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Virtual Mind Holding Company Limited

天機控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

In addition to the information provided in the Annual Report, the Board of Directors would like to provide supplemental information to the Shareholders regarding the Group’s money lending business, in relation to its (i) credit risk assessment policies; and (ii) internal control procedures.

Reference is made to the annual report of Virtual Mind Holding Company Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) for the year ended 31 December 2021 (the “**Annual Report**”) published on 29 April 2022, with respect to, amongst other things, the consolidated results of the Group. In the Annual Report, the following was mentioned:

On page 184 of the Annual Report:

“Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower’s credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.”;

and

“As at the reporting date, the Group reviewed its loans and interest receivables for evidence of impairment on both individual and collective basis. The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4.9(ii) under HKFRS 9.”

In respect of the above, the board (“**Board**”) of directors (the “**Directors**”) of the Company would like to provide the following supplemental information to the shareholders of the Company (“**Shareholders**”) regarding the Group’s money lending business. Capitalised terms used in this announcement shall adopt the same meanings as defined in the Annual Report, unless the context requires otherwise.

Credit Risk Assessment Policy & Internal Control Procedures

As disclosed in the Annual Report, the Company’s money lending business has been conducting through its wholly-owned subsidiary, Delta Wealth Finance Limited (“**Delta**”), and it focuses on individual consumer and small business markets in Hong Kong. In respect of the target customers of the Group’s money lending business, they can be mainly categorised as follows:

1. For personal loans, Delta targets wealthy and reputational customers, the occupations of which ranged from executives, businessmen to professionals; and
2. For corporate loans, Delta targets small companies with well-established business operations in Hong Kong.

The majority of the loans granted by Delta are short-term in nature to customers who, as mentioned above, were either affluent and reputable individuals or well-established companies who/which need short-term financing for personal/corporate needs. The requirement for collateral and/or guarantee was assessed by Delta on a case-by-case basis.

Ms. Tin Yat Yu Carol (“**Ms. Tin**”), an executive Director, is mainly responsible for the management and operations of Delta as its sole director. She has more than 15 years of experience in financial management, corporate finance, money lending business and fine dining business. Ms. Tin also has extensive experience in trading business in Hong Kong and the People’s Republic of China.

Ms. Tin was an executive director of Carnival Group International Holdings Limited (“**Carnival**”) (formerly known as Oriental Ginza Holding Limited and CASH Retail Management Group Limited) (stock code: 996), a company whose shares are listed on the main board of the Stock Exchange, for the period from September 2005 to August 2011. Ms. Tin also served as the chairperson of Carnival from November 2006 to August 2011 and was responsible for the overall strategic planning and policy making. Ms. Tin served as a director of Yan Oi Tong from 2017 to

2018. She has been (i) an executive director of Finsoft Financial Investment Holdings Limited (stock code: 8018), a company whose shares are listed on GEM of the Stock Exchange, since 5 May 2020 and its chairman since 19 May 2020; and (ii) an executive director of InvesTech Holdings Limited (stock code: 1087), a company whose shares are listed on the main board of the Stock Exchange, since 11 April 2022.

She has been the sole director of Delta since 2015, and remains as its sole director after the Company's completion in the acquisition of Delta in November 2016, when she has become a director of a wholly-owned subsidiary of the Group since then. In October 2019, Ms. Tin was appointed as an executive Director.

Ms. Tin and the finance manager of Delta, the latter being employed since March 2008 (the "**Finance Manager**"), form the management team of Delta (the "**Management Team**"). The Management Team possesses substantial experiences in accounting and finance matters. Furthermore, Delta has its internal control and work procedure manual in the provision of money lending business. With such internal work procedure in granting loan facility, when potential client(s) approach Delta for application of loan financing, client identification procedures will take place that the staff of Delta would enquire the potential client's information.

