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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 2022**

The Board (the “Board”) of Directors (the “Directors”) of China Vered Financial Holding Corporation Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (hereinafter together referred as the “Group”) for the year ended 31 December 2022 together with the comparative figures of the corresponding year in 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

		2022	2021
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Interest income		194,900	219,155
Commission and fee income		30,463	69,841
Investment income		18,394	13,544
Total revenue	4,5	243,757	302,540

		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (loss)/gain on financial assets/(liabilities)		(447,279)	455,033
Other (loss)/income		(12,742)	7,599
Trading costs		(11,790)	(17,981)
Staff costs and related expenses		(96,029)	(39,531)
Premises expenses		(17,490)	(22,754)
Legal and professional fees		(22,825)	(10,369)
Depreciation		(4,761)	(10,695)
Information technology expenses		(4,778)	(5,068)
Expected credit losses (“ECL”)		(174,675)	(496,587)
Other operating expenses		(29,333)	(27,474)
Net losses on disposal of subsidiaries		–	(4,089)
Impairment of goodwill		(10,792)	–
Impairment of intangible assets		(700)	–
Share of post-tax loss of associates		(39,440)	(12,000)
Finance costs		(1,991)	(12,154)
		<u> </u>	<u> </u>
(Loss)/profit before income tax	6	(630,868)	106,470
Income tax credit/(expense)	7	8,060	(36,290)
		<u> </u>	<u> </u>
(Loss)/profit for the year		<u>(622,808)</u>	<u>70,180</u>
(Loss)/profit attributable to:			
— Owners of the Company		(623,263)	71,189
— Non-controlling interests		455	(1,009)
		<u> </u>	<u> </u>
		<u>(622,808)</u>	<u>70,180</u>
		<i>HK Cents</i>	<i>HK Cents</i>
		<i>per share</i>	<i>per share</i>
(Loss)/earnings per share attributable to owners of the Company			
Basic (loss)/earnings per share	9	<u>(1.89)</u>	<u>0.22</u>
Diluted (loss)/earnings per share	9	<u>(1.89)</u>	<u>0.22</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
Note	HK\$'000	HK\$'000
(Loss)/profit for the year	(622,808)	70,180
Other comprehensive (loss)/income		
<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	(201,266)	(383,924)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change in fair value on debt investments at fair value through other comprehensive income, net of tax	(110,864)	(418,597)
Net change in ECL allowances on debt instruments at fair value through other comprehensive income	179,289	345,844
Reclassified to profit or loss on disposal of debt instruments at fair value through other comprehensive income	6,866	24,261
Exchange differences on translation of foreign operations	(36,692)	(6,508)
Release of reserves upon disposal of subsidiaries	—	(43,435)
Other comprehensive loss for the year, net of tax	(162,667)	(482,359)
Total comprehensive loss for the year	(785,475)	(412,179)
Total comprehensive loss for the year attributable to:		
— Owners of the Company	(785,110)	(408,038)
— Non-controlling interests	(365)	(4,141)
	(785,475)	(412,179)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		3,079	9,244
Right-of-use assets		10,743	2,455
Goodwill		5,079	15,871
Other intangible assets		902	1,602
Investments in associates		72,138	93,356
Rental and other deposits		3,130	3,215
Financial assets at fair value through profit or loss	<i>10</i>	1,906,019	1,894,785
Financial assets at fair value through other comprehensive income	<i>11</i>	376,103	417,566
Financial assets at amortised cost		–	33,765
Deferred tax assets		127,277	156,622
		<hr/>	<hr/>
Total non-current assets		2,504,470	2,628,481
Current assets			
Margin receivables and other trade receivables	<i>12</i>	77,553	72,364
Other receivables, prepayments and deposits		30,934	134,608
Loan and interest receivables	<i>13</i>	117,723	124,588
Other interest receivables		22,354	31,803
Financial assets at fair value through profit or loss	<i>10</i>	487,814	911,303
Financial assets at fair value through other comprehensive income	<i>11</i>	59,361	556,589
Financial assets at amortised cost		35,562	45,145
Tax receivables		716	894
Deposits with brokers		99,427	181,175
Cash and cash equivalents		1,028,332	780,823
		<hr/>	<hr/>
Total current assets		1,959,776	2,839,292
		<hr/>	<hr/>
Total assets		4,464,246	5,467,773

