

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **China Vered Financial Holding Corporation Limited**

**中微金融控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 245)**

### **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

Reference is made to the announcement of China Vered Financial Holding Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) dated 31 March 2022 (the “Unaudited Annual Results Announcement”) in relation to, among other things, the unaudited consolidated annual results of the Group for the year ended 31 December 2021 (the “2021 Unaudited Annual Results”). As stated in the Unaudited Annual Results Announcement, publication of the audited consolidated annual results of the Group for the year ended 31 December 2021 was delayed as additional time was required to complete the audit process.

#### **AUDITED ANNUAL RESULTS**

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce that the auditing process of the consolidated results of the Group for the year ended 31 December 2021 (the “2021 Audited Annual Results”) has been completed.

#### **MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS**

Since the financial information contained in the 2021 Unaudited Annual Results Announcement was neither audited nor agreed with the Auditor as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the differences between the financial information contained in the 2021 Unaudited Annual Results and the 2021 Audited Annual Results. Set forth below are the principal details and reasons for the differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

	<b>2021</b>	<b>2021</b>		
	<b>Audited</b>	<b>Unaudited</b>		
	<b>Annual</b>	<b>Annual</b>		
	<b>Results</b>	<b>Results</b>	<b>Difference</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<i>Note</i>
<b>Consolidated Statement of Profit or Loss</b>				
Staff costs and related expenses	(39,531)	(68,531)	29,000	(a)
Income tax expense	(36,290)	(31,490)	(4,800)	(b)
	<u>(75,821)</u>	<u>(100,021)</u>	<u>(24,200)</u>	

**Consolidated Statement of Financial Position**

Deferred tax assets	156,622	161,422	(4,800)	(b)
Accruals and other payables	70,819	99,819	(29,000)	(a)
Other reserves	87,061	94,169	(7,108)	(c)
Retained earnings	393,251	361,943	31,308	(d)
	<u>607,753</u>	<u>617,353</u>	<u>(10,600)</u>	

*Notes:*

- (a) Decrease in staff costs and related expenses of HK\$29,000,000 and corresponding decrease in accruals and other payables of HK\$29,000,000 represented reversal of provision for staff costs based on management's estimation.
- (b) Increase in income tax expense of HK\$4,800,000 and corresponding decrease in deferred tax assets of HK\$4,800,000 represented the income tax provision as a result of the decrease in staff costs mentioned above.
- (c) Decrease in other reserves of HK\$7,108,000 represented reclassification due to lapse of share-based payments within equity.
- (d) Corresponding increase in retained earnings of HK\$31,308,000 represented the net effect from note (a), (b) and (c) mentioned above.

Save as disclosed in this announcement, all other information contained, in material aspects, in the 2021 Unaudited Annual Results Announcement remains unchanged.

The audited consolidated results of the Group for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 are as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2021*

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income		<b>219,155</b>	273,653
Commission and fee income		<b>69,841</b>	28,570
Investment income		<b>13,544</b>	16,104
<b>Total revenue</b>	4,5	<b>302,540</b>	318,327
Net gain on financial assets/liabilities		<b>455,033</b>	357,098
Other income		<b>7,599</b>	25,794
Trading costs		<b>(17,981)</b>	(14,404)
Commission expenses		–	(59)
Staff costs and related expenses		<b>(39,531)</b>	(151,083)
Premises expenses		<b>(22,754)</b>	(22,508)
Legal and professional fees		<b>(10,369)</b>	(19,543)
Depreciation		<b>(10,695)</b>	(11,893)
Information technology expenses		<b>(5,068)</b>	(5,678)
Expected credit losses		<b>(496,587)</b>	(20,103)
Other operating expenses		<b>(27,474)</b>	(26,768)
Net losses on disposal of subsidiaries		<b>(4,089)</b>	–
Share of post-tax loss of associates		<b>(12,000)</b>	(37,228)
Finance costs		<b>(12,154)</b>	(14,082)
<b>Profit before income tax</b>	6	<b>106,470</b>	377,870
Income tax expense	7	<b>(36,290)</b>	(55,579)
<b>Profit for the year</b>		<b>70,180</b>	322,291
<b>Profit attributable to:</b>			
— Owners of the Company		<b>71,189</b>	323,452
— Non-controlling interests		<b>(1,009)</b>	(1,161)
		<b>70,180</b>	322,291
		<i>HK Cents</i> <i>per share</i>	<i>HK Cents</i> <i>per share</i>
<b>Earnings per share attributable to owners of the Company</b>			
<b>Basic earnings per share</b>	9	<b>0.22</b>	0.98
			(Restated)
<b>Diluted earnings per share</b>	9	<b>0.22</b>	0.98

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>70,180</b>	322,291
<b>Other comprehensive income/(loss)</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net change in fair value on equity instruments at fair value through other comprehensive income, net of tax	<b>(383,924)</b>	(77,235)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change in fair value on debt instruments at fair value through other comprehensive income, net of tax	<b>(418,597)</b>	5,060
Net change in expected credit losses allowances (“ECL allowances”) on financial assets at fair value through other comprehensive income	<b>345,844</b>	7,667
Reclassified to profit or loss on disposal of financial assets at fair value through other comprehensive income	<b>24,261</b>	(10,129)
Exchange differences on translation of foreign operations	<b>(6,508)</b>	21,648
Release of reserves upon disposal of subsidiaries	<b>(43,435)</b>	–
<b>Other comprehensive loss for the year, net of tax</b>	<b>(482,359)</b>	(52,989)
<b>Total comprehensive (loss)/income for the year</b>	<b>(412,179)</b>	269,302
<b>Total comprehensive (loss)/income for the year attributable to:</b>		
— Owners of the Company	<b>(408,038)</b>	286,248
— Non-controlling interests	<b>(4,141)</b>	(16,946)
	<b>(412,179)</b>	269,302

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>9,244</b>	20,986
Right-of-use assets		<b>2,455</b>	17,783
Goodwill		<b>15,871</b>	15,871
Other intangible assets		<b>1,602</b>	700
Investments in associates		<b>93,356</b>	106,365
Rental and other deposits		<b>3,215</b>	3,215
Financial assets at fair value through profit or loss	<i>10</i>	<b>1,894,785</b>	1,283,393
Financial assets at fair value through other comprehensive income	<i>11</i>	<b>417,566</b>	1,686,335
Financial assets at amortised cost		<b>33,765</b>	172,078
Deferred tax assets		<b>156,622</b>	88,265
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>2,628,481</b>	3,394,991
		<hr/>	<hr/>
<b>Current assets</b>			
Margin receivables and other trade receivables	<i>12</i>	<b>72,364</b>	62,351
Financial assets at fair value through profit or loss	<i>10</i>	<b>911,303</b>	1,145,741
Financial assets at fair value through other comprehensive income	<i>11</i>	<b>556,589</b>	249,686
Financial assets at amortised cost		<b>45,145</b>	271,787
Loan and interest receivables	<i>13</i>	<b>124,588</b>	179,801
Other interest receivables		<b>31,803</b>	65,960
Tax receivables		<b>894</b>	715
Other receivables, prepayments and deposits		<b>134,608</b>	17,737
Pledged bank deposits		<b>–</b>	328
Deposits with brokers		<b>181,175</b>	170,970
Cash and cash equivalents		<b>780,823</b>	626,976
		<hr/>	<hr/>
<b>Total current assets</b>		<b>2,839,292</b>	2,792,052
		<hr/>	<hr/>
<b>Total assets</b>		<b>5,467,773</b>	6,187,043
		<hr/>	<hr/>

