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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  
ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023**

Reference is made to the annual report of Dadi International Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for the year ended 31 March 2023 published by the Company on 2 July 2023 (the “**2023 Annual Report**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the 2023 Annual Report.

Further to the information disclosed in the 2023 Annual Report, the Company wishes to provide the shareholders (the “**Shareholders**”) and potential investors (the “**Potential Investors**”) of the Company with the following supplemental information in relation to the financial leasing and other financial services business (the “**Financial Services Business**”) segment (the “**Financial Services Segment**”) of the Group.

**REVENUE FROM THE FINANCIAL SERVICES SEGMENT AND IMPAIRMENT  
LOSSES AS TO THE LOAN AND OTHER RECEIVABLES**

As disclosed in note 10 to the consolidated financial statements (the “**Consolidated Financial Statements**”) of the Group for the Year, the Group recorded revenue HK\$0 and ECL of approximately HK\$147.8 million (accounting for approximately 20.72% of the total assets of the Group as at 31 March 2023) in respect of the Financial Services Segment.

The Group would wish to inform the Shareholders and the Potential Investors that during the Year and up to the date of this announcement, the Financial Services Segment of the Group has remained to be under temporary suspension. This is particularly in light of the adverse macroeconomic conditions in the PRC due to the continued sporadic outbreak of COVID-19, leading to the deteriorated financial position and/or diminished repayment capabilities of a number of business entities in different industries, coupled with the accumulation of non-performing assets of financial institutions. Nevertheless, whilst there is yet to be a concrete resumption timeline in respect of the Financial Services Segment having been formulated or approved by the Group, the Group will closely monitor the industry condition and the macroeconomic environment, in the near future, and make timely disclosure and fulfill the necessary compliance requirements in respect of any resumption plan of the Financial Services Segment.

During the Year, the Group recorded gross outstanding balance and accumulated ECL of the loan and other receivables in respect of the Financial Services Business in the amount of approximately HK\$114 million and HK\$113 million, respectively.

## **BUSINESS MODEL**

Prior to its suspension, the Group's Financial Services Business generally comprised of two business models, namely (i) the money lending model (the "**Money Lending Model**"); and (ii) the P2P Business model (the "**P2P Business Model**"), and were principally operated by a wholly-owned subsidiary of the Company, namely First FinTech (Shanghai) Company Limited\* (眾網金融科技(上海)有限公司) ("**First FinTech**") at the material times.

### **Money Lending Model**

In respect of the Money Lending Model, the Group focused on the provision of loan financing to corporate customers as opposed to mass customer market. The loans were generally provided to those corporate customers for their working capital purpose and day-to-day trading activities. Such loans were generally in the form of a term loan with third-party guarantees.

### **P2P Business Model**

In respect of the P2P Business Model, as disclosed in the 2017 annual report of the Company, the Group tapped into the P2P Business during the year ended 31 March 2017 when such business was becoming increasingly prevalent in the private lending market at the material times. Under the model, First FinTech maintained an internet platform (the "**Platform**") whereby individual and corporate users (the "**Users**") may register for accounts to have access to the Group's services under the Platform. The existing creditors of certain corporate loans (being loans unrelated to the Group) may apply to First FinTech to publish the information of their existing receivables under the loans as well as the underlying loan details (including the size and term of the loans and identities of the debtors, etc.) and invite other users to acquire certain portions of such receivables.

The major roles of First FinTech in the P2P Business Model were to provide platform maintenance and information display services to the parties, to provide custodian services to the parties for the fund transfers involved in the sale and purchase of the portion of the receivables and upon repayment by the debtors, and to assist the Users to take measures to collect the outstanding loan principal and interests under the receivables (such as by way of issuing reminders to the debtors for repayment of such, and if necessary, to request for guarantors to comply with their guarantee obligations with respect to the loan repayment), as and when they became due. As such, the assignment of the receivables under the loans, as well as the debtor-creditor relationships underlying the loans, remained to be among the debtors, the original creditors and the Users (being the new creditors of the loans for the portion of the receivables taken up by them) only.

### **Subsequent cessation of the P2P Business Model**

Subsequently, in around 2018 and 2019, alongside with the deterioration of the quality of such peer-to-peer lending activities managed by other financial services providers in the PRC which led to the heightened control over such business, the Group gradually ceased the P2P Business Model. Further, upon communication with the relevant authorities and stemming from the perspective to fulfill the corporate responsibility for protecting the public Users of the Platform under the P2P Business Model, First FinTech acquired the receivables from those Users and became the creditors of those loans. The Company would wish to emphasize that, as advised by its PRC legal advisers, the operations of the P2P Business Model had been in compliance with the applicable PRC laws and regulations at the material times.