	2022	2021
<i>Note</i>	HK\$'000	<i>HK\$'000</i>
EQUITY		
Equity attributable to owners of the Company		
Share capital	14 4,454,374	4,454,374
Other reserves	(74,786)	87,061
(Accumulated losses)/retained earnings	<u>(230,012)</u>	<u>393,251</u>
	4,149,576	4,934,686
Non-controlling interests	<u>5,624</u>	<u>5,989</u>
Total equity	<u>4,155,200</u>	<u>4,940,675</u>
LIABILITIES		
Non-current liabilities		
Lease liabilities	2,619	–
Deferred tax liabilities	<u>1,749</u>	<u>8,030</u>
Total non-current liabilities	<u>4,368</u>	<u>8,030</u>
Current liabilities		
Accruals and other payables	107,273	70,819
Loan and interest payables	–	163,189
Margin payables	–	9,164
Financial liabilities at fair value through profit or loss	10 70,615	115,785
Current tax liabilities	118,064	157,322
Lease liabilities	<u>8,726</u>	<u>2,789</u>
Total current liabilities	<u>304,678</u>	<u>519,068</u>
Total liabilities	<u>309,046</u>	<u>527,098</u>
Total equity and liabilities	<u>4,464,246</u>	<u>5,467,773</u>
Net current assets	<u>1,655,098</u>	<u>2,320,224</u>
Total assets less current liabilities	<u>4,159,568</u>	<u>4,948,705</u>

Notes:

1. STATUTORY FINANCIAL STATEMENTS

The financial information relating to the years ended 31 December 2022 and 2021 included in this announcement of 2022 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 2021 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 2022 in due course.

The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2022. 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 for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the Companies Ordinance Cap. 622. 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 2022:

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to HKAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37
- Annual Improvements to HKFRS Standards — 2018–2020 cycle; and
- Reference to the Conceptual Framework — Amendments to HKFRS 3

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 2022 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 2022

	Reportable segment				Total HK\$'000	Unallocated amount HK\$'000 (Note)	Total HK\$'000
	Asset management HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Investment banking HK\$'000			
Interest income	784	5,892	182,257	-	188,933	5,967	194,900
Commission and fee income	22,946	959	5,591	658	30,154	309	30,463
Investment income	-	-	18,394	-	18,394	-	18,394
Revenue from external customers	23,730	6,851	206,242	658	237,481	6,276	243,757
Net loss on financial assets/liabilities	-	-	(447,279)	-	(447,279)	-	(447,279)
	<u>23,730</u>	<u>6,851</u>	<u>(241,037)</u>	<u>658</u>	<u>(209,798)</u>	<u>6,276</u>	<u>(203,522)</u>
Segment profit/(loss) before income tax	<u>7,210</u>	<u>(2,256)</u>	<u>(516,003)</u>	<u>(2,217)</u>	<u>(513,266)</u>	<u>(117,602)</u>	<u>(630,868)</u>
Other segment information:							
Depreciation of property, plant and equipment	(10)	(212)	(436)	-	(658)	(4,103)	(4,761)
Depreciation of right-of-use assets	-	-	-	-	-	(8,310)	(8,310)
(Reversal of)/provision for ECL allowances	-	4	(174,679)	-	(174,675)	-	(174,675)
Impairment of goodwill	-	(10,792)	-	-	(10,792)	-	(10,792)
Impairment of intangible assets	-	(700)	-	-	(700)	-	(700)
Staff costs and related expenses	(10,027)	(5,248)	(17,993)	(2,683)	(35,951)	(60,078)	(96,029)

For the year ended 31 December 2021

	Reportable segment				Total HK\$'000	Unallocated amount HK\$'000 (Note)	Total HK\$'000
	Asset management HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Investment banking HK\$'000			
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 of property, plant and equipment	(53)	(390)	(508)	-	(951)	(9,744)	(10,695)
Depreciation of right-of-use assets	-	-	-	-	-	(10,115)	(10,115)
(Reversal of)/provision for ECL allowances	-	31	(496,618)	-	(496,587)	-	(496,587)
Staff costs and related expenses	(10,332)	(10,560)	(23,120)	(2,053)	(46,065)	6,534	(39,531)

