

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.

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This report, 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 report 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 report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chung Wang Lung (*Chairman*)
Mr. Mok Patrick (*Chief Executive Officer*)
Ms. So Pik Sau

Independent non-executive Directors

Mr. Wong Tak Chun
Ms. Chung Wai Nar
Mr. Tsang Chi Fung

COMPANY SECRETARY

Mr. Tam Hei Lap, Hedley

COMPLIANCE OFFICER

Mr. Mok Patrick

AUTHORISED REPRESENTATIVES

Mr. Chung Wang Lung
Mr. Mok Patrick

AUDIT COMMITTEE

Mr. Wong Tak Chun (*Chairman*)
Ms. Chung Wai Nar
Mr. Tsang Chi Fung

REMUNERATION COMMITTEE

Ms. Chung Wai Nar (*Chairman*)
Mr. Wong Tak Chun
Mr. Tsang Chi Fung

NOMINATION COMMITTEE

Mr. Chung Wang Lung (*Chairman*)
Ms. Chung Wai Nar
Mr. Tsang Chi Fung

AUDITOR

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPLIANCE ADVISER

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9 Canton Road, Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Limited
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Boardroom Share Registrars (HK) Limited
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Hong Kong

STOCK CODE

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WEBSITE

<http://www.dadi.com.hk/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The 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 six months ended 30 September 2017, the 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 the Group's revenue.

The Company was successfully listed (the "Listing") on GEM of the Stock Exchange by way of share offer on 16 February 2017 (the "Listing Date").

PROSPECTS AND STRATEGIES

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

Besides, the Group has been allocating 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 the Group to expand its market share. On the above basis, the Directors are confident that the Group will maintain a steady growth in foreseeable future.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 September 2017 was approximately HK\$11.7 million, representing a decrease of approximately 7.4% from approximately HK\$12.6 million for the six months ended 30 September 2016. All revenue was derived from the overseas study consultancy services. Such decrease was mainly attributable to the depreciation of Great British Pounds (“GBP”) to Hong Kong Dollars (“HK\$”) of the six months ended 30 September 2017 as compared with the six months ended 30 September 2016 and the decrease in commission income generated from the placements of students in 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 the Group’s revenue which accounted for approximately 52.3% for the six months ended 30 September 2017 (2016: approximately 56.9%). Commission income generated from the placements of students in the UK was amounted to approximately HK\$6.1 million (2016: approximately HK\$7.2 million) or declined by approximately 14.9%. The decrease in commission from the placements of students in the UK was mainly contributed by the depreciation of GBP to HK\$ of the six months ended 30 September 2017 as compared with the six months ended 30 September 2016, and the decrease in number of successful placements in the UK.

Australia

Commission income generated from the placements of students in Australia increased by approximately HK\$0.4 million or approximately 10.3% from approximately HK\$3.3 million for the six months ended 30 September 2016 to approximately HK\$3.7 million for the six months ended 30 September 2017, which represented approximately 31.6% of the Group’s total revenue for the six months ended 30 September 2017 (2016: approximately 26.2%). The increase in the commission income generated from the placements of students in Australia was mainly contributed by increased successful placements of students in Australia and the appreciation of AUD and HK\$ of the six months ended 30 September 2017 as compared with the six months ended 30 September 2016.

Canada and the USA

Commission income generated from the placements of students in Canada and the USA in aggregate decreased by approximately 10.5% which amounted to approximately HK\$1.7 million (2016: approximately HK\$1.8 million) and represented approximately 14.1% (2016: approximately 14.6%) of total revenue for the six months ended 30 September 2017. The decrease in amount was attributable to the decrease in student placements in the USA for the six months ended 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

The Group's other income increased from approximately HK\$1.3 million for the six months ended 30 September 2016 to approximately HK\$1.9 million for the six months ended 30 September 2017, representing an increase of approximately HK\$0.6 million or approximately 31.3%. The increase was mainly due to increase in marketing income.

Marketing costs

The Group's marketing cost increased from approximately HK\$1.5 million for the six months ended 30 September 2016 to approximately HK\$4.3 million for the six months ended 30 September 2017. The increase was mainly attributable to additional advertising activities on public transport in Hong Kong, additional costs in hosting one large scale exhibition and engagement of a spokesperson for representing the Group's brand during the six months ended 30 September 2017.

Employee benefits expenses

Staff cost of the Group was increased by approximately HK\$1.0 million from approximately HK\$3.5 million for the six months ended 30 September 2016 to approximately HK\$4.5 million for the six months ended 30 September 2017. The increase was mainly contributed by increased headcounts and a rise in basic salary of all staffs during the six months ended 30 September 2017.

