended 31 March 2017, the commission income generated from the placements of students from Australia had increased by approximately 2.6% and from Canada and the USA had in aggregate increased by approximately 14.8% respectively.

PROSPECTS AND STRATEGIES

Our Group expects the growth of the demand in overseas education will continue to slow down in the coming year. Given the rising concerns on security after various terrorist attacks in the UK, our Group expects the desire for students to enroll their studies in the UK would be negatively affected. Our Group believes the diversified networks with overseas education providers will allow our Group to provide the alternative study solution to students who would like to seek for overseas studies other than the UK.

Besides, our Group continues to allocate more resources in new marketing campaigns such as engaging spokesperson and hosting large scale exhibitions would further strengthen our brand and increase its recognition which ultimately allow our Group to expand its market share. On the above basis, the Directors are confident that our Group will maintain a steady growth in foreseeable future.

FINANCIAL REVIEW

Revenue

Revenue of our Group for the year ended 31 March 2017 was approximately HK\$23.5 million, representing a decrease of approximately 7.4% from approximately HK\$25.4 million for the year ended 31 March 2016. All revenue was derived from the overseas study consultancy services. Such decrease was mainly attributable to the depreciation of GBP to HK\$ between the two years ended 31 March 2017 and 2016 and the decrease in commission income generated from the placements of students in the high schools of the UK as set out below:

UK

Commission income generated from the placements of students in the UK maintained to be the main source of our Group's revenue which accounted for approximately 46.7% for the year ended 31 March 2017 (2016: approximately 51.8%). Commission income generated from the placements of students in the UK was amounted to approximately HK\$11.0 million (2016: approximately HK\$13.1 million) or declined by approximately 16.6%. The decrease in commission from the placements of students in the UK was mainly contributed by the depreciation of GBP to HK\$ between the two years ended 31 March 2017 and 2016 respectively, and the decrease in number of successful placements in the high schools of the UK.

Australia

Commission income generated from the placements of students in Australia increased by approximately HK\$0.3 million or approximately 2.6% from approximately HK\$8.7 million for the year ended 31 March 2016 to approximately HK\$9.0 million for the year ended 31 March 2017, which represented approximately 38.2% of our Group's total revenue for the year ended 31 March 2017 (2016: approximately 34.4%). The increase in the commission income generated from the placements of students in Australia was mainly contributed by the appreciation of AUD and HK\$ between the two years ended 31 March 2017 and 2016 respectively.

Canada and the USA

Commission income generated from the placements of students in Canada and the USA in aggregate increased by approximately 14.8% which amounted to approximately HK\$2.9 million (2016: approximately HK\$2.5 million) and represented approximately 12.4% (2016: approximately 10.0%) of total revenue for the year ended 31 March 2017. The increase in amount was attributable to the increase in student placements in Canada for the year ended 31 March 2017.

Other income

Our Group's other income decreased from approximately HK\$2.6 million for the year ended 31 March 2016 to approximately HK\$1.8 million for the year ended 31 March 2017, representing a decrease of approximately HK\$0.8 million or approximately 32.4%. The decrease was mainly due to a decline in marketing income and our Group's recognised exchange loss for the year ended 31 March 2017 in contrast with exchange gain for the year ended 31 March 2016.

Marketing costs

Our Group's marketing cost increased from approximately HK\$2.3 million for the year ended 31 March 2016 to approximately HK\$2.6 million for the year ended 31 March 2017. The increase was attributable to additional advertising activities on public transport in Hong Kong during the year ended 31 March 2017.

Employee benefits expenses

Staff cost of our Group was increased by approximately HK\$1.0 million from approximately HK\$6.9 million for the year ended 31 March 2016 to approximately HK\$7.9 million for the year ended 31 March 2017. The increase was mainly contributed by increased headcounts and a rise in basic salary of all staffs during the year ended 31 March 2017.

Other expenses

Other expenses of our Group had been increased from approximately HK\$5.5 million for the year ended 31 March 2016 to approximately HK\$7.8 million for the year ended 31 March 2017. The increase in amount was mainly contributed by the recognition of listing expense as our Group listed on GEM on the Listing Date, the increase in legal and professional fees after the listing of the Company and the exchange loss for the depreciation of GBP against Hong Kong dollars.

Income tax expenses

Income tax expenses had been decreased by approximately 23.6% from approximately HK\$2.5 million for the year ended 31 March 2016 to approximately HK\$1.9 million for the year ended 31 March 2017. Such decrease was driven by the decrease in revenue in the same period.