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

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

For the year ended 31 December 2022

	Hong Kong HK\$'000	The PRC HK\$'000	Japan HK\$'000	Canada HK\$'000	Total HK\$'000
Revenue from external customers	228,271	5,284	9,530	672	243,757
Net loss on financial assets/liabilities	(375,883)	(64,046)	(7,350)	–	(447,279)
	<u>(147,612)</u>	<u>(58,762)</u>	<u>2,180</u>	<u>672</u>	<u>(203,522)</u>

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>

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

	2022 HK\$'000	2021 HK\$'000
Hong Kong	30,034	26,206
The PRC	61,840	96,234
Japan	11	12
Canada	56	76
	<u>91,941</u>	<u>122,528</u>

5. REVENUE

	2022 HK\$'000	2021 HK\$'000
<i>Interest income:</i>		
Interest income from loan lending business (<i>note i</i>)	2,986	14,901
Interest income from margin financing business (<i>note i</i>)	5,595	4,730
Interest income from investments in debt instruments classified as financial assets at amortised cost (<i>note i</i>)	3,584	23,427
Interest income from financial assets at fair value through other comprehensive income (<i>note i</i>)	126,481	122,397
Interest income from financial assets at fair value through profit or loss	48,911	51,803
Other interest income	7,343	1,897
	<u>194,900</u>	<u>219,155</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Commission and fee income (note ii):</i>		
Advisory fee income	8,607	12,222
Commission income from securities brokerage	1,269	433
Loan arrangement fee income	390	1,200
Fee income received from asset management	20,040	53,171
Underwriting fee income	157	2,815
	<u>30,463</u>	<u>69,841</u>
<i>Investment income:</i>		
Dividend income	18,394	13,544
	<u>18,394</u>	<u>13,544</u>
	<u>243,757</u>	<u>302,540</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\$138,646,000 (2021: HK\$165,455,000).

Note ii: Commission and 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 arising from contract with customers recognised at a point of time and over time were revenue of HK\$2,660,000 (2021: HK\$14,230,000) and HK\$27,803,000 (2021: HK\$55,611,000) respectively.

6. (LOSS)/PROFIT BEFORE INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit before income tax has been arrived at after charging/(crediting):		
Auditors' remuneration	2,980	2,800
Loss on disposal of property, plant and equipment	2	–
Written-off of property, plant and equipment	1,391	–
(Reversal of)/provision for ECL allowances		
— loan and interest receivables	(40,940)	36,632
— margin receivables	(4)	(31)
— financial assets at amortised cost	34,415	98,559
— financial assets at fair value through other comprehensive income	179,289	345,844
— other interest receivables	1,915	15,583
	<u>174,675</u>	<u>496,587</u>
Foreign exchange loss/(gain), net	<u>15,377</u>	<u>(7,463)</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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% (2021: 25%).

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax		
— charge for the year	–	99,288
— overprovision for prior year	(32,671)	(4,653)
PRC Enterprise Income Tax		
— charge for the year	–	63
— under/(over) provision for prior year	55	(55)
Overseas income tax		
— charge for the year	1,109	362
— overprovision for prior year	(2)	(474)
Deferred tax		
— charge/(credit) for the year	24,503	(56,482)
— overprovision for prior year	(1,054)	(1,759)
	<u>(8,060)</u>	<u>36,290</u>
Income tax (credit)/expense	<u>(8,060)</u>	<u>36,290</u>

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: HK\$Nil).

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$623,263,000 (2021: profit of HK\$71,189,000) and the weighted average number of ordinary shares of approximately 32,979,049,000 (2021: 32,983,714,000) in issue during the year (excluding the ordinary shares purchased by the Company under the share award plan).

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share amount was the same as basic (loss)/earnings per share amount as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2022 and 31 December 2021.