Other expenses

Other expenses of the Group had been decreased from approximately HK\$2.6 million for the six months ended 30 September 2016 to approximately HK\$1.8 million for the six months ended 30 September 2017. The decrease in amount was mainly contributed by the recognition of legal and professional fees in respect of the listing of the Company during the six months ended 30 September 2016.

Income tax expenses

Income tax expenses had been decreased by approximately 63.5% from approximately HK\$1.2 million for the six months ended 30 September 2016 to approximately HK\$0.4 million for the six months ended 30 September 2017. Such decrease was driven by the decrease in revenue and the increase in expenses in the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the six months ended 30 September

Net profit for the Group had been decreased from approximately HK\$4.3 million for the six months ended 30 September 2016 to approximately HK\$1.4 million for the six months ended 30 September 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 of the UK, (ii) the increase in marketing costs and (iii) the increase in employee benefit expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity for the six months ended 30 September 2017 and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and net proceeds received from the Listing on the Listing Date.

As at 30 September 2017, the Group has total cash and bank balances of approximately HK\$39.3 million (31 March 2017: approximately HK\$68.0 million). The decrease was mainly due to the deposit of the unutilized net proceeds to the account of longer maturity and maximize interest income. The borrowings of the Group as at 30 September 2017 was approximately HK\$0.4 million (31 March 2017: approximately HK\$1.3 million).

As at 30 September 2017, the share capital and total equity attributable to equity holders of the Company amounted to approximately HK\$17.5 million and approximately HK\$77.3 million, respectively (31 March 2017: approximately HK\$17.5 million and approximately HK\$76.1 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 the Group as at 30 September 2017 was approximately 0.6% (31 March 2017: approximately 1.7%). As a result of the repayment of loan principal during the six months ended 30 September 2017, the Group's gearing ratio decreased. During the six months ended 30 September 2017, the Group did not employ any financial instrument for hedging purpose.

CHARGES ON GROUP'S ASSETS

The Group did not have any charges of assets as at 30 September 2017 (31 March 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

The Group had no material capital commitments as at 30 September 2017 (31 March 2017: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2017 (31 March 2017: Nil). The Group is currently not involved in any material legal proceedings, nor is the 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. The 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\$"). The 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. The 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 six months ended 30 September 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group employed a total of 24 full-time employees. Total employee benefit expenses for the six months ended 30 September 2017 and the six months ended 30 September 2016 were approximately HK\$4.5 million and approximately HK\$3.5 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

With an intention to explore business opportunities of expanding the business of provision of overseas studies consultancy services in the People's Republic of China as disclosed in a voluntary announcement of the Company dated 13 April 2017, 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, the controlling shareholder, an executive Director and the chairman of the Company, is the sole director of Grand Pick Limited and City Victory Investment Limited.

Save and except the above, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the six months ended 30 September 2017 and there was no plan for material investments or capital assets as at 30 September 2017.

MATERIAL EVENTS AFTER 30 SEPTEMBER 2017

As disclosed in a voluntary announcement of the Company dated 9 October 2017, in order to develop the Group's business in China, in about early October 2017, City Victory Investment Limited applied for the establishment of a wholly foreign-owned enterprise (the "WFOE") in Xinjiang Uyghur Autonomous Region ("Xinjiang") in China. The WFOE intends to conduct among others, provision of overseas studies consultancy services to students in China who are seeking overseas studies and the training related to the provision of such overseas studies. The Company has chosen to set up the WFOE in Xinjiang because of the local corporate tax preferential policies.

The WFOE, namely, Xinjiang Dadi Education Consultancy Limited* (新疆大地教育諮詢有限公司), has been incorporated on 12 October 2017 with a registered capital of RMB100,000 and City Victory Investment Limited is the sole shareholder. The business licence of the WFOE has been issued by the Khorgos City Market Supervision Administration Bureau* (霍爾果斯市市場監督管理局) of Xinjiang on 12 October 2017 with an indefinite term of business from the date of incorporation of the WFOE.