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>14</i>	<b>4,454,374</b>	6,154,374
Other reserves		<b>87,061</b>	430,290
Retained earnings/(accumulated losses)		<b>393,251</b>	(1,034,730)
		<b>4,934,686</b>	5,549,934
Non-controlling interests		<b>5,989</b>	(261,312)
<b>Total equity</b>		<b>4,940,675</b>	5,288,622
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loan and interest payables		–	74,437
Lease liabilities		–	8,660
Deferred tax liabilities		<b>8,030</b>	–
<b>Total non-current liabilities</b>		<b>8,030</b>	83,097
<b>Current liabilities</b>			
Accruals and other payables		<b>70,819</b>	136,761
Loan and interest payables		<b>163,189</b>	243,520
Margin payables		<b>9,164</b>	205,958
Financial liabilities at fair value through profit or loss	<i>10</i>	<b>115,785</b>	145,037
Current tax liabilities		<b>157,322</b>	74,054
Lease liabilities		<b>2,789</b>	9,994
<b>Total current liabilities</b>		<b>519,068</b>	815,324
<b>Total liabilities</b>		<b>527,098</b>	898,421
<b>Total equity and liabilities</b>		<b>5,467,773</b>	6,187,043

*Notes:*

## **1. STATUTORY FINANCIAL STATEMENTS**

The financial information relating to the years ended 31 December 2021 and 2020 included in this announcement of 2021 Audited Annual Results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance Cap. 622 (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2021 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. For the year ended 31 December 2021, the auditor's report was qualified and contained a statement under sections 407(2) and 407(3) of the Companies Ordinance. The auditor's report did not contain a statement under 406(2) of the Companies Ordinance. For details, please refer to sub-section under "EXTRACT FROM INDEPENDENT AUDITOR'S REPORT".

## **2. GENERAL INFORMATION**

China Vered Financial Holding Corporation Limited (the "Company") was incorporated in Hong Kong with limited liability. The address of its registered and business office is 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, securities advisory and securities brokerage services.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK\$'000"), unless otherwise stated.

### **3.1 BASIS OF PREPARATION**

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

### **3.2 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP**

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2021:

- Covid-19-Related Rent Concessions — amendments to HKFRS 16
- Interest Rate Benchmark Reform — Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### **New standards and interpretations not yet adopted by the Group**

Certain new accounting standards and interpretations have been published but are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### **4. SEGMENT INFORMATION**

Chief operating decision maker (“CODM”) has been identified as the Executive Directors of the Company. Management has determined the operating segments based on the reports reviewed by the CODM that are used to assess performance and allocate resources. The CODM considers the business from the operations nature perspective, including the provision for asset management services (“Asset management”), securities brokerage services (“Securities brokerage”), investment holding (“Investment holding”) and investment banking (“Investment banking”). Each of the Group’s operating segments represents a strategic business unit that is managed by different business unit leaders. Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.



## For the year ended 31 December 2021

	Reportable segment					Unallocated amount <i>(Note)</i>	Total <i>HK\$'000</i>
	Asset management <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Investment banking <i>HK\$'000</i>	Total <i>HK\$'000</i>		
Interest income	-	5,167	213,639	-	218,806	349	219,155
Commission and fee income	53,337	384	2,893	3,396	60,010	9,831	69,841
Investment income	-	-	13,544	-	13,544	-	13,544
Revenue from external customers	53,337	5,551	230,076	3,396	292,360	10,180	302,540
Net gain/(loss) on financial assets/liabilities	-	-	460,818	-	460,818	(5,785)	455,033
	<u>53,337</u>	<u>5,551</u>	<u>690,894</u>	<u>3,396</u>	<u>753,178</u>	<u>4,395</u>	<u>757,573</u>
Segment profit/(loss) before income tax	<u>34,760</u>	<u>(9,974)</u>	<u>118,669</u>	<u>1,216</u>	<u>144,671</u>	<u>(38,201)</u>	<u>106,470</u>
Other segment information:							
Depreciation	(53)	(390)	(508)	-	(951)	(9,744)	(10,695)
Staff costs and related expenses	(10,332)	(10,560)	(23,120)	(2,053)	(46,065)	6,534	(39,531)

## For the year ended 31 December 2020

	Reportable segment					Unallocated amount <i>(Note)</i>	Total <i>HK\$'000</i>
	Asset management <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Investment banking <i>HK\$'000</i>	Total <i>HK\$'000</i>		
Interest income	2	15,276	253,928	-	269,206	4,447	273,653
Commission and fee income	10,297	9,090	8,878	305	28,570	-	28,570
Investment income	-	-	16,104	-	16,104	-	16,104
Revenue from external customers	10,299	24,366	278,910	305	313,880	4,447	318,327
Net gain on financial assets/liabilities	-	-	352,583	-	352,583	4,515	357,098
	<u>10,299</u>	<u>24,366</u>	<u>631,493</u>	<u>305</u>	<u>666,463</u>	<u>8,962</u>	<u>675,425</u>
Segment profit/(loss) before income tax	<u>(10,360)</u>	<u>(8,616)</u>	<u>564,004</u>	<u>(3,898)</u>	<u>541,130</u>	<u>(163,260)</u>	<u>377,870</u>
Other segment information:							
Depreciation	(134)	(2,163)	(54)	-	(2,351)	(9,542)	(11,893)
Staff costs and related expenses	(9,954)	(11,081)	(8,095)	(3,077)	(32,207)	(118,876)	(151,083)

*Note:* The “unallocated amount” primarily included unallocated service fee income and expenditures for head office operations as well as interest income and interest expenses for general working capital.

Breakdown of the revenue from external customers and net gain/(loss) on financial assets and liabilities by geographical location is as follows:

**For the year ended 31 December 2021**

	Hong Kong HK\$'000	The PRC HK\$'000	Japan HK\$'000	Canada HK\$'000	Total HK\$'000
Revenue from external customers	291,651	3,892	6,815	182	302,540
Net gain/(loss) on financial assets/liabilities	485,352	(38,816)	8,497	-	455,033
	<u>777,003</u>	<u>(34,924)</u>	<u>15,312</u>	<u>182</u>	<u>757,573</u>

**For the year ended 31 December 2020**

	Hong Kong HK\$'000	The PRC HK\$'000	Japan HK\$'000	Canada HK\$'000	Total HK\$'000
Revenue from external customers	304,429	9,208	4,678	12	318,327
Net gain on financial assets/liabilities	297,087	60,011	-	-	357,098
	<u>601,516</u>	<u>69,219</u>	<u>4,678</u>	<u>12</u>	<u>675,425</u>

The total non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown in the following:

	2021 HK\$'000	2020 HK\$'000
Hong Kong	26,206	44,131
The PRC	96,234	117,552
Japan	12	22
Canada	76	-
	<u>122,528</u>	<u>161,705</u>

**5. REVENUE**

	2021 HK\$'000	2020 HK\$'000
<i>Interest income:</i>		
Interest income from loan lending business ( <i>note i</i> )	14,901	14,301
Interest income from margin financing business ( <i>note i</i> )	4,730	14,529
Interest income from investments in debt instruments classified as financial assets at amortised cost ( <i>note i</i> )	23,427	61,947
Interest income from financial assets at fair value through other comprehensive income ( <i>note i</i> )	122,397	127,496
Interest income from financial assets at fair value through profit or loss	51,803	48,649
Other interest income	1,897	6,731
	<u>219,155</u>	<u>273,653</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Commission and fee income (note ii):</i>		
Advisory fee income	12,222	413
Commission income from securities brokerage	433	2,621
Loan arrangement fee income	1,200	8,878
Fee income received from asset management, net	53,171	10,064
Underwriting fee income	2,815	6,594
	<u>69,841</u>	<u>28,570</u>
<i>Investment income:</i>		
Dividend income	13,544	16,104
	<u>13,544</u>	<u>16,104</u>
	<u>302,540</u>	<u>318,327</u>

*Note i:* Total interest income calculated using effective interest method from loan lending business, margin financing business, financial assets at amortised cost and financial assets at fair value through other comprehensive income amounted to HK\$165,455,000 (2020: HK\$218,273,000).