### **MAJOR TERMS OF THE LOAN AGREEMENTS**

Set out below are the general terms of the loan agreements under the Money Lending Model and the P2P Business Model.

- |                           |   |  |
|---------------------------|---|--|
| <b>Term</b>               | : | approximately 12 months for the loan under the Money Lending Model; and<br>approximately 90 days to 180 days for the loan under the P2P Business Model |
| <b>Purpose</b>            | : | general working purposes; or<br>day-to-day trading activities (such as procurement of raw materials)   |
| <b>Repayment</b>          | : | interest shall be repaid monthly, and the principal of the loan shall be repaid upon the expiry of the term of the loan                                |
| <b>Security/Guarantee</b> | : | third party individual or corporate guarantor(s) shall provide guarantee in respect of the repayment obligations of the borrower(s)                    |

## **CREDIT RISK ASSESSMENT POLICY**

It was the policy of the Group that all customers under the Financial Services Segment would be subject to the credit risk assessment and background search by the designated members of the product team (the “**Product Team**”) in First FinTech as part of the “know your client” procedures. The procedures would generally involve the following key steps:

### **Application**

An applicant for a loan or an User may be required to produce the following documents and information:

- (i) identity documents and basic information of the applicant/individual User;
- (ii) for corporate applicant/User, the following may be required:
  - (a) incorporation/establishment certificate and business license;
  - (b) statutory records including registers of directors and members;
  - (c) identity documents and proof of ownership of the ultimate beneficial owner; and
  - (d) latest audited financial statements including balance sheet and income statement, and where applicable, latest management accounts;
- (iii) the above items in respect of the guarantor; and
- (iv) details of the proposed loan amount and intended term and purpose of the loan.

### **Due diligence and assessment**

Upon receipt of the above information, the Product Team would review the materials and conduct background search against the customers in relation to any material court or insolvency proceedings and other adverse media or publication against them. The credit evaluation process would also involve, among others, (i) retrieving the credit reports of the borrowers and guarantors, and if necessary, to seek clarifications from them as to particular issues flagged in the reports; (ii) locating any negative credit rating or declaration of loss of credit by the government authorities against the borrowers and guarantors (and the ultimate beneficial owners where corporate entities were involved); (iii) understanding the background and business operations of the borrowers and the guarantors; (iv) reviewing the historical and existing credit records of the borrowers and guarantors; and (v) assessing the creditability and repayment ability of the borrowers through understanding their liquidity and financial conditions as reflected in the financial statements and management accounts.

## **Approval of the application**

The Product Team would then prepare a credit assessment report setting out, among others, its view as to the financial capability and key financial ratios of the borrower, and other key terms including the proposed principal amount, interest rate and duration of the loan. The report would be submitted for review and confirmation by the risk management department, the legal department, the operations department and the finance department, and subject to the final approval by the office of the general manager.

## **Loan issuance and monitoring**

Upon approval of the loan application, the legal department and the finance department of First FinTech would prepare the relevant loan and guarantee documents and arrange for the execution by the relevant parties. Upon completion of the formalities, the loan would be granted to the customer accordingly.

## **OTHER INTERNAL CONTROL MEASURES**

First FinTech had also in place internal control measures for the subsequent monitoring and loan recovery processes as follows.

### **Loan monitoring**

The finance department of First FinTech was tasked with the responsibility to oversee the monitoring functions of the loan portfolio and recoverability of the individual loans. The monitoring process included ascertaining the actual usage of the loan, the business and financial conditions of the borrowers and the overall industry outlook, issuing reminders of repayment schedule and understanding any potential difficulties envisaged by the borrowers to repay the outstanding principals and interests on time. A dedicated settlement team was also established to work with the finance department to constantly monitor, approve and effect the custodian fund flows and the general operations of the Platform.

Where the finance department became aware of any circumstances which might possibly impair the borrowers' ability to honour their repayment obligations or otherwise negatively affect the collectability of the outstanding loan and other receivables, the matter would be brought to the attention of the office of the general manager of First FinTech for consideration by the management for the appropriate follow-up actions to be taken, which would involve, among others, (i) discuss with the borrowers about their financial and cash flow conditions and alternative ways to improve the situation; and (ii) requesting them to provide additional guarantee. The managers may also choose to consider and/or negotiate loan extensions or new repayment proposals with the borrowers should the underlying default risk was considered to be acceptable.