Save as disclosed above, there is no important event affecting the Group which has occurred since 30 September 2017 and up to date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE LISTING

The total net proceeds (the “Net Proceeds”) from the Listing of the Company was amounted to approximately HK\$55.1 million. The Net Proceeds were applied by the Group consistent with the disclosures in the Prospectus and the use of the Net Proceeds with the Group’s actual business progress from the Listing Date to the date of this report as set out below:

Use of net proceeds	Amount of net proceeds allocated upon listing HK\$'000	Amount of net proceeds utilised from the Listing Date to 30 September 2017 HK\$'000	Balance as at 30 September 2017 HK\$'000	Actual business progress up to the date of this report
Expand and renovate existing branches	5,198	1,103	4,095	Renovation of Mongkok office has completed in July 2017
Employ additional counsellors and supporting staff	15,373	567	14,806	The Group hired three additional staffs members as of the date of this report.
Strengthen our brand awareness	25,505	3,693	21,812	The Group has engaged with a celebrity to act as the Group’s spokesperson in May 2017.
Expand our network of overseas education providers	700	24	676	The Group is still seeking potential partners as of the date of this report.
Enhance our IT system	2,975	97	2,878	The Group is still seeking for potential contractors as of the date of this report.
Hold large scale exhibitions	3,960	943	3,017	The Group has successfully held one major exhibition in July 2017 and committed to hold another High School Expo in October 2017.
General working capital	1,428	–	1,428	N/A
Total	55,139	6,427	48,712	

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board of directors (the “Board”) is pleased to announce the unaudited consolidated interim financial results of the Group for the six months ended 30 September 2017 together with the unaudited comparative figures for the six months ended 30 September 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 September 2017

	Notes	Six months ended 30 September		Three months ended 30 September	
		2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Revenue	4	11,709	12,638	8,994	9,321
Other income	5	1,925	1,323	1,693	524
Marketing costs		(4,260)	(1,486)	(3,725)	(1,062)
Employee benefits expenses		(4,457)	(3,497)	(2,193)	(1,696)
Operating lease charges		(1,277)	(740)	(653)	(373)
Other expenses		(1,752)	(2,595)	(1,393)	(1,467)
Finance costs	6	(25)	(118)	(9)	(38)
Profit before income tax	7	1,863	5,525	2,714	5,209
Income tax expense	8	(433)	(1,187)	(547)	(1,083)
Profit and total comprehensive income for the period		1,430	4,338	2,167	4,126
Profit and total comprehensive income for the six months attributable to:					
Equity holders of the Company		1,225	3,954	2,146	4,055
Non-controlling interest		205	384	21	71
		1,430	4,338	2,167	4,126
Earnings per share for profit attributable to equity holders of the Company					
Basic and diluted	10	HK0.07 cents	HK0.25 cents	HK0.12 cents	HK0.26 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	1,000	72
Current assets			
Trade and other receivables	12	9,031	11,702
Tax recoverable		337	771
Time deposits with maturities over three months		30,000	–
Cash and bank balances		39,297	67,982
		78,665	80,455
Current liabilities			
Accrued charges and other payables	13	1,780	2,819
Bank borrowings	14	431	1,276
		2,211	4,095
Net current assets		76,454	76,360
Net assets/Total assets less current liabilities		77,454	76,432
CAPITAL AND RESERVES			
Share capital		17,504	17,504
Reserves		59,815	58,590
Equity attributable to equity holders of the Company		77,319	76,094
Non-controlling interest		135	338
Total equity		77,454	76,432

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Equity attributable to the equity holders of the Company					Non-controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 September 2016							
Balance at 1 April 2016 (Audited)	-	-	11	15,299	15,310	313	15,623
Profit and total comprehensive income for the period	-	-	-	3,954	3,954	384	4,338
Dividends declared and paid	-	-	-	(4,777)	(4,777)	-	(4,777)
Dividends paid to non-controlling interest	-	-	-	-	-	(344)	(344)
Balance as at 30 September 2016 (Unaudited)	-	-	11	14,476	14,487	353	14,840
Six months ended 30 September 2017							
Balance at 1 April 2017 (Audited)	17,504	45,405	11	13,174	76,094	338	76,432
Profit and total comprehensive income for the period	-	-	-	1,225	1,225	205	1,430
Dividends paid to non-controlling interest	-	-	-	-	-	(408)	(408)
Balance as at 30 September 2017 (Unaudited)	17,504	45,405	11	14,399	77,319	135	77,454

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	For six months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Net cash generated from operating activities	3,501	2,571
Cash flows from investing activities		
Interest received	233	1
Purchase of property, plant and equipment	(1,166)	(7)
Increase in time deposits with maturities over three months	(30,000)	–
<i>Net cash used in investing activities</i>	(30,933)	(6)
Cash flows from financing activities		
Dividends paid	–	(4,777)
Dividends paid to non-controlling interest of a subsidiary	(408)	(344)
Proceeds from bank borrowings	–	2,500
Repayments of bank borrowings	(845)	(2,043)
<i>Net cash used in financing activities</i>	(1,253)	(4,664)
Net decrease in cash and cash equivalents	(28,685)	(2,099)
Effects of foreign exchange	–	39
Cash and cash equivalents at 31 March	67,982	6,768
Cash and cash equivalents at 30 September, represented by cash and bank balances	39,297	4,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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, Mong Kok, Kowloon, Hong Kong.