*Note ii:* Commission fee income is the only revenue arising from HKFRS 15, while interest income and investment income are under the scope of HKFRS 9. Included in revenue, revenue arising from contract with customers recognised at a point of time and over time were HK\$14,230,000 (2020: HK\$18,093,000) and HK\$55,611,000 (2020: HK\$10,477,000) respectively.

## 6. PROFIT BEFORE INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before income tax has been arrived at after (crediting)/charging:		
Auditors' remuneration	2,800	2,800
Written-off of property, plant and equipment	–	383
Provision for/(reversal of) ECL allowances		
— loan and interest receivables	36,632	(25,236)
— margin receivables	(31)	8,945
— financial assets at amortised cost	98,559	227
— financial assets at fair value through other comprehensive income	345,844	36,167
— other interest receivables	15,583	–
	<u>496,587</u>	<u>20,103</u>
Foreign exchange gain, net	<u>(7,463)</u>	<u>(21,483)</u>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year and taxation on profits assessable elsewhere have been calculated at the rates of income tax prevailing in the countries in which the Group operates respectively.

The PRC Enterprise Income Tax rate is 25% (2020: 25%).

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax		
— charge for the year	99,288	42,306
— (over)/underprovision for prior year	(4,653)	1,275
PRC Enterprise Income Tax		
— charge for the year	63	383
— overprovision for prior year	(55)	—
Overseas income tax		
— charge for the year	362	686
— overprovision for prior year	(474)	—
Deferred tax		
— (credit)/charge for the year	(56,482)	11,374
— overprovision for prior year	(1,759)	(445)
	<u>36,290</u>	<u>55,579</u>
Income tax expense	<u>36,290</u>	<u>55,579</u>

## 8. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: HK\$Nil).

## 9. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$71,189,000 (2020: HK\$323,452,000) and the weighted average number of ordinary shares of approximately 32,983,714,000 (2020: 33,165,299,000) in issue during the year (excluding the ordinary shares purchased by the Company under the share award plan).

### Diluted earnings per share

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2021 and 2020. The 2020 comparative figure of the diluted earnings per share amount has been restated to exclude the effect of own shares of approximately 1,549,160,000 shares acquired and held in trust.

**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

Financial assets at fair value through profit or loss include the followings:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Financial assets at fair value through profit or loss</b>		
Unlisted investment funds	389,825	392,142
Unlisted equity investments	1,620,791	953,768
Convertible bonds and loan	14,912	101,591
Listed equity investments	530,555	193,384
Listed debt investments	228,590	571,638
Unlisted notes	21,415	216,611
	<u>2,806,088</u>	<u>2,429,134</u>
Classified as:		
Non-current assets	1,894,785	1,283,393
Current assets	911,303	1,145,741
	<u>2,806,088</u>	<u>2,429,134</u>
<b>Financial liabilities at fair value through profit or loss</b>		
Payable to holders of non-controlling interests in unlisted consolidated investment fund	115,785	145,037
	<u>115,785</u>	<u>145,037</u>
Classified as:		
Non-current liabilities	–	–
Current liabilities	115,785	145,037
	<u>115,785</u>	<u>145,037</u>

The investments in unlisted investment funds of HK\$389,825,000 (2020: HK\$392,142,000) as above represent investments in unconsolidated structured entities. The maximum exposure to loss is HK\$389,825,000 (2020: HK\$392,142,000) which represents the fair value as at 31 December 2021.

The size of these unconsolidated structured entities is HK\$1,788,530,000 (2020: HK\$1,511,016,000).

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

The interest receivables derived from convertible bonds and loan, listed debt investments and unlisted notes have been recognised as other interest receivables in the consolidated statement of financial position.

### **Investment in Shareholder Value Offshore Fund**

As at 31 December 2021, these financial assets included, among others, an investment in an unlisted investment fund namely Shareholder Value Offshore Fund (the “Fund”), which was managed by the Group’s asset management subsidiary, namely China Vered Asset Management (Hong Kong) Limited (“CVAM”), whose carrying value amounted to HK\$Nil (2020: HK\$142,259,000). The original cost of investment in the Fund amounted to HK\$139,007,000 (2020: HK\$139,007,000) with an accumulated fair value loss of HK\$139,007,000 (2020: gain of HK\$3,252,000). Pursuant to the Fund’s fund documents, its investment objective is to achieve consistent and long-term capital appreciation through a portfolio of equity and debt securities. Where deemed appropriate, its master fund, Shareholder Value Fund (the “Master Fund”), might also invest in other investment funds provided that they constituted no more than 20% of the net asset value of the Master Fund at any time. According to the financial information of the Fund, it was, however, noted that the Fund, through the Master Fund, invested into two segregated portfolios, Subject Fund A and Subject Fund B. Both Subject Fund A and Subject Fund B were managed by a licensed corporation which is authorised to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and is an independent third party of the Company (the “Third Party Manager A”). The investments in Subject Fund A and Subject Fund B were funded by the transfer of assets held by the Master Fund, including the leverage notes linked with the bonds issued by a listed property developer.

In May 2021, CVAM received a redemption request and was aware that the Master Fund’s liquidity was insufficient to meet such redemption request due to the lock-up restrictions in Subject Fund A and Subject Fund B. In March 2022, an independent investigation committee was established at the request of the Company’s auditor and resolved to appoint an independent consultant (the “Independent Consultant”) to conduct an investigation into (a) certain investments made by the Fund and the Master Fund; and (b) the nature, existence and valuation of the underlying assets of such investments. Subsequent to year end, CVAM received a writ of summons (the “Writ of Summons”) with an indorsement of claim issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region by Orient Finance Holdings (Hong Kong) Limited, as plaintiff (the “Plaintiff”), against CVAM and the Fund, as defendants. Please refer to note 15 for additional disclosures.

Reference is made to the announcement of the Company dated 13 September 2022 in relation to the key findings of the independent investigation. The Independent Consultant noted that in August 2019, a former deputy CEO of the Company (the “Former CEO of the Company”) delegated his role as the Chairman of Asset Management Committee of CVAM (the “AMC”) to a former manager-in-charge of overall management oversight of CVAM (the “Former OMO of CVAM”) and that the Former OMO of CVAM was the key personnel responsible for initiating the investments in Subject Fund A and Subject Fund B and negotiating with the external parties. The Independent Consultant noted that the Former OMO of CVAM and the Former Deputy CEO of the Company were closely connected with the Third Party Manager A and the listed property developer. The Independent Consultant was of the view that:

- (i) It was noted that the terms of Subject Fund A and Subject Fund B were uncommon with the following uncommon terms: (a) the performance fee charged by Subject Fund A (60%) and Subject Fund B (40%) are significantly high; and (b) the lock-up period for Subject Fund A (three years with one or two consecutive additional lock-up period(s) of three years) and Subject Fund B (seven years with one additional lock-up period of three years) are significantly long.
- (ii) It was also considered that the alleged rationale for the investments in Subject Fund A and Subject Fund B were not supported by documentary evidence. None of the alleged rationale could be independently verified as a sufficient ground for the investments in Subject Fund A and Subject Fund B.
- (iii) The value and existence of the underlying assets of Subject Fund A and Subject Fund B could not be assessed. The Group was unable to obtain the details of Subject Fund A and Subject Fund B from the Third Party Manager A. As such, the Independent Consultant could not independently confirm the value and existence of the underlying assets of Subject Fund A and Subject Fund B.
- (iv) The high concentration of investments in Subject Fund A and Subject Fund B did not appear to be consistent with the investment objective of the Fund and the Master Fund.