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 and financial liabilities at fair value through profit or loss include the followings:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial assets at fair value through profit or loss		
Unlisted equity investments	1,461,173	1,620,791
Unlisted investment funds	402,590	389,825
Unlisted debt investment	90,674	–
Listed equity investments	358,856	530,555
Listed debt investments	66,790	228,590
Unlisted notes	–	21,415
Convertible loan	13,750	14,912
	<u>2,393,833</u>	<u>2,806,088</u>
Classified as:		
Non-current assets	1,906,019	1,894,785
Current assets	487,814	911,303
	<u>2,393,833</u>	<u>2,806,088</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial liabilities at fair value through profit or loss		
Payable to holders of non-controlling interests in unlisted consolidated investment fund	70,615	115,785
	<u>70,615</u>	<u>115,785</u>
Classified as:		
Current liabilities	70,615	115,785
	<u>70,615</u>	<u>115,785</u>

The investments in unlisted investment funds of HK\$402,590,000 (2021: HK\$389,825,000) as above represent investments in unconsolidated structured entities. The maximum exposure to loss is HK\$402,590,000 (2021: HK\$389,825,000) which represents the fair value as at 31 December 2022.

The size of these unconsolidated structured entities is HK\$2,656,136,000 (2021: HK\$1,788,530,000).

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 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 2022, 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 zero (2021: zero). As at 31 December 2022, the original cost of investment in the Fund amounted to HK\$139,007,000 and was fully written-off (2021: the original cost of investment in the Fund amounted to HK\$139,007,000 with an accumulated fair value loss of HK\$139,007,000). According to the financial information of the Fund, it was noted that the Fund invested into two segregated portfolios (the “Subject Fund A” and the “Subject Fund B”) through its master fund, Shareholder Value Fund (the “Master Fund”). The investments in the Subject Fund A and the 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 from a Fund’s investor and was then aware that the Master Fund’s liquidity was insufficient to meet such redemption request due to the lock-up restrictions in the Subject Fund A and the Subject Fund B. In March 2022, an independent investigation committee was established and resolved to appoint an independent consultant to investigate into the investment and nature, existence and valuation of the underlying assets of such investment (the “Investigation”). The Investigation completed in September 2022. Further details in respect of key findings of the Investigation are set out in the announcement of the Company dated 13 September 2022 and note 19 to the consolidated financial statements of the Annual Report 2021 under heading “Investment in Shareholder Value Offshore Fund”.

During the year and up to date of the approval of the consolidated financial statements, the Group has taken various actions to obtain documentary evidence and used its best efforts to promote the recovery of the Fund’s investment in relation to the Subject Fund A and the Subject Fund B. The Group obtained the fund statements of the Subject Fund A and the Subject Fund B as at 31 December 2022 from the fund manager (the “Third Party Manager A”), and the net asset value of Subject Fund A and Subject Fund B as reported in the fund statements amounted to a negative value and zero respectively. The Group, through CVAM, had visited the office of the Third Party Manager A in an attempt to reach out to the relevant responsible officer of the Third Party Manager A to obtain further information regarding the details of underlying investments and discuss the recovery of investment in the Subject Fund A and the Subject Fund B. However, the Third Party Manager A had rejected such requests. The Group further sought legal advices on the Group’s rights under the fund documents. The Group tried to implement possible actions on the recovery of the investments based on the legal advices but was not successful. The Group concluded that it could not effectively exercise its rights as an investor to redeem or to gain access to information over the investment currently and the Group was no longer able to derive any beneficial interests in terms of its indirect investments in the Subject Fund A and the Subject Fund B through the Master Fund and/or the Fund. Therefore, the interests in the Subject Fund A and the Subject Fund B were considered unrecoverable. As the Subject Fund A and the Subject Fund B no longer brought any residual value to the Group, the Group’s interest in the Fund (including its interests in the Subject Fund A and the Subject Fund B) was fully written off.

The Group would continue to implement best efforts and take all possible actions to the recovery of the Fund’s investment in relation to the Subject Fund A and the Subject Fund B in order to maximise the recoverable amount of the Group’s interests in the Fund.

Investment in Fund C

As at 31 December 2021, the financial assets also included an investment in an unlisted investment fund, Fund C, which was managed by a licensed asset manager (an independent third party to the Group) (the “Third Party Manager B”), whose carrying value amounted to approximately HK\$167,796,000. The original cost of investment in Fund C amounted to approximately HK\$147,272,000 with an accumulated fair value gain of approximately HK\$20,524,000. According to the financial information of Fund C, it was noted that the main underlying assets included an investment in unlisted bond made by the Third Party Manager B. During the year ended 31 December 2022, the Group has requested for redemption of Fund C and completed redemption with an overall realised gain of approximately HK\$13,236,000 on the investment in Fund C recognised in profit or loss.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial assets at fair value through other comprehensive income			
Listed debt investments	(a)	60,349	588,644
Listed equity investments	(b)	228,467	62,545
Unlisted investment funds	(c)	146,648	322,966
		435,464	974,155
Classified as:			
Non-current assets		376,103	417,566
Current assets		59,361	556,589
		435,464	974,155

Notes:

- (a) 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 2022 amounted to HK\$561,300,000 (2021: HK\$382,011,000) with an increase in ECL allowances of HK\$179,289,000 (2021: HK\$345,844,000) recognised in the consolidated statement of profit or loss during the year.

