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DINGYI GROUP INVESTMENT LIMITED

鼎億集團投資有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 508)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

Reference is made to the annual report of DINGYI GROUP INVESTMENT LIMITED (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 March 2022 (the “**Annual Report**”) published by the Company on 30 June 2022. Unless otherwise defined, terms used herein shall bear the same meanings as those defined in the Annual Report.

In addition to the information disclosed in the section headed “LOAN FINANCING BUSINESS” under “MANAGEMENT DISCUSSION AND ANALYSIS” in the Annual Report relating to the information of the loan financing business of the Group, the Board wishes to provide additional information regarding such business during the year ended 31 March 2022 as set out in this announcement.

BUSINESS MODEL

In respect of the loan financing business, the Group targeted on variety of corporate clients by providing interest bearing short-term loans in order to meet their liquidity needs. The sources of customers are mainly referral from former and/or existing customers and third parties.

SOURCE OF FUNDING

Currently, the loan financing business finances its operation primarily from (i) funding from the Group; and (ii) operating cash flow generated from the loan financing business segment. Since commencement of the business, the loan financing business did not obtain any bank borrowing and/or financing facility from third party to finance its loan financing activities.

SCALE OF BUSINESS, LOAN PORTFOLIO AND CUSTOMER BASE

The loan financing business solicits its customers by referral from former and/or existing customers and third parties.

As at 31 March 2022, loan receivables with the aggregate gross principal amount of approximately HK\$1,910,003,000 and gross interest receivables amount of approximately HK\$127,037,000 were recorded on the audited financial statements. The interest rates of the loan receivables ranged from 8% to 15% per annum.

As at 31 March 2022, the principal of loan receivables ranged from approximately HK\$4 million to HK\$32 million. The borrowers are from different industries mainly engaged in innovation of IT technology; property management; E-commerce; accommodation and catering; import and export business; trading of building materials; agricultural products processing; and logistics business. As at 31 March 2022, all of the loan receivables are unsecured and repayable within twelve months from the drawdown date with no loan renewal occurred and booked in our records.

FINANCING BUSINESS STRUCTURE AND CREDIT RISK ASSESSMENT

The loan financing business of the Group is operated by two tiers of structure, being the Loan Approval Committee (the “**Committee**”) as the overseeing team and the Loan Financing Management Team (the “**Loan Team**”) as the administrative team responsible to the Committee. The Committee comprises three senior management of the Company and is headed by Mr. Wang Xiaohua, an executive director of the Company. The Loan Team comprises two divisions namely the Loan Financing Unit and the Credit Risk Management Unit, each headed by a manager (the “**Manager**”/“**Managers**”). The Committee and the Managers of the Loan Team together constitute the core management of the loan financial business of the Group.

The primary duties of the Loan Financing Unit are to collect and review borrowing applicants’ background information and preparing summary of due diligence on the borrowing applicants, resulting in a Loan Investigation Report confirmed by the Manager of the unit.

The primary duties of the Credit Risk Management Unit are to carry out credit risk assessment on the borrowing applicants and propose the post-loan management, resulting in a Project Risk Report confirmed by the Manager of the unit.

The Committee is responsible for considering the loan applications, Loan Investigation Report and the Project Risk Report presented by the Managers.

To achieve a sustainable and balanced development of the Group’s loan financing business, the core management of the loan financing business possesses comprehensive range of experience and skill and expertise covering, *inter alia*, (i) risk management; (ii) legal and compliance, (iii) project evaluation; and (iv) corporate management. The Company is of the view that the loan financing management team’s diversified abilities are adequate to run the Group’s loan financing business in the sustainable manner.

The loan financing business processes undertaken by the Committee and the Loan Team involve a series of internal compliance and control procedures: (i) acceptance of loan applications and Know-Your-Client assessment; (ii) conducting due diligence; (iii) credit risk assessments and loan approvals; (iv) granting of loans; and (v) post-loan grant review and collections.

In the key internal control perspective, the core management of the loan financing business also considers (i) credit risk; (ii) operational risk; and (iii) legal and compliance risk, when conducting the loan financing business activities.

Credit risk in particular is considered to be the principal risk inherent in the loan financing business. Therefore, the loan financing business has developed a credit risk management system in order to effectively identify, manage and minimize credit risks in connection with each loan it grants.