As at 31 December 2021, based on the statement of net asset value provided by the Fund, the value of the investment in the Fund by the Group amounted to approximately HK\$136.6 million, representing an accumulated fair value loss of approximately HK\$2.4 million. Taking into account the inability to assess the value and existence of the underlying assets of Subject Fund A and Subject Fund B, insufficient information about the details of investment made by Subject Fund A and Subject Fund B, high concentration of investments in Subject Fund A and Subject Fund B to the Fund, uncommon terms of Subject Fund A and Subject Fund B, and inability to independently verify rationale of investments in Subject Fund A and Subject Fund B which would result in significant impact to the net asset value of the Fund, and other factors involved in the investment in the Fund, the management of the Group considered that the recoverability of investments in Subject Fund A and Subject Fund B was highly uncertain and accordingly assessed the carrying value of the investment in the Fund as fully written down with a fair value loss of approximately HK\$142,259,000 recognised in profit or loss during the year. Subsequent to 31 December 2021, the Group has taken or will take the following actions in respect of the investment in Fund:

- (a) request for redemption of the Fund;
- (b) report the matter to the relevant authorities including the Hong Kong Police;
- (c) seek legal advice to determine and formulate the actions to be taken against the relevant former employees of the Company/CVAM; and
- (d) seek legal advice and consider whether to take actions against the relevant parties in relation to Subject Fund A and Subject Fund B.

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income include the followings:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Financial assets at fair value through other comprehensive income</b>		
Unlisted investment funds	322,966	686,831
Listed debt investments	588,644	1,249,190
Listed equity investments	62,545	–
	<u>974,155</u>	<u>1,936,021</u>
Classified as:		
Non-current assets	417,566	1,686,335
Current assets	556,589	249,686
	<u>974,155</u>	<u>1,936,021</u>

The investments in unlisted investment funds of HK\$322,966,000 (2020: HK\$686,831,000) as above represent investments in unconsolidated structured entities. The maximum exposure to loss is HK\$322,966,000 (2020: HK\$686,831,000) which represents the fair value as at 31 December 2021.

The size of these unconsolidated structured entities is HK\$391,452,000 (2020: HK\$906,906,000).

During the year, the Group did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support.

The interest receivables derived from listed debt investments have been recognised as other interest receivables in the consolidated statement of financial position.

ECL allowances as at 31 December 2021 amounted to HK\$382,011,000 (2020: HK\$36,167,000) with an increase in ECL allowances of HK\$345,844,000 (2020: HK\$36,167,000) recognised in the consolidated statement of profit or loss during the year.

### Investment in Fund D

As at 31 December 2021, the financial assets included an investment in unlisted investment fund, Fund D, which was managed by a licensed asset manager (an independent third party to the Group) (the “Third Party Manager C”), whose carrying value amounted to approximately HK\$5,618,000 (2020: HK\$64,602,000). According to the financial information of Fund D, it was noted that the underlying assets included a substantial portion of investments in two loans made by the Third Party Manager C and the aggregate outstanding balance of loans and interest receivables amounted to approximately HK\$57,648,000. It was noted that one of the loans was granted to a company owned by a director of the Third Party Manager C (“Loan A”) at interest rate of 3% per annum and the other loan was granted to a company owned by a former director of Fund D (“Loan B”) at interest rate of 6% per annum. It was further noted that the maturity of these loans and interest receivables was further extended from December 2021 to December 2023 by the Third Party Manager C. The Group has requested the Third Party Manager C to provide the financial information of the two borrowers of



Loan A and Loan B but the request was declined. Taking into account the nature, duration, credit risk and other credit quality factors involved in the two loans, the management of the Group considered that the recoverability of the two loans made by Fund D was highly uncertain and accordingly assessed the carrying value of the loans and interest receivables recorded in Fund D as fully written down. As such, the net asset value of Fund D was adjusted for full write-down on the abovementioned loans and interest receivables with a fair value loss of approximately HK\$58,984,000 recognised in other comprehensive loss during the year. The Group is now taking active measures including discussion with the Third Party Manager C for redemption of investment, recovery of any investment loss, and/or seeking legal advice.

## 12. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Margin receivables	106,490	116,133
Less: ECL allowances	<u>(63,570)</u>	<u>(63,601)</u>
	42,920	52,532
Trade receivables arising from the businesses of asset management	26,629	9,664
Trade receivables arising from the businesses of underwriting	<u>2,815</u>	<u>155</u>
	<u><u>72,364</u></u>	<u><u>62,351</u></u>

Loans to margin clients are secured by clients' pledged Hong Kong-listed securities at fair value of HK\$270,587,000 (2020: HK\$292,414,000) which can be sold at the discretion of a subsidiary of the Group to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at commercial rates.

ECL allowances as at 31 December 2021 amounted to HK\$63,570,000 (2020: HK\$63,601,000) with a decrease in ECL allowances of HK\$31,000 (2020: increase in ECL allowances of HK\$8,945,000) recognised in the consolidated statement of profit or loss during the year.

Except for those margin receivables in stage 3 of ECL assessment, the Group considered that the business nature of margin receivable is short-term and the directors are of the opinion that no further aging analysis is disclosed.

Aging analysis of other trade receivables from the trade date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	10,032	7,137
91 days to 1 year	<u>19,412</u>	<u>2,682</u>
	<u><u>29,444</u></u>	<u><u>9,819</u></u>

The carrying amount of the margin receivables and other trade receivables approximate to their fair value.

### 13. LOAN AND INTEREST RECEIVABLES

As at 31 December 2021, these loan receivables bear interest at fixed rates of 8.9% per annum (31 December 2020: 8.9% to 16.0%). Interest income derived from loan receivables was recognised and presented under “Interest income” in the consolidated statement of profit or loss. The carrying value of the loan receivables approximate to their fair values.

Regular credit reviews on these loans receivables are conducted by the Risk Management Department based on the latest status of these loans, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans in order to minimise credit risk by regularly reviewing the borrowers’ and/or guarantors’ financial positions.

As these loan receivables will be settled within 12 months, the carrying amount approximate to their fair value.

ECL allowances as at 31 December 2021 amounted to HK\$301,206,000 (2020: HK\$264,381,000) with an increase in ECL allowances of HK\$36,632,000 (2020: decrease in ECL allowances of HK\$25,236,000) recognised in the consolidated statement of profit or loss during the year.