The Company's shares were listed on the GEM of The Stock Exchange on 16 February 2017.

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 30 September 2017, the directors consider the immediate parent and ultimate holding company 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"), the controlling shareholder, an executive director and the chairman of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

The unaudited 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and the applicable disclosure requirements of Chapter 18 to the GEM Listing Rules.

The unaudited condensed consolidated financial statement should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2017. The accounting policies used in the preparation of the unaudited interim financial report are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

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. For the purpose of the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017, the Company has been considered as the holding company of the companies now comprising the Group throughout the six months ended 30 September 2017.

The unaudited consolidated statement of profit or loss and other comprehensive income, the unaudited consolidated statement of changes in equity and the unaudited condensed consolidated statement of cash flows of the Group throughout the six months ended 30 September 2016 and 2017 have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA as if the current group structure had been in existence throughout the six months ended 30 September 2017 and 2016 respectively, or since their respective dates of incorporation, where it is a shorter period. The condensed 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

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. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statement for the six months ended 30 September 2017 are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2017, except in relation to the adoption of the new and revised HKFRSs (the "New and Revised HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting beginning on 1 April 2017. The effect of the adoption of these New and Revised HKFRSs in the current period has had no material impact on the Group's financial performance and position for the current and prior periods and/or disclosure set out in these unaudited condensed consolidated financial statements.

The Group has not early applied the New and Revised HKFRs that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of the New and Revised HKFRs upon initial application but is not yet in a position to state whether these New and Revised HKFRs would have a significant impact on the Group's results of operation and financial position.

The unaudited condensed consolidated financial statements have been prepared under the historical costs basis.

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed financial statements were approved for issue on 14 November 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

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 for the three months and six months ended 30 September 2017 and 2016.

	Six months ended 30 September		Three months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Australia	3,698	3,316	3,075	2,688
Canada	930	815	763	573
New Zealand	115	107	96	43
United Kingdom	6,118	7,189	4,483	4,940
United States	722	1,030	505	929
Others	126	181	72	148
	11,709	12,638	8,994	9,321

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

5. OTHER INCOME

	Six months ended 30 September		Three months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Bank interest income	261	2	100	1
Commission income from guardianship	6	8	2	2
Marketing income	1,388	1,222	1,344	460
Net foreign exchange gain	204	–	218	–
Sponsorship income	66	91	29	61
	1,925	1,323	1,693	524

6. FINANCE COSTS

	Six months ended 30 September		Three months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Interests on bank borrowings wholly repayable within five years	25	118	9	38

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

7. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September 2017		Three months ended 30 September 2017	
	(unaudited) HK\$'000	2016 (unaudited) HK\$'000	(unaudited) HK\$'000	2016 (unaudited) HK\$'000
Auditor's remuneration	240	190	120	95
Depreciation	238	2	222	–
Operating lease charges in respect of:				
— land and buildings	1,277	740	653	373
Listing expenses	–	1,408	–	770
Net foreign exchange loss/(gain)	204	–	218	–

8. 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 six months ended 30 September 2017 (2016: 16.5%) on the estimated assessable profit for the year. For the six months ended 30 September 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

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

	Six months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax				
Current year	433	1,187	547	1,083

9. DIVIDENDS

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2017.

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to equity holders of the Company is based on the following:

	Six months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit				
Profit for the period attributable to equity holders of the Company	1,225	3,954	2,146	4,055
Number of shares				
Weighted average number of ordinary shares (in thousands)	1,750,400	1,552,800	1,750,400	1,552,800

The weighted average number of ordinary shares for the six months ended 30 September 2016 has been adjusted retrospectively on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 April 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 September 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 six months ended 30 September 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 six months ended 30 September 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 six months ended 30 September 2016.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2017 and 2016 as the Group had no potentially dilutive ordinary shares in issue for the six months ended 30 September 2017 and 2016. The basic earnings per share equals to the diluted earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property, plant and equipment of approximately HK\$1.2 million (six months ended 30 September 2016: approximately HK\$7,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

12. TRADE AND OTHER RECEIVABLES

	Note	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000
Trade receivables	(a)	7,248	4,584
Deposit and other receivable in relation to an investment, gross		–	2,379
Less: provision for impairment		–	(1,953)
Deposit and other receivable in relation to an investment, net	(b)	–	426
Listing expenses receivable from the Controlling Shareholder	(c)	–	5,633
Other deposits		1,447	698
Prepayment and other receivables		336	361
		9,031	11,702

(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:

	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000
0–30 days	5,415	827
31–60 days	374	3,120
61–90 days	851	289
91–365 days	494	236
Over 365 days	114	112
	7,248	4,584

As at 30 September 2017, all trade receivables were past due and no trade receivable was individually determined to be impaired (31 March 2017: HK\$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

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 six months ended 30 September 2016. The amount was subsequently settled in May 2017.