- (b) The Group designated these investments at fair value through other comprehensive income as the investments are held for long term strategic purposes.
- (c) The investments in unlisted investment funds of HK\$146,648,000 (2021: HK\$322,966,000) as above represent investments in unconsolidated structured entities which are held for long term for strategic purpose. The maximum exposure to loss is HK\$146,648,000 (2021: HK\$322,966,000) which represents the fair value as at 31 December 2022.

The size of these unconsolidated structured entities is HK\$178,261,000 (2021: HK\$391,452,000).

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.

Investment in Fund D

As at 31 December 2022, the financial assets included an investment in unlisted investment fund (the “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\$160,000 (31 December 2021: HK\$5,618,000).

According to the financial information of the Fund D, it was noted that the underlying assets included certain securities investment and a substantial portion of investments in two loans made by the Third Party Manager C. The Group identified that one of the two loans was made to a party related to the Third Party Manager C. The Group has considered such nature in light of related party transaction with the fund manager and covered matters pertaining to the Fund D in the scope of the Investigation. One of the loans was granted to a company owned by a director of the Third Party Manager C (the “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 (the “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 aggregate outstanding balance of the Loan A and the Loan B with their interest receivables amounted to approximately HK\$57,648,000 as at 31 December 2021. A full impairment on the relevant loans and interest receivables of HK\$57,648,000 was made and included in the fair value loss recognised in other comprehensive income during the year ended 31 December 2021.

During the year ended 31 December 2022 and up to date of the approval of the consolidated financial statements, the Group has continued to request the Third Party Manager C to provide the latest financial information of the two borrowers of the Loan A and the Loan B, and the Group had received certain financial information of the borrowers. The Group had also obtained the latest fund statement for the Fund D as at 31 December 2022. The Third Party Manager C confirmed they have provided all available information related to the Loan A and the Loan B and the Group has performed search on the corporate background, credit history and other available information of the borrowers.

In September 2022, the Group submitted a written request for the redemption of the Fund D based on the subscription agreement. The Third Party Manager C requested for the extension of redemption date, however, the Group rejected such extension request. Subsequently, the Third Party Manager C confirmed that they would formulate a plan to realise existing assets of the Fund D to implement the redemption. Based on the assessment of the realisation of underlying assets made by the Third Party Manager C, the listed equity securities would be realised at their fair values but, after further discussion with the borrowers, the Loan A and Loan B might not be repaid upon redemption request.

After conducting all the steps as mentioned above and taking into account all available information obtained and the recovery efforts implemented, the Group considered the recoverable amount of the Loan A and Loan B was minimal and accordingly, the Group assessed the carrying value of the loans and interest receivables recorded in Fund D as fully impaired and recorded as fair value loss. The fair value of the remaining net assets, including cash and other securities investment less liabilities recorded in the Fund D, was approximately HK\$0.2 million as at 31 December 2022.

The Group would continue to implement all possible recovery efforts on the redemption in the Fund D and the recovery of the Loan A and the Loan B in order to maximise the recoverable amount of the Fund D.

Investment in Fund E

As at 31 December 2022, the financial assets also included an investment in unlisted investment fund, Fund E, which was managed by a licensed asset manager (an independent third party to the Group) (the “Third Party Manager D”), whose carrying value amounted to approximately HK\$146,488,000 (2021: HK\$317,348,000). The original cost of investment in Fund E amounted to approximately HK\$584,150,000 (2021: HK\$564,149,000) with an accumulated fair value loss of approximately HK\$437,662,000 (2021: HK\$246,801,000). According to the financial information of Fund E, it was noted that the underlying assets invested by Third Party Manager D included a substantial part of investments in listed equity securities under banking and finance sector and remaining part of investment in a loan receivable. The Group is now taking active measures including discussion with Third Party Manager D for redemption of investment and/or recovery of any investment loss.

12. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Margin receivables	120,200	106,490
Less: ECL allowances	(63,566)	(63,570)
	56,634	42,920
Trade receivables arising from asset management business	17,969	26,629
Trade receivables arising from underwriting business	2,950	2,815
	77,553	72,364

Loans to margin clients are secured by clients' pledged Hong Kong-listed securities at fair value of HK\$583,609,000 (2021: HK\$270,587,000) 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 2022 amounted to HK\$63,566,000 (2021: HK\$63,570,000 with a decrease in ECL allowances of HK\$4,000 (2021: decrease in provision of HK\$31,000) 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 receivables is short-term and the directors are of the opinion that no further aging analysis is disclosed.

Trade receivables arising from asset management business are mainly due at the end of the relevant valuation period of the investment funds and managed accounts. However, some of these trade receivables are only due after the relevant valuation period as a result of credit periods granted to certain investment funds and managed accounts which are generally within three months.

Trade receivables arising from asset management business are generally deducted from the net asset value of the investment funds and managed accounts and paid directly by the administrator or custodian of the investment funds and managed accounts at the end of the relevant valuation period or credit period, as appropriate. There was no provision for impairment on trade receivables arising from asset management business as at 31 December 2022 (2021: Nil).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–90 days	4,125	10,032
91 days to 1 year	16,794	19,412
	20,919	29,444

The carrying amounts of the margin receivables approximate to their fair values.

The carrying amounts of other trade receivables approximate to their fair values due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the other trade receivables. The Group did not hold any collateral as security as at 31 December 2022 (2021: Nil).

13. LOAN AND INTEREST RECEIVABLES

As at 31 December 2022, these loan receivables bore interest at fixed rate of 15% per annum (31 December 2021: 8.9%). Interest income derived from loan receivables was recognised and presented under “Interest income” in the consolidated statement of profit or loss.

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 amounts approximate to their fair values.

ECL allowances as at 31 December 2022 amounted to HK\$260,266,000 (2021: HK\$301,206,000) with a decrease in ECL allowances of HK\$40,940,000 (2021: an increase in ECL allowances of HK\$36,632,000) was recognised in the consolidated statement of profit or loss during the year.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Not past due or less than 1 month past due	3,730	173,355
1–3 months past due	–	–
3–6 months past due	–	–
6–12 months past due	–	–
Over 12 months past due	<u>374,259</u>	<u>252,439</u>
	377,989	425,794
Less: ECL allowances	<u>(260,266)</u>	<u>(301,206)</u>
	<u><u>117,723</u></u>	<u><u>124,588</u></u>

14. SHARE CAPITAL

	2022		2021	
	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	4,454,374	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>4,454,374</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

On 7 June 2022, 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, as a 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, the Fund was also included as a defendant.

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.

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 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 to this announcement and no disciplinary action has been initiated by any regulatory authorities up to the date of this announcement. The Group has not made any provision for the aforementioned contingency.

Save as disclosed above, as at 31 December 2022, the Group and the Company did not have any significant contingent liabilities (2021: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Looking back on the past year, the Russia-Ukraine conflict led to intensification in global tensions. The Federal Reserve raised interest rates consecutively due to global inflation caused by regional conflicts and the pushing for decoupling and severing supply chains among the PRC and the U.S. Reversal of USD led to serious fluctuations in the global market, and various countries experienced economic recession. Under the impact of pandemic prevention and control, the economic growth of the PRC was way below the target set in the beginning of the year. As the bridgehead into the opening up of the PRC as well as the international financial centre with the highest level of internationalization, the financial market of Hong Kong has experienced serious fluctuations.