The following is an ageing analysis of loan and interest receivables based on the contract note at the reporting date:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Not past due or less than 1 month past due	<b>173,355</b>	180,000
1–3 months past due	–	–
3–6 months past due	–	–
6–12 months past due	–	–
Over 12 months past due	<b>252,439</b>	264,182
	<hr/>	<hr/>
	<b>425,794</b>	444,182
Less: ECL allowances	<b>(301,206)</b>	(264,381)
	<hr/>	<hr/>
	<b>124,588</b>	179,801
	<hr/> <hr/>	<hr/> <hr/>

## 14. SHARE CAPITAL

	2021		2020	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January	34,714,459	6,154,374	34,714,459	6,154,374
Capital reduction	—	(1,700,000)	—	—
At 31 December	<u>34,714,459</u>	<u>4,454,374</u>	<u>34,714,459</u>	<u>6,154,374</u>

Pursuant to a resolution passed in the annual general meeting held on 25 June 2021, regarding the reduction of the issued share capital of the Company by HK\$1,700,000,000 (the “Capital Reduction”), the credit arising from such reduction has been applied to set off against the accumulated losses of approximately HK\$1,559,150,000 with the remaining credit balance of approximately HK\$140,850,000 to be transferred to the capital reduction reserve account of the Company as at the effective date (i.e. 12 August 2021).

## 15. CONTINGENT LIABILITIES

As disclosed in note 10, subsequent to year end, CVAM received the Writ of Summons with an indorsement of claim issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region by the Plaintiff against CVAM and the Fund, as defendants.

As stated in the indorsement of claim attached to the Writ of Summons, the Plaintiff claims against the defendants, among others, for: (1) a sum of US\$17,090,460.61, being the original investment amount of US\$25,000,000.00 made by the Plaintiff in the Fund where CVAM serves as the investment manager, less US\$7,909,539.39, being the redemption proceeds paid to the Plaintiff; (2) interest for investment in the Fund; (3) loss and/or damages; (4) such further or other reliefs as the court shall deem fit; and (5) costs (collectively the “Claim”).

The Group has sought legal advice in respect of the litigation. At the end of the reporting period and up to the date of approval of these consolidated financial statements, based on the information available and the advice from external legal advisors, the Group’s management assessed that whether any present obligation exists is still subject to high uncertainty. Accordingly, the Group has not made any provisions for any claim arising from the litigation, other than the related legal and other costs.

CVAM as a licensed corporation is registered with the Securities and Futures Commission (the “SFC”). It may be required to assist in and/or are subject to inquiries by relevant regulatory authorities in Hong Kong, including the SFC, if and when necessary. CVAM has been involved in ongoing communication with regulatory authorities in connection with the matters being investigated by the Group as disclosed in note 10 and there is no regulatory action from any regulatory authorities up to the date of this announcement. The Group did not make any provision for the aforementioned contingency.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

In 2021, the effect of COVID-19 pandemic on global economy has faded, yet global economic recovery is still facing huge challenges. In 2021, major economies achieved larger economic growth. In particular, economic growth in the U.S. reached 5.7%, the highest value since 1984. The PRC achieved economic growth of 8.1%, basically as expected. The European Union, Japan, the U.K. and India also achieved growth. After two consecutive years of recession, the Hong Kong economy has benefited from the revival of external demand and recovery in consumption in 2021, hence recorded a remarkable growth of 6.4%, but still below that of the level in 2018.

In respect of the financial market, 2021 was the most active year for the global IPO market over the past 20 years. A total of 2,388 corporations were listed around the world, raising US\$453.3 billion. Compared with the corresponding period of 2020, the amount of IPO and funds raised increased by 64% and 67%, respectively. The Hong Kong market underperformed during the same period, which has been sluggish throughout the year. The Hang Seng Index has hit its peak in the beginning of the year, yet it has been declining since February 2021. A sharper drop by 19% was recorded in the second half of the year. The market was once optimistic towards Hang Sang TECH Index, but then the index has lost some momentum, recording a cumulative decline of 32.7% throughout the year.

Listing of new shares has been seriously affected by the sluggish market. Throughout 2021, the Stock Exchange recorded a year-on-year decrease of 35% and 19% in the number of IPO listings and the funds raised, respectively. Hong Kong fell out of the world's top three IPO market for the first time since 2012. According to the statistics of Wind Information, in 2021, the number of new stock listings in Hong Kong recorded a significant decline as compared with prior years. From the first to the fourth quarter in 2021, there were 31, 14, 27 and 24 new stocks listed on the main board of the Stock Exchange respectively, while at the corresponding period of 2020, there were 37, 22, 40 and 47 new stocks listed respectively.

Despite downward pressures, there are still some highlights in the Hong Kong IPO market. Among which, China concept stocks had been one of the key pillars of the Hong Kong IPO market in 2021. Among the top 10 Hong Kong IPOs in 2021, 3 of which are unicorn corporations and 5 of which are the return of China concept stocks, accounting for over 90% of the top ten positions in terms of the amount of fund raised. In addition, IPO of biotech and health care companies achieved outstanding performance with a total of 33 biotech and health care companies listed in Hong Kong in 2021. Among the new listings in the Hong Kong stock market in 2021, the biotechnology and health care industry ranked first in terms of IPO deals and second in terms of the amount of funds raised.

The bond market had been a bright spot compared to the stock market. The number of new bond listings achieved a record high level of 508, representing an increase of 18% as compared with 2020. Total fund-raising amount of the bonds issued throughout the year reached HK\$1.55 trillion. In addition, Hong Kong's new listing of green and sustainability-related bonds significantly increased from 18 in 2020 to 95 in 2021. As at December 2021, bonds listed on the Stock Exchange reached 1,747 with market size of nearly HK\$6.3 trillion. In the secondary bond market, trading volume of listed bonds has also been active during last year, reaching a record high level of turnover of HK\$104.2 billion throughout the year. From 2015 to 2021, the CAGR of the trading amount of the secondary market of listed bonds reached 41%.

## **BUSINESS REVIEW**

Looking back on 2021, the Company continued to focus on “deployment + investment” under the persistence of the pandemic. The Company had nailed down its own strategic position and operational direction according to policy changes, changes in economic condition and diverging market trend and continued to optimize structure of asset allocation to increase the proportion of equity investments.

In terms of asset allocation, the proportion of assets allocated to fixed-income securities decreased in 2021 while that of equity assets significantly increased. Proportion of equity and fixed-income assets has become more reasonable.

Meanwhile, as the bonds invested in early days reached maturity in 2021, the short term liquidity of the Company has improved. Proportion of assets held by the Company that will mature after 6 months significantly decreased as compared with that at the end of 2020, and proportion of assets that will mature within 6 months significantly increased. In addition, due to structural adjustment of its asset allocation, the proportion of the Company's assets that will mature after 3 years slightly increased.

In 2021, the Company focused on the enhancement of professional capabilities such as investment and research capacity, customer acquisition capacity, asset management ability and recruitment of relevant business talents. Through cooperation with peers of the market, proactive participation in project development and launching active management products, as of the end of 2021, the proportion of actively managed assets significantly increased as compared with that of the end of 2020, achieving multiple breakthroughs in business operations.

In view of the downward trend of the real estate industry, in 2021, the Company strictly adhered to “double reduction” strategy formulated in the beginning of the year, i.e. “cutting down fixed-income asset proportion” and “lowering concentration risk associated with real estate sector”, and intentionally disposed of assets with potential risk. Despite increased proportion of “secondary” and “concerned” assets as compared with 2020, business operations have not been materially and adversely affected.

In terms of investment banking business, the Company had participated in several IPOs in the Hong Kong stock market and the issuance of US\$ bonds by acting as the joint global coordinator, underwriter, joint bookrunner and joint lead manager in these transactions.

## **PROSPECT**

The Hong Kong economy achieved significant growth in 2021. It is expected that growth momentum will continue in 2022, however, the pace of growth is subject to various uncertainties particularly in relation to the development of the pandemic in Hong Kong. A new wave of pandemic in the beginning of 2022 and the tightening of anti-epidemic measures posed new pressure to economic activities.