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

	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000
At the beginning of the period	1,953	1,953
Reversal of provision	(1,953)	–
At the end of the period	–	1,953

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

13. ACCRUED CHARGES AND OTHER PAYABLES

	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000
Accrued staff costs	686	1,065
Accrued marketing costs	—	657
Other accrued expenses	1,000	939
Receipts in advance	94	158
	1,780	2,819

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.

14. BANK BORROWINGS

As at each reporting date, the Group's bank borrowings were repayable as follows:

	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000
Bank loans, secured:		
— Within one year	431	1,276
Amounts shown under current liabilities	431	1,276

As at 30 September 2017 and 31 March 2017, all the bank loans were denominated in HK\$.

The bank loans were secured by corporate guarantee as provided by the Company as at 30 September 2017 and 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

15. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 March 2017 and 30 September 2017	3,000,000,000	30,000
Issued and fully paid:		
As at 31 March 2017 and 30 September 2017	1,750,400,000	17,504

16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of the directors and other members of key management during the six months ended 30 September 2017 and 2016 are as follows:

	Six months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Salaries, allowances and benefits in kind	353	353
Retirement benefit scheme contributions	9	9
	362	362

Save as disclosed above, the Group does not have any material balances and transactions with its related parties during the six months ended 30 September 2017 and 2016.

OTHERS

DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2017 to up to the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, the interest and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the GEM of the Stock Exchange, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors, to be notified to the Company and the Stock Exchange, will be as follows:

Long Position in the Shares

Name of Directors	Capacity/Nature	Number of Shares	Percentage of Shareholding
Mr. Chung Wang Lung ("Mr. Chung")	Interest of a controlled corporation Beneficial Interest	892,710,000 (Note 1)	51%

Note:

1. These Shares are registered in the name of Grand Courage, the entire issued share capital of which is legally and beneficially owned by Mr. Chung, the Chairman and executive Director of the Company. Under the SFO, Mr. Chung is deemed to be interested in all the Shares held by Grand Courage. Mr. Chung is a director of Grand Courage.

OTHERS

Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares	Percentage of Shareholding
Mr. Chung	Grand Courage	Beneficial owner	1 share of US\$1.00	100%

Save as disclosed above, as at 30 September 2017, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which would be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2017, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which fell to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature	Number of Shares	Percentage of Shareholding
Grand Courage	Beneficial owner	892,710,000	51%
Ms. Yin Xiao Pei (Note 1)	Interest of spouse	892,710,000	51%
China Century Dakin Group Limited	Beneficial owner	420,090,000	24%
Mr. Tan Dagang	Beneficial owner	420,090,000	24%
Zeming Pty Limited	Beneficial owner	97,000,000	5.54%
Ms. Leng Lisa Chunying	Beneficial owner	97,000,000	5.54%

Note:

- Ms. Yin Xiao Pei is the spouse of Mr. Chung, she is deemed, or taken to be, interested in all Shares in which Mr. Chung is interested in for the purposes of the SFO.

OTHERS

Save as disclosed above, as at 30 September 2017, the Company had not been notified by any parties (not being a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The 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 six months ended 30 September 2017 to up to the date of this report, 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 during the six months ended 30 September 2017 to up to the date of this report.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group has appointed TC Capital International Limited as our compliance adviser, which will provide advice and guidance to the 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 the 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%.

OTHERS

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 the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the six months ended 30 September 2017 and up to the date of this report.

SHARE OPTION SCHEME

The Share Option Scheme has been adopted by way of shareholder's written resolution passed on 17 January 2017 for the purpose of attracting and retaining the best available personnel, to provide additional incentive to employees (fulltime and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the businesses of our Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules and are summarised below:

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial Shareholders or independent non-executive Directors or any of their respective associates (including a discretionary trust whose discretionary objects include substantial Shareholders, independent non-executive directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Shareholders. Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share. The Share Option Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e 17 January 2017) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting. There is no option outstanding, granted, exercised, cancelled and lapsed from the date of adoption of the Share Option Scheme to 30 September 2017.

OTHERS

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 the 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 the Group and the unaudited financial statements for the six months ended 30 September 2017. The audit committee is of the opinion that the unaudited consolidated financial statements of the Group for the six months ended 30 September 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 14 November 2017