The following is a summary of the general guidelines of assessing loan applications by the Management Team:

- (A) Identity proof - identity card and passport from individuals and business registration certificate, certificate of incorporation and the constitutional documents from corporate entities must be provided for verification;
- (B) Address proof - utility bills, bank/credit card statements or formal correspondence issued by either a governmental department or statutory body is required to be produced;
- (C) Repayment ability assessment - to assess the repayment ability of each customer, in addition to the background search, the Management Team checks the availability of guarantor, where applicable, past payment record and any other available information are also evaluated. Further information from the customer may be requested including but not limited to the following: tax demand note, tax return, bank statement, payroll slip, employer's letter, employment contract, rental income receipt, tenancy agreement, financial statements and auditor's report (where applicable); and
- (D) Credit worthiness assessment - Searches and background checks would be conducted upon potential clients such as bankruptcy or winding up search and litigation search; background search and media searches. Credit assessment report or credit report would be obtained from independent professional firm or credit reference agency prior to granting of any loans.

Based on the above procedures, the Company considers that the credit risk and the risk of breaching the relevant laws and regulations in connection with anti-money laundering or anti-terrorist financing are relatively low. Nonetheless, the Company has in place all necessary measures to mitigate the risk of money laundering or terrorist financing risk of potential customers' businesses, such as the nature and details of the business/occupation/employment of the potential customer; the anticipated level and nature of the activity; location of potential customer; the expected source and origin of the funds; and the initial and ongoing source(s) of wealth or income.

Furthermore, for guarantors who provide personal/corporate guarantee in favour of a loan, where applicable, are also required to meet the same basic eligibility and approval criteria as the borrower of loans, and will be required to go through the same verification and approval procedures. In case where loans are secured over certain properties in Hong Kong or personal assets such as diamonds and jewelries, the Company would engage independent third parties such as legal advisors to investigate on the title deeds of the properties and for personal assets charged, certificates of authenticity are requested for verification.

After credit assessment and review of the loan applications, with the loan terms determined (having taken into consideration factors such as the credit risks of the customers, their recoverability and the prevalent market interest rates), loan documents will be prepared by the Finance Manager and the loans will be recommended for Ms. Tin's review prior to reporting to the Board or approval (as the case may be). Ms. Tin, as the sole director of Delta, will be responsible for the approval of loans in relatively smaller amount, and reporting the same to the Board.

The Management Team would report the potential loan(s) to the Company and its Board of Directors for the consideration by its members, if it is of larger amount (i.e. by assessment of size tests under chapter 14 of the Listing Rules, may constitute a discloseable transaction or above), in which case, such potential loan(s) shall be reported by Ms. Tin and she will elaborate to the Board such potential loan(s) in contemplation and her recommendations therewith for discussion and approval, the Directors (including the independent non-executive Directors) shall then consider whether such loans are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Moreover, for any potential loan(s) which may involve connected person(s) as defined under chapter 14A of the Listing Rules, such loan(s) will be reported to the Board immediately for assessment with respect to size tests and assessment by the Board as elaborated above.

For the year ended 31 December 2021 and as at the date of this announcement, all borrowers with Delta's current loan portfolio, the obligors providing collateral(s) or guarantee in favour of the respective loans, and/or their respective ultimate beneficial owners (where applicable), are third parties independent of the Company and its connected persons in accordance with the Listing Rules.

Last but not least, the Management Team would conduct regular review and carry out follow up actions (on a monthly and continuing basis) in respect of overdue amounts to minimise the Group's exposure to credit risk and follow up closely with its customers as to the deadlines in payment of interest of the loans. An aging analysis of the debtors is prepared on a monthly basis and is closely monitored to minimise any credit risk associated with these debtors. The Management Team will in turn report the status of Delta's loan portfolio to the Board monthly, such that the Board may closely monitor the loan portfolio and continue to adopt risk control and management strategies while broadening the customer base.

Delta has standard procedures in dealing with default in payment. In case there are any minor defaults, its management will send reminder and/or demand letters to its customers. In case the default for loans persists (i.e. delay in repayment has exceeded for three months or above), the collection procedure will commence and Delta will engage lawyers in advising on the loan, its recovery and enforcement action.

GENERAL

The information contained in this supplemental announcement does not affect other information contained in the Annual Report and save as disclosed above, all other information in the Annual Report remains unchanged.

By order of the Board of
Virtual Mind Holding Company Limited
Li Yang
Chairman and Executive Director

Hong Kong, 1 September 2022

As at the date of this announcement, the executive Directors are Mr. Li Yang, Ms. Tin Yat Yu Carol, Mr. Cheung Ka Lung, Mr. Chan Ming Leung Terence and Mr. Gong Xiaohan; and the independent non-executive Directors are Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Ms. Lo Wing Sze BBS, JP.