Hong Kong's export is expected to benefit from global economic recovery, yet the pace of recovery in 2022 may slow down. Inflation of a few major economies could remain at high levels due to bottleneck in the supply chain and relevant adjustments under persistent development of the global pandemic, hence increasing local inflationary pressure. Accordingly, major central banks may accelerate the tightening of monetary policies, thus affecting the global economy and financial markets.

Meanwhile, the intensification of US-China competition and rivalry will lead to further economic reform of the PRC and breakthrough in key areas of hard and core technology. New opportunities will arise in new energy, new materials, military industry and carbon peaking and carbon neutrality and other related industries. The Company will adopt to changes in market trends and adjust its business strategies.

The Company will continue its prudent strategic development direction to expand its business scale, strengthen its own strength, improve its financial performance, and create greater value for its customers, shareholders and business partners, and to provide its customers with a full range of professional financial solutions and quality services as its strategic goal, and proactively explore transformation and upgrade in the FinTech field, and strive to become an international professional financial services institution with market influence. Meanwhile, we will continue to expand its business in Mainland China, Japan and Canada, etc. to improve our financial management capabilities and asset utilization as well as investment research capabilities, and provide a full range of financial services to high net worth clients and quality enterprises of mainly Chinese descend. In addition, the Company will further enhance professional capabilities such as investment research, active management, product design, direct client acquisition for comprehensive improvement of customer service.

Looking forward, "Setting a Foothold in Hong Kong, Covering Asia, Focusing on the Future Globalization Process" as its long-term goal, the Company will rely on the position of Hong Kong as an international financial centre to seize the opportunities arising from the economic integration of Greater Bay Area, and the connection between

the capital markets of China and Hong Kong, proactively expand and build up the service capabilities in asset management and investment banking businesses and explore the increased use of technology in its business model. The Company will grasp market opportunities for steady business expansion, hence maximizing the interests of all our shareholders and investors.

## FINANCIAL REVIEW

For the year ended 31 December 2021, the consolidated revenue of the Group was approximately HK\$302,540,000 (2020: HK\$318,327,000), representing a slight decrease of approximately 5% as compared with the corresponding period last year.

The analysis of the Group's total revenue recognised in the consolidated statement of profit or loss is as follows:

For the years ended 31 December 2021 and 2020

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change
Interest income	<b>219,155</b>	273,653	(20)%
Commission and fee income	<b>69,841</b>	28,570	144%
Investment income	<b>13,544</b>	16,104	(16)%
Total revenue	<b><u>302,540</u></b>	<u>318,327</u>	<u>(5)%</u>

The Group recorded a profit of approximately HK\$70,180,000 for the year ended 31 December 2021 (2020: profit of HK\$322,291,000), which was mainly due to the net effects of the following factors:

- (i) a significant increase in impairment for financial assets with amount of approximately HK\$496,587,000 for the year ended 31 December 2021 (2020: HK\$20,103,000); and
- (ii) an increase in net gain on investments with amount of approximately HK\$455,033,000 recorded for the year ended 31 December 2021 (2020: net gain of HK\$357,098,000).

The total operating costs (including staff costs, premises expenses, finance costs, trading costs and other operating costs) for the year ended 31 December 2021 was approximately HK\$146,026,000 (2020: HK\$266,018,000), representing a decrease of approximately 45% which was due primarily to the effective cost control measures implemented by the Group on the overall operating expenses for the year ended 31 December 2021.



On financial position and cash flows:

- the Group's total assets were approximately HK\$5,467,773,000 as at 31 December 2021 (as at 31 December 2020: HK\$6,187,043,000), representing a decrease of approximately 11.6%; and
- net cash inflows/(outflows) from operating activities, investing activities and financing activities were approximately HK\$501,616,000, HK\$(2,765,000) and HK\$(350,962,000) respectively for the year ended 31 December 2021 (2020: HK\$(1,493,533,000), HK\$(10,667,000) and HK\$(11,134,000) respectively).

### **Key financial and business performance indicators**

The key financial and business performance indicators of the Group are comprised of profitability; loan receivables; impaired loan receivables to total loan receivables ratio; and gearing ratio.

The Group recorded a profit attributable to owners of the Company of approximately HK\$71,189,000 for the year ended 31 December 2021 as compared to a profit of approximately HK\$323,452,000 for the year ended 31 December 2020.

Loan and interest receivables balance arising from lending business decreased to approximately HK\$124,588,000 as at 31 December 2021 (as at 31 December 2020: HK\$179,801,000).

Based on HKFRS 9 Expected Credit Losses ("ECL") assessment on margin receivables, loan and interest receivables, financial assets at amortised cost, financial assets at fair value through other comprehensive income and other interest receivables, the Group recognised an aggregate expected credit losses allowance of approximately HK\$496,587,000 in consolidated statement of profit or loss for the year ended 31 December 2021 (2020: HK\$20,103,000). Expected credit losses allowance to total margin receivables, loan and interest receivables, financial assets at amortised cost, financial assets at fair value through other comprehensive income classified as debt instruments and other interest receivables ratio was approximately 49.7% as at 31 December 2021 (as at 31 December 2020: 16.5%). The Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its loan receivables and to take prompt actions to pursue loans recovery regarding potential problem credits.

As at 31 December 2021, the Group's gearing ratio (total debt to total equity) was approximately 3.5% (as at 31 December 2020: 9.9%). The Group strives to achieve appropriate leverage level in order to grow its business effectively, and at the same time continue to monitor its liquidity prudently, manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management.



## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, the Group's cash and bank balances (excluding pledged bank deposits) amounted to approximately HK\$780,823,000 (as at 31 December 2020: HK\$626,976,000). The current ratio as at 31 December 2021 was approximately 547.0% (as at 31 December 2020: 342.4%), which indicated that the Group's overall financial position remained strong.

The Directors are of the opinion that there are sufficient financial resources for the Group to meet its obligations and business requirements.

## **OPERATIONAL REVIEW**

### **Funding, capital structure and capital management**

The main objective of the Group's funding activities is to ensure the availability of funds at reasonable costs to meet all contractual financial commitments and to generate reasonable returns from available funds.

The Group relies principally on its share capital, internally generated capital and other borrowings to fund its investments and loan lending business. The Group's interest bearing borrowings in the form of margin payables, repurchase agreements and loan payables amounted to approximately HK\$172,353,000 as at 31 December 2021 (as at 31 December 2020: HK\$523,915,000). Based on the level of total debt to total equity of the Group, the Group's gearing ratio stood at a healthy level of approximately 3.5% as at 31 December 2021 (as at 31 December 2020: 9.9%). The Group's borrowings are mainly denominated in US dollars, and have remaining average maturity periods of around one year. The Group's cash and cash equivalents are mainly denominated in US dollars, Renminbi, Japanese Yen, Canadian dollars and Hong Kong dollars. There were no foreign currency net investments hedged by foreign currency borrowings and other hedging instruments by the Group during the year under review.

### **Asset quality and credit management**

The Group will continue to manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management. Based on HKFRS 9 ECL assessment on loan and interest receivables, margin receivables, financial assets at amortised cost, financial assets at fair value through other comprehensive income classified as debt instruments and other interest receivables, the Group recognised a provision for/(reversal of) expected credit losses allowance of approximately HK\$36,632,000, HK\$(31,000), HK\$98,559,000, HK\$345,844,000 and HK\$15,583,000 respectively in consolidated statement of profit or loss for the year ended 31 December 2021 (2020: HK\$(25,236,000), HK\$8,945,000, HK\$227,000, HK\$36,167,000 and HK\$Nil respectively).

