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DL HOLDINGS GROUP LIMITED

德林控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1709)

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

References are made to the annual report (the “**Annual Report**”) of DL Holdings Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 March 2022 (the “**Reporting Period**”). Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the Annual Report.

The Board would like to provide additional information in relation to the Annual Report.

EXPECTED CREDIT LOSS FOR LOAN AND INTEREST RECEIVABLES

As set out in the Annual Report, during the Reporting Period, provision of approximately HK\$1.7 million was recognised as at 31 March 2022 in respect of the expected credit loss (“**ECL**”) for the loan and interest receivables (31 March 2021: approximately HK\$1.9 million).

The Group engaged an independent valuer (the “**Valuer**”) to conduct a valuation to assess the ECL of the loan and interest receivables as at 31 March 2022. The assessment methodology was based on the three-stage model outlined by Hong Kong Financial Reporting Standards 9 and the Valuer adopted the general approach to assess the ECL of the loan and interest receivables in which the loss rates of the loan and interest receivables are derived from (i) the probability of default; (ii) loss given default (being the magnitude of the loss if there is default); and (iii) the exposure at default.

Given that there was no default in the loan and interest receivables of the Group for over 30 days during the Reporting Period, the Group categorises all loan and interest receivable under stage 1 of the ECL Model, being financial assets without significant increase in credit risk since initial recognition where ECL allowance is calculated based on 12-month ECL.

After considering (i) the average probability of default and recovery rate for unsecured individual loans issued by major banks in Hong Kong; (ii) the probability of default and recovery rate issued by credit rating agencies; and (iii) the market indicators reflecting credit risks, the Valuer adopted a credit loss rate of 1% for the Reporting Period, as compared to 2% as at 31 March 2021. Based on the loan and interest receivables of HK\$168,321,000 (before provision for ECL) as at 31 March 2022, the ECL calculated based on the credit loss rate amounted to HK\$1,688,000.

FACTORS CONSIDERED BY THE GROUP IN GRANTING LOANS TO CUSTOMERS OF MONEY LENDING BUSINESSES

Before granting any loans to customers of money lending business of the Group, the Group would conduct know-your-client procedures in obtaining the background information and understanding the purposes of financing by the customers who wish to obtain financing from the Group.

In addition, the Group would also understand and assess the financial soundness and position of the potential customers by reviewing the financial status, business performance, future prospect of the industry that the customer operates and shareholder's background of the corporate customers; and the employment status, income stream, source of repayment and personal financial position for individual customers. The repayment history, bankruptcy, receivership or liquidation records of the potential customers may also be obtained and reviewed by the Group.

The credit approval would be considered on a case-by-case basis to determine the amount of the loan to be granted, the relevant interest rate, duration, other terms and conditions to be applied. After considering the amount of the loan to be granted and the relevant interest rate and whether the existing assets of the potential customers would be able to cover the loan and interests, the Group would decide whether collateral would be required for granting such loan. In particular, the Group have considered the credit quality of each borrower and the interest income generated from the respective loans on a case-by-case basis, including and not limited to the following factors in relation to the unsecured loan and interest receivables of approximately HK\$165.5 million (which represented 18.1% of total assets of the Group) as at 31 March 2022:

- (i) the maturity date of the loans offered by the Group were all within one year and was relatively short that limited the credit risk exposure to the Group;
- (ii) the interest rate of the loans granted by the Group bore interest from 8.0% to 15.0%, which is higher than the one-year fixed deposit rate offered by banks in Hong Kong and higher than the best lending rate of the major banks in Hong Kong of 5% and the interest rate charged by certain financial institutions in the market during the Reporting Period; and

- (iii) the asset value as shown by the asset proof of the customers of the Group exceeds the loan amount as evidence to show that the customers hold sufficient assets for repayment. This enables the Group to understand the financial position of its customers and that in the event the Group is required to take legal actions for recovery of any loan in default, the customers would have sufficient assets to repay the loan.

INTERNAL CONTROL PROCEDURES RELATING TO LOAN COLLECTION

In relation to collection of the loans advanced under the money lending business, the Group adopts the following internal control procedures:

- (a) If the loan is not repaid on the maturity date of the loan, the operation team of the money lending business would issue repayment notice to the borrowers to remind the repayment of the loan on the maturity date;
- (b) If the loan is not repaid after the maturity date, the directors of the money lending business would issue one or more demand letter(s) to the borrowers;
- (c) If the loan is not repaid after the issue of the demand letter(s), the directors of the money lending business and the finance team of the Group would review the historical repayment record and the financial position of the borrowers for the purpose of discussion of loan settlement plans with the borrowers;
- (d) In the event the directors of the money lending business are in the view that further action is required after considering the factors stated in (c) above, and upon obtaining approval from the chief executive officer of the Company, the directors of the money lending business would consider to take legal action against the default borrowers.

Save as disclosed above, all other information contained in the Annual Report remained unchanged.

By Order of the Board
DL Holdings Group Limited
Chen Ningdi

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 8 November 2022

As at the date of this announcement, the executive Directors are Mr. Chen Ningdi, Mr. Lang Joseph Shie Jay and Mr. Ai Kuiyu; the non-executive Directors are Ms. Jiang Xinrong, Mr. Chan Kwan and Mr. Chan Kwun Wah Derek; and the independent non-executive Directors are Mr. Chang Eric Jackson, Mr. Chen Cheng-Lien (also known as Chen Cheng-Lang and Chen Stanley) and Mr. Liu Chun.