Profit for the year

Net profit for our Group had been decreased from approximately HK\$9.2 million for the year ended 31 March 2016 to approximately HK\$3.5 million for the year ended 31 March 2017. The decline was mainly contributed by (i) the drop in revenue as a result from the depreciation of GBP against HK\$ and the decrease in number of successful placements in the high schools of the UK, (ii) the increase in employee benefits expenses and (iii) the increase in other expenses principally due to the exchange loss derived from the depreciation of GBP against HK\$ and the increase in legal and professional fees after the Listing of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our Group has funded the liquidity for the year ended 31 March 2017 and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and proceeds received from the Listing on the Listing Date.

As at 31 March 2017, our Group has total cash and bank balances of approximately HK\$68.0 million (2016: approximately HK\$6.8 million). The increase was mainly due to the net proceeds received from the Listing. The borrowings of our Group as at 31 March 2017 was approximately HK\$1.3 million (2016: approximately HK\$1.9 million).

As at 31 March 2017, the share capital and total equity attributable to equity holders of the Company amounted to approximately HK\$17.5 million and approximately HK\$76.1 million, respectively (2016: approximately HK\$0 million and approximately HK\$15.3 million, respectively).

Gearing ratio is calculated based on the total loans and borrowings divided by total equity as at the period-end date and expressed as a percentage. The gearing ratio of our Group as at 31 March 2017 was approximately 1.7% (2016: approximately 12.0%). As a result of the increased equity following the Listing, our Group's gearing ratio decreased. During the year ended 31 March 2017, our Group did not employ any financial instrument for hedging purpose.

CHARGES ON GROUP'S ASSETS

Our Group did not have any charges of assets as at 31 March 2017 (2016: Nil).

CAPITAL COMMITMENT

Our Group had no material capital commitments as at 31 March 2017 and 2016.

CONTINGENT LIABILITIES

Our Group had no material contingent liabilities as at 31 March 2017 (2016: Nil). Our Group is currently not involved in any material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings.

FOREIGN EXCHANGE RISK

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our Group's exposures to currency risk arise from its business transactions which are primarily denominated in AUD, Canadian dollars ("CAD"), GBP and the United States dollars ("US\$"). Our Group is mainly exposed to the effects of fluctuation in AUD, CAD and GBP as the rate of exchange between HK\$ and US\$ is controlled within a tight range. Our Group however did not engage in any derivatives agreements and did not commit to any financial instrument to hedge its foreign exchange exposure during the year ended 31 March 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, our Group employed a total of 24 full-time employees in comparison to 23 full-time employees as at 31 March 2016. Total employee benefit expenses for the year ended 31 March 2017 and the year ended 31 March 2016 were approximately HK\$7.9 million and approximately HK\$6.9 million respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, discretionary bonuses were offered to those staff according to the assessment of individual performance.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Apart from the reorganisation in relation to the Listing (as set out under the section headed “History, Reorganisation and Corporate Structure” and the paragraph headed “Corporate reorganisation” in Appendix IV to the Prospectus, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by our Group during the year ended 31 March 2017. There was no plan for material investments or capital assets as at 31 March 2017 save for the business plan as disclosed in the Prospectus and subject to a voluntary announcement of the Company dated 13 April 2017.

EVENTS AFTER 31 MARCH 2017

With an intention to explore business opportunities of expanding the business of provision of overseas studies consultancy services to students in the People’s Republic of China and to diversify risk of the Company in the exploration of the intended business opportunities, the Company has subscribed one ordinary share (being the entire issued share capital) of and in Grand Pick Limited (偉擇有限公司), a company incorporated in the British Virgin Islands on 19 April 2017, which in turn holds one ordinary share (being the entire issued share capital) of and in City Victory Investment Limited (港信投資有限公司), a company incorporated in Hong Kong on 10 March 2017. Mr. Chung Wang Lung is the sole director of Grand Pick Limited and City Victory Investment Limited. As at the date of this announcement, no concrete term has been agreed, and no letter of intent, memorandum of understanding or legally binding agreement has been entered into for the intended exploration.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing of our Company in February 2017 amounted to approximately HK\$55.1 million, after deducting the underwriting fees, the Stock Exchange trading fee, SFC transaction levy for the new Shares and Listing expense in connection with the Share Offer. The period from the Listing Date to 31 March 2017 was relatively short, during which our Group was in its preliminary stage of implementing its business objectives and strategies. As at 31 March 2017, approximately HK\$43,000 had been utilised. Our Group will strive to achieve the milestone events as stated in the Prospectus and it provides an analysis comparing the business objectives set out in the Prospectus with our Group's actual business progress from the Listing Date to the date of this announcement as set out below:

| Use of net proceeds | Amount of net proceeds allocated upon listing <i>HK\$'000</i> | Amount of net proceeds utilised for the year ended 31 March 2017 <i>HK\$'000</i> | Balance as at 31 March 2017 <i>HK\$'000</i> | Actual business progress up to the date of this announcement |
|--|--|---|--|---|
| Expand and renovate existing branches | 5,198 | – | 5,198 | Renovation of Mongkok office has substainally complete as of the date of this announcement. |
| Employ additional counsellors and supporting staff | 15,373 | 43 | 15,330 | Our Group hired three additional staffs as of the date of this announcement. |
| Strengthen our brand awareness | 25,505 | – | 25,505 | As of the date of this announcement, our Group has engaged with a celebrity to act as our Group's spokesperson in May 2017. |
| Expand our network of overseas education providers | 700 | – | 700 | Our Group was still seeking potential partners as of the date of this announcement. |
| Enhance our IT system | 2,975 | – | 2,975 | Our Group was still seeking for potential contractors as of the date of this announcement. |
| Hold large scale exhibitions | 3,960 | – | 3,960 | Our Group is committed to hold a major exhibition in July 2017. |
| General working capital | 1,428 | – | 1,428 | N/A |
| Total | 55,139 | 43 | 55,096 | |

DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 March 2017 (2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as the Listing, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during from the Listing Date up to the date of this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Our Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

During the period from the Listing Date to 31 March 2017, the Company has complied with all the applicable code provisions of the CG Code contained in Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the "Code of Conduct"). The Company has made specific enquiry to all the Directors, and all Directors have confirmed that, they have fully complied with the required standard of dealings set out in the Code of Conduct from the Listing Date up to the date of this announcement.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Group has appointed TC Capital International Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal control. Except for the compliance adviser also acted as the sponsor of the Listing and the compliance adviser agreement entered into between the Company and our compliance adviser dated 19 January 2016, neither our compliance adviser nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to our Group pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25%.

COMPETING INTERESTS

The Directors confirm that none of the Controlling Shareholders or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the year ended 31 March 2017 and up to the date of this announcement.

DEED OF NON-COMPETITION

Mr. Chung Wang Lung and Grand Courage (each the “**Covenantor**” and collectively the “**Covenantors**”) entered into a Deed of Non-competition on 17 January 2017 in favour of the Company and its subsidiaries (the “**Deed of Non-Competition**”).

Pursuant to the Deed of Non-Competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for ourselves and for the benefit of its subsidiaries) that, save and except the interest in our Group, during the period that the Deed of Non-Competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business of any member of our Group in Hong Kong and such other part of the world where any member of our Group may engage from time to time, save for the holding of not more than 5% shareholding interests (individually or with his/its associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its close associates). Each of the Covenantors further undertakes that if he/it or his/its close associates other than any member of our Group is offered or become aware of any business opportunity in Hong Kong or such other parts of the world where any member of the Group may operate from time to time which compete with the business of our Group, he/it shall procure that his/its close associates to promptly notify our Company in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within six months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal. The independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-Competition by the Covenantors, and be responsible for deciding whether or not to allow any of the Covenantors and/or his/its close associates to involve or participate in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within Hong Kong or such other parts of the world where any member of the Group may operate from time to time and if so, any condition to be imposed. The Company will disclose decisions or matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition of the Covenantors in the annual reports of the Company.

A summary of the major terms of the Deed of Non-Competition was disclosed in the section headed “Relationship with our Controlling Shareholders” of the Prospectus.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Wednesday, 26 July 2017 to Monday, 31 July 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, of 31/F, 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on Tuesday, 25 July 2017.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Monday, 31 July 2017. A notice convening the meeting will be issued and sent to the shareholders in due course.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

An audit committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The audit committee consists of three members, namely, Mr. Wong Tak Chun, Ms. Chung Wai Nar and Mr. Tsang Chi Fung, all being independent non-executive Directors. Mr. Wong Tak Chun currently serves as the chairman of the audit committee.

The audit committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group, and as to the adequacy of the external and internal audits.

The audit committee of the Board and the management of the Company have reviewed the accounting principles and practices adopted by our Group and the financial statements for the year ended 31 March 2017. The audit committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of our Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2017 as set out in this announcement have been agreed by our Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in our Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Grant Thornton Hong Kong Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.dadi.com.hk. The Company's annual report for the year ended 31 March 2017 will be dispatched to the Shareholders of the Company and will also be published on the aforesaid websites of the Stock Exchange and the Company in due course.

By order of the Board
Dadi Education Holdings Limited
Chung Wang Lung
Chairman and Executive Director

Hong Kong, 26 June 2017

As at the date of this announcement, the executive Directors are Mr. Chung Wang Lung, Mr. Mok Patrick and Ms. So Pik Sau and the independent non-executive Directors are Mr. Wong Tak Chun, Ms. Chung Wai Nar and Mr. Tsang Chi Fung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 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 on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company's website at www.dadi.com.hk.