Furthermore, the Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its financial assets. Further, the Group's investments and cash and bank balances are placed with a diversified portfolio of reputable financial institutions.

### **Human resources management**

The objective of the Group's human resources management is to reward and recognise well performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff enrolled in external training courses, seminars, professional and technical courses in order to update their technical knowledge and skills, to increase their awareness of the market developments, and to improve their management and business skills. To implement social distancing, the Group tried to keep the indoor or outdoor social and recreational activities to a minimum resulting from the prevalence of COVID-19 pandemic in Hong Kong during the year ended 31 December 2021.

### **EXPOSURE TO EXCHANGE RATE FLUCTUATION AND RELATED HEDGING**

The Directors considered that the Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in foreign currencies other than its functional currency, which is Hong Kong dollars. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency should the need arises.

### **STAFF AND REMUNERATION POLICY**

As at 31 December 2021, the Group has 83 employees (as at 31 December 2020: 77 employees).

The employees are remunerated based on their work performances, professional experiences and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management.

## CHARGES ON GROUP'S ASSETS

The analysis of the charge on Group's assets is as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Financial assets at fair value through profit or loss	<b>132,977</b>	510,373
Financial assets at fair value through other comprehensive income	<b>72,573</b>	747,857
Financial assets at amortised cost	<b>45,145</b>	135,064
Pledged bank deposits	–	328
	<hr/>	<hr/>
Total charges on Group's assets	<b><u>250,695</u></b>	<b><u>1,393,622</u></b>

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost are bonds and stocks pledged as collateral for the Group's borrowings.

Deposits at bank were pledged as security for a corporate card granted to a director of the Group as at 31 December 2020.

## CAPITAL COMMITMENTS

The Group has entered into contracts to commit investing into certain unlisted investment funds and limited partnership. The aggregate non-cancellable capital commitments as at 31 December 2021 are approximately HK\$442,935,000 (as at 31 December 2020: HK\$15,979,000).

## CONTINGENT LIABILITIES

Details of contingent's liabilities are set out in note 15 to this announcement.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year ended 31 December 2021, the Group disposed of 100% equity interest in Vered Asset Management Limited (formerly known as CM Securities Asset Management Limited) to Vered Holdings (Hong Kong) Limited, a related company of the Group. The Group also disposed of a group of subsidiaries to an independent third party.

On 15 March 2021, JBC Holdings Co., Ltd (“JBC”), a wholly-owned subsidiary of the Group at the material time, and Vered Holdings Co., Ltd (“Vered Japan”), a related company of the Group, entered into a subscription agreement, pursuant to which Vered Japan subscribed for 8,648 ordinary shares of JBC. The subscription constituted a deemed disposal and the percentage of equity interests in JBC held by the Group was reduced from 100% to approximately 50.997%.

Save as disclosed above, the Group had no other material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2021.

## **CORPORATE GOVERNANCE PRACTICES**

The Company’s corporate governance practices are based on the principles and code provisions (“Code Provisions”) set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules.

Throughout the year ended 31 December 2021, the Company has complied with most of the Code Provisions, save for the deviation of the Code Provision C.2.1 which are explained below.

According to Code Provisions C.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Tomohiko Watanabe acts as both the chairman and the chief executive officer of the Company, with effect from 5 March 2019. Although the roles of the chairman and chief executive officer of the Company are taken up by the same individual, such arrangement facilitates the development and execution of the Group’s business strategies and enhances efficiency and effectiveness of its operation.

Under the Code Provision F.2.2, the Chairman should attend the annual general meeting and he should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In addition, under the Code Provision C.1.6, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. During the year ended 31 December 2021, the annual general meeting was held on 25 June 2021, and the whole Board and the auditor of the Company responsible for the audit of the Company’s financial statements for the year ended 31 December 2020 have attended the meeting to answer questions of the Shareholders.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. All the Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises Ms. Zhou Hui (chairperson), Mr. Wen Yuanhua and Mr. Dong Hao.

An Audit Committee meeting was held on 16 September 2022 and attended by Ms. Zhou Hui, Mr. Wen Yuanhua and Mr. Dong Hao, who have reviewed the annual results for the year ended 31 December 2021.

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

## **EXTRACT FROM INDEPENDENT AUDITOR’S REPORT**

The auditor has issued a qualified opinion in the independent auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2021. The details of which are extracted as follows:

### **“Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **Basis for Qualified Opinion**

#### *A. Investment in an offshore fund*

As disclosed in note 19 to the consolidated financial statements, the Group has invested in a fund, namely Shareholder Value Offshore Fund (the “Fund”) at an initial investment cost of HK\$139.0 million which has been accounted for as financial asset at fair value through profit or loss. As at 31 December 2021, the Group had around 30.4% interest in the Fund, and the carrying value of the Fund was determined by the directors to be zero with a fair value loss of HK\$142.3 million recognised during the year.

A wholly-owned subsidiary of the Company (the “Asset Management Subsidiary”) has been the fund manager of the Fund. The Fund operates in a typical “feeder fund” and “master fund” structure whereby the Fund is the feeder fund which has been subscribed by and received funding from the Group and other third-party investors, and its wholly owned master fund, namely Shareholder Value Fund (the “Master Fund”), invests in various investments. During the year, the Master Fund invested in two subject funds (the “Subject Fund A” and “Subject Fund B”) managed by a third-party fund manager, by in-specie subscription of two leveraged notes and certain listed shares.

In 2021, the Asset Management Subsidiary received a redemption request from a third-party investor of the Fund (the “Third-party Investor”). It has been identified that there has been lack of liquidity to fulfill the redemption request due to the lock-up restriction of the Subject Fund A and Subject Fund B invested by the Master Fund. The Group has therefore conducted an internal investigation whereby management of the Group have identified certain potential irregularities in connection with the investments in Subject Fund A and Subject Fund B. Management has also been unable to obtain the details of the underlying assets of Subject Fund A and Subject Fund B from the third-party fund manager as at 31 December 2021. Accordingly, the Company established an independent investigation committee and engaged an independent forensic investigation advisor (the “Independent Consultant”) to undertake an investigation on matters pertaining to the Fund and certain other matters (the “Investigation”). The Independent Consultant has completed the Investigation and issued a report of the Investigation (“Investigation Report”) on 13 September 2022. The key findings of the Investigation Report were explained in the announcement of the Company on 13 September 2022.

As described in note 19 to the consolidated financial statements, the Independent Consultant determined that there were irregularities and anomalies identified from the investments and business transactions managed by the former manager-in-control of overall management oversight of the Asset Management Subsidiary (the “Former OMO of the Asset Management Subsidiary”) and the former deputy CEO of the Company (who was also the former responsible officer and director of the Asset Management Subsidiary) (the “Former Deputy CEO of the Company”). The identified irregularities and anomalies included 1) the high concentration of the Fund in Subject Fund A and Subject Fund B did not appear to be consistent with the Fund’s investment objective; 2) the unfavorable terms of Subject Fund A and Subject Fund B appeared uncommon; 3) rationale for the investments in Subject Fund A and Subject Fund B were not able to be independently verified; and 4) value and existence of the underlying assets of Subject Fund A and Subject Fund B could not be assessed. The Investigation has also revealed that the Former OMO of the Asset Management Subsidiary and the Former Deputy CEO of the Company appeared to have close relationships with the fund manager of Subject Fund A and Subject Fund B.