## Repayment collection

In the event when a loan became overdue, the matter shall be escalated promptly to the management for discussion and deliberation of the appropriate follow-up actions, including to determine whether to regard such as a delinquent loan. Reminders and demand letters would be issued by First FinTech for all overdue loan repayment, coupled with telephone calls to the relevant persons to urge them for repayment and/or to notify the guarantors of the default. Where the outstanding amount had been overdue for a period of time, the management would issue formal request to the guarantors to honour their guarantee obligations, failing which the management would consider to seek legal actions which included instructing external legal counsels to issue demand letters to both the borrowers and the guarantors and to commence legal proceedings against them to recover the outstanding amount.

## SIZE AND DIVERSITY OF THE DEBTORS AND CONCENTRATION OF THE LOANS

As at 31 March 2023, the Group had 19 debtors under the Financial Services Segment, being corporate debtors engaging in various industries such as food processing and distribution, e-commerce, investment consultancy, vehicle sales and parts trading, construction material trading and travel agency services. The gross outstanding amount of the loans to the above debtors ranged from approximately HK\$0.1 to HK\$21 million with the applicable interest rate of approximately 7% to 9%. The loan portfolio fell within the following bands:

<b>Gross outstanding amount</b>	<b>Number of loans under the band</b>
Above HK\$20 million	1
From HK\$15 million to HK\$20 million	3
From HK\$10 million to HK\$15 million	2
From HK\$5 million to HK\$10 million	–
From HK\$1 million to HK\$5 million	9
Under HK\$1 million	4
<b>Total</b>	<b>19</b>

Further, as at 31 March 2023, the top five debtors accounted for approximately 81% of the gross outstanding amount of the loans.

## LOAN IMPAIRMENT ASSESSMENT

The Group applied the general approach, which is often referred to as the “three-stage model”, under HKFRS 9, in which the ECL of loan and other receivables are determined based on (i) the changes in credit quality of the receivables since initial recognition; and (ii) the estimated expectation of an economic loss of the receivables under consideration.

Under the general approach, there are two measurement bases for allowance of ECL: (i) 12-month ECL, which are the ECL that result from default events that are possible within 12 months after the reporting date and are calculated as the allowance for ECL on the receivables weighted by the probability of default accumulated over the 12 months after the reporting date; and (ii) lifetime ECL, which are the ECL that result from all possible default events over the expected life of the receivables and are calculated as the allowance for ECL on the receivables weighted by the probability of default accumulated over the entire life of the receivables. Assessment are conducted based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measured the loss allowance of the receivables based on 12-month ECL, unless when there had been a significant increase in credit risk since initial recognition, the Group recognised lifetime ECL. The assessment of whether lifetime ECL should be recognised was based on significant increases in the likelihood or risk of a default occurring since initial recognition. Further details as to the ECL model and its application to assessment of the receivables and determination of the allowance of ECL are set out in the paragraphs headed “– Financial instruments — Financial assets — Impairment of financial assets subject to impairment assessment under HKFRS 9” and “– Financial risk management objectives and policies — credit risk” under notes 4 and 6 to the Consolidated Financial Statements, respectively.

Based on the above ECL model, the Group recorded accumulated allowance for ECL in the amount of approximately HK\$113 million for the Year in respect of the loan and other receivables under the Financial Services Segment, among which full provisions in a total of approximately HK\$113 million had been made in respect of those under the P2P Business Model, those having been overdue some time prior to the Financial Services Segment Suspension. As at the date of this announcement, the Group had launched legal proceedings and obtained judgment against all the borrowers and/or guarantors in respect of the loans under the P2P Business Model. The Group was in the process of undergoing the enforcement proceedings or participating in the winding-up or bankruptcy proceedings against the borrowers and/or the guarantors in the PRC. Further disclosure in relation to the progress of the above proceedings and recovery of the outstanding receivables will be made by the Company as and when appropriate in compliance with the applicable laws and regulations and subject to the order of the court from time to time.

By Order of the Board of  
**Dadi International Group Limited**  
**Wu Xiaoming**  
*Interim Chairman*

Hong Kong, 30 April 2024

*As at the date of this announcement, the Board comprises of one executive Director, namely Mr. Wu Xiaoming, two non-executive Directors, namely Mr. Ju Mengjun and Mr. Zhang Xiongfeng, and three independent non-executive Directors, namely Dr. Zhang Wei, 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.*

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*\* For identification purposes only*