A series of credit risk assessment procedures, such as identity checks, financial position assessment and public searches, were performed by the Group before each loan was approved and advanced to the borrowing customers. In credit assessment, the Company will take into consideration factors including but not limited to the borrower's financial soundness, internal and external credit checking results, and, where applicable, the availability of any guarantee, collateral and/or other forms of security. According to the aforesaid credit policies, the head of the risk management department carries out the credit assessment procedures with reference to the loan investigation report and the project risk report.

Subsequent to the drawdown, the Group will regularly review on a quarterly basis or any time the Committee finds necessary when there is change of policy or economic climate and update the information we obtained during the credit assessment procedures. The Group also actively reviews and monitors the loan repayment status to ensure all the interests and principal payments made by the borrowers through bank transfers are punctual and the past due amounts, if any, are closely followed up.

In the event that the loan repayments are not made on schedule, the Company would communicate with the borrowers to understand the reason for default and their latest situation. Based on the situation and the re-assessment of risk of the loan, the Company would consider whether a loan re-schedule arrangement or a legal action against the borrowers would be the best choices for the Company in order to protect the interest of the Company and its shareholders as a whole.

The credit policy is reviewed and revised on a regular basis to incorporate changes in the prevailing market and economic conditions, legal and regulatory requirements, and other factors the Committee considers as important.

Operational risk is the risk resulting from inadequate or failed internal controls and systems, human errors or external events. The loan financing business has adopted and implemented adequate operational policies and procedures to cope with the operational risk as follows:

- established adequate corporate governance structure with clearly defined duties of the Committee and senior management;
- established the Committee under the Board and collective decision making procedures to mitigate the risk relating to personal judgment or prejudice of a single decision maker in a loan approval procedure;
- adopted and strictly implemented measures to prevent and detect potential employee frauds, such as dual investigation and due diligence process, the policy of separating the investigation and evaluation of loan applications or risk assessment process from the approval of loans, multilevel assessments and approval procedure, on-site visits and inspection, and interviews conducted by our senior management with the owner or management of the customers;
- implementing a performance-based compensation scheme for staff; and
- providing staff with professional training, especially to those who are responsible for assessment and approval process.

The loan financing business operate in a highly regulated industry that is subject to continually evolving laws, regulations and policies, and the loan financing business may be required to make significant changes to its operations from time to time in order to comply with changes in these laws, regulations and policies. The Committee together with other departments involved, advises on legal and regulatory requirements applicable to the loan financing business as well as the application restrictions, and initiate legal proceedings against any defaulting customers.

The Company considers that the loan financing business has put in place adequate loan approval and assessment and monitoring procedures. During the year ended 31 March 2022, all loan receivables are assessed as low risk of default or there has not been a significant increase in credit risk since drawdown, nor there was credit impaired. The Board considers it has put in place adequate and tight policies towards its loan financing business. The effectiveness of these policies is reflected by the fact that all the loans due have been fully settled and no past due has occurred as of the reporting date.

LOAN IMPAIRMENTS

Despite that there was no repayment defaults as above mentioned, the loan impairment was recognised with reference to the expected credit losses in accordance with the Hong Kong Financial Reporting Standard 9 Financial Instruments issued by the Hong Kong Institute of Certified Public Accountants.

During the year ended 31 March 2022, the economic downturn continued due to the continuation of the epidemic which affected the repayment ability of the borrowers, thus affecting the Group's expectation on the borrowers' repayment ability. Therefore, when estimating the default rate of loan receivables according to the accounting standards, the Group would prudently consider a higher default rate of each borrower during the year ended 31 March 2022 when compared with prior financial year ended 31 March 2021.

Besides, the Group based on the borrowers' current financial status by communicating with the borrowers, referring to their past and current repayment records, loan terms, and the value of the collaterals, and will make further additional independent adjustments, to calculate the loan impairment.

During the year ended 31 March 2022, no loan receivables were identified as credit impaired nor written off. The Board considers that the impairment ratio is insignificant, given that the Company has put in place adequate and tight policies towards its loan financing business.

The above additional information 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
DINGYI GROUP INVESTMENT LIMITED
Su Xiaonong
Acting Chairman and Chief Executive Officer

Hong Kong, 12 January 2023

As at the date of this announcement, the Board comprises Mr. SU Xiaonong (Acting Chairman and Chief Executive Officer), Mr. WANG Xiaohua and Mr. HO Cheong Hang Edmond as Executive Directors; and Mr. CHOW Shiu Ki, Mr. CAO Kuangyu and Mr. IP Chi Wai as Independent Non-executive Directors.