The Investigation had certain limitations in respect of the nature and extent of the procedures conducted. As a result, the Independent Consultant was not able to obtain sufficient information directly from the Former OMO of the Asset Management Subsidiary and the Former Deputy CEO of the Company, or the fund manager of Subject Fund A and Subject Fund B and therefore unable to understand the historical business consideration and reasons and rationality of the above transactions entered by the Master Fund. Based on the findings of the Investigation and the available information, the directors made a judgement and determined to write down the fair value of investment in the Fund to zero and recognised a loss of HK\$142.3 million in the consolidated income statement of the Group for the year ended 31 December 2021. The directors of the Company are currently seeking legal advice as part of the recovery of the Group’s investment in the Fund.



The Group's management informed us that they endeavored their best efforts but was not able to obtain any further documentary information from the Master Fund nor the fund manager of Subject Fund A and Subject Fund B to explain the business rationale and commercial substance of the investments in Subject Fund A and Subject Fund B, and therefore we had not been able to obtain satisfactory explanation in that regards. We were also unable to gain direct access to the fund manager of Subject Fund A and Subject Fund B to obtain information on the underlying investments as at the year end date and to verify their existence and carrying value. As a result, we were unable to assess the appropriateness of management judgement of full write down of the fair value of the Group's investment in the Fund.

Because of the above scope limitations, there were no other alternative audit procedures that we could perform to ascertain the business rationale and the commercial substance of the Fund's investments in Subject Fund A and Subject Fund B as well as the existence and valuation of the underlying investments of Subject Fund A and Subject Fund B as at 31 December 2021, which have consequential impacts on the carrying value of the Group's investment in the Fund; and we were unable to determine whether any adjustment is necessary on the carrying value of the Group's investment in the Fund at zero as at 31 December 2021 and the fair value loss of HK\$142.3 million recognised by the Group during the year ended 31 December 2021 and whether the related disclosure of investment in the Fund is appropriate.

*B. Recoverable amount of loans and interest receivables in a fund*

As disclosed in note 20 to the consolidated financial statements, the Group has invested in 100% interest in a fund ("Fund D") which has been accounted for as financial asset at fair value through other comprehensive income. Fund D has been managed by a third-party fund manager. As at 31 December 2021, the carrying value of Fund D was determined by the directors at HK\$5.6 million with a fair value loss of HK\$59.0 million recognised during the year.

During the year, the directors identified that Fund D's investments included unsecured loans, one of which was related to the fund manager of Fund D. The Group has considered such nature in light of related party transaction with the fund manager and included matters pertaining to Fund D as part of the Investigation. The Independent Consultant identified that Fund D had two unsecured loan receivables with original maturity in December 2021, amounted to HK\$55.0 million with interest receivables amounted HK\$2.6 million. The directors noted that one of the loans was granted to a company owned by a director of the fund manager ("Loan A") at interest rate of 3% per annum and the other loan was granted to a company owned by a former director of Fund D ("Loan B") at interest rate of 6% per annum. The Independent Consultant considered that it was questionable as to whether the



borrowing terms of Loan A were arm's length given the interest rate applied on Loan A was substantially lower than Loan B. In addition, the directors considered that the loan lending appears to be inconsistent with the private placement memorandum of Fund D.

When assessing the fair value of investment in Fund D as at 31 December 2021, the directors further noted that the maturity of these loans and interest receivables were further extended from December 2021 to December 2023 by Fund D's fund manager. The directors have requested the fund manager to provide the financial information of the respective borrowers of Loan A and Loan B but were declined by the fund manager. Considering the unsecured nature and the uncertainty of repayment ability of the respective borrowers of Loan A and Loan B, the directors considered that the likelihood of recovering any amount of the two loans to be remote. Accordingly, based on their best estimate, the directors considered that full write-down of the two loans and the interest receivable with a total amount of HK\$57.6 million should be made, which is included in the fair value loss of HK\$59.0 million in the consolidated statement of comprehensive income for the year.

The Group's management informed us that they endeavored their best efforts but was unable to obtain any further documentary information from the fund manager of Fund D to explain the business rationale of granting and extending the two loans, and therefore we had not been able to obtain satisfactory explanation in that regards. We were also unable to gain direct access to the fund manager of Fund D, and we requested but was not able to obtain sufficient information with respect to the basis of management judgement of write-down made on the two loans and related interest receivables.

Because of the above scope limitations, there were no other alternative audit procedures that we could perform to ascertain the business rationale of granting and extending the two loans by the fund manager of Fund D; and we were unable to determine whether any adjustments were necessary in respect of the recoverable amount of nil for the two loans and interest receivables as at 31 December 2021, which has a consequential impact on the fair value loss of HK\$57.6 million recognised by the Group in the consolidated statement of comprehensive income for the year ended 31 December 2021 and the Group's investment in Fund D with carrying value of HK\$5.6 million as at that date, and whether the related disclosure of investment in Fund D in the consolidated financial statements is appropriate.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Report on Other Matters under Sections 407(2) and 407(3) of the Hong Kong Companies Ordinance**

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding a) the business rationale and commercial substance of the Fund's investment in Subject Fund A and Subject Fund B as well as the existence and valuation of the underlying investments of Subject Fund A and Subject Fund B and whether any adjustment is necessary on the carrying value of the Group's investment in the Fund as at 31 December 2021 and fair value loss for the year ended 31 December 2021; and b) the business rationale of granting and extending the two loans by the fund manager of Fund D and whether any adjustments were necessary in respect of the recoverable amount of the Group's investment in Fund D as at 31 December 2021 and the fair value loss for the year ended 31 December 2021 as described in the Basis for Qualified Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and
- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.”

### **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

On 7 June 2022, CVAM, an indirect wholly-owned subsidiary of the Company, received the Writ of Summons with an indorsement of claim issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region by Orient Finance Holdings (Hong Kong) Limited, as the plaintiff, against CVAM, as defendant. Details of the receipt of Writ of Summons are set out in the Company's announcement dated 10 June 2022. Subsequently, on 5 August 2022, Shareholder Value Offshore Fund was also included as a defendant. The Company is currently seeking legal advice regarding the above proceedings. Please refer to note 15 for disclosures on details of the legal case.

On 13 September 2022, the Independent Consultant has completed the independent investigation and issued a report. Please refer to note 10 for additional disclosures under section headed “Investment in Shareholder Value Offshore Fund”. Details of the key findings of the independent investigation are set out in the Company's announcement on 13 September 2022.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

## **ANNUAL GENERAL MEETING**

The 2022 annual general meeting of the Company was held on 29 June 2022. Due to the delay in the publication of the audited consolidated financial statements of the Group and the reports of the Directors and of the independent auditor for the year ended 31 December 2021, the resolution to consider and approve the aforesaid documents will be transacted in the adjourned annual general meeting of the Company. Details of the adjourned annual general meeting of the Company as referred to in the announcement of the Company dated 29 June 2022 will be announced in due course.

## **PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under "Latest Listed Company Information" and on the website of the Company at [www.chinavered.com](http://www.chinavered.com) respectively.

The annual report of the Company for the year ended 31 December 2021 will be dispatched to shareholders and be published on the aforementioned websites in due course.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on 1 April 2022 and will remain suspended until the Company fulfils the resumption guidance.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing with the Shares.**

On behalf of the Board  
**China Vered Financial Holding Corporation Limited**  
**Tomohiko Watanabe**  
*Chairman*

Hong Kong, 19 September 2022

*As at the date of this announcement, the Board comprises (1) Mr. Tomohiko Watanabe, Mr. Li Feng, Mr. Ni Xinguang, and Ms. Li Wei as executive Directors; (2) Mr. Zhang Boyang as non-executive Director; and (3) Mr. Wen Yuanhua, Ms. Zhou Hui and Mr. Dong Hao as independent non-executive Directors.*