In respect of market conditions, looking back on 2022, for the first time in 50 years, the Hong Kong market experienced the rare “triple kill” in the stock market, bond market and foreign exchange market. Due to global financial instability, the global IPO market has been sluggish in 2022. In aggregate, 836 new stocks were listed in Hong Kong, the U.S. and Mainland China. The fund-raising amount of IPO of U.S. stocks recorded a year-on-year decrease of approximately 90%. The Hong Kong IPO market has also been sluggish with aggregate fund-raising amount of HK\$104.57 billion, representing a year-on-year decrease of 68%. 90 new stocks were listed throughout the year, representing a year-on-year decrease of 8%. However, as there was a lack of large-scale IPO in the market, the decrease in fund-raising amount was much more significant than the decrease in the number of new stocks. The Hang Sang Index has continued to decline since the start of 2022 and dropped below 15,000 in late October, being the lowest level since 2009. Yet, the market sentiment of the Hong Kong stock market has improved since November. Hence, the decrease throughout the year has been narrowed. The total amount of Chinese funded offshore bonds issued in 2022 was approximately US\$165.753 billion, representing a year-on-year decrease of 43.63%, in which the amount of urban investment bonds was approximately US\$48.203 billion. Offshore capital market has been active, and the number of newly issued bonds recorded a year-on-year increase of 27.88%. Due to credit risk incidents and tightened liquidity, the financing of real estate companies was under disruption, and the scale of bond issue recorded a year-on-year decrease of 67.35%. Under the impact of decline in global stock market and bond market, the Exchange Fund of the Hong Kong Monetary Authority recorded severe loss as well.

BUSINESS REVIEW

Looking back on 2022, against the backdrop of vigorous fluctuations of the global market and the sluggish condition of the Hong Kong financial market, the Company focused on risk prevention and control as well as liquidity management in 2022. In response to adjustments in anti-pandemic policies, changes in economic conditions and divergence of the market, the Company continued to enhance asset allocation and added equity investment funds and special opportunities funds with quality underlying assets, recovered secondary market bonds due and disposed of the stocks held by the Company as appropriate.

In terms of financial performance, the investment business of the Company was affected by the sluggish market performance. The net loss incurred due to the change in the fair value of equity securities and bond investments held by the Company and the partial disposal of such securities and investments, while there was an increase in the provision for impairment of expected credit losses on bond investments and loans. The aforementioned factors negatively affected the revenue for the year of the Company with negative operational revenue and results. Meanwhile, due to the abovementioned loss and decrease in difference in foreign exchange translation, the equity owned by the owners of the Company also decreased. The Company considered that the decline in performance was mainly due to the macroeconomic impact, especially the impact of the Chinese real estate bond and stock markets, which was limited and temporary. Otherwise, the overall financial position of the Company remained stable.

Notably, in view of the downward trend of the real estate industry, in 2022, the Company strictly adhered to “double reduction” strategy, i.e. “cutting down fixed-income asset proportion” and “lowering concentration risk associated with real estate sector”, and strategically and intentionally disposed of assets with potential risk before the risk is realised. The Company outperformed most of its peers, and there was no material adverse impact on the results.

Meanwhile, as the bonds invested in early days and fixed return investment reached maturity in 2022, the short term liquidity of the Company has improved. Cash balance as at the end of the year increased as compared with that in the beginning of the year, and the liquidity of the Company remained sufficient.

Due to the failure to release the 2021 audited results within the stipulated time, the Company has suspended trading on 1 April 2022. The Company is making every effort to promote the resumption of trading in accordance with the requirements of the resumption guidance of the Stock Exchange and will disclose any subsequent progress made. Also, we apologize for any inconvenience caused to all investors.

PROSPECT

The Hong Kong economy experienced serious market fluctuations in 2022. The stock, bond and foreign exchange markets underperformed. As the anti-pandemic policy in Mainland China has been relaxed in the fourth quarter, the strong market rebound redeemed the previous market decline. Following the stabilization of the Chinese economy in the beginning of 2023 and launch of a series of favorable policies in Hong Kong, it is expected that the Hong Kong economy will regain its growth momentum.

Looking forward to 2023, the raise of interest rates by the Federal Reserve may end in the second half of the year, causing recovery in the overseas market. Meanwhile, the Chinese economy has re-entered the expansion phase. The stock market, bond market and exchange rate of RMB are expected to strengthen. Against this backdrop, the Hong Kong stock market may perform well in 2023. In terms of IPO, more China concept stocks are expected to be listed in Hong Kong by way of A+H, thus enhancing the city's position as a "super-connector" of mainland China and the world. Meanwhile, enhancement in the relevant listing regime will facilitate absorption of international capital by mainland enterprises.

In addition, Hong Kong owns one of the top financial derivatives market in Asia. As the risk management center of Asia and the largest offshore RMB clearing centre, Hong Kong will play a more significant role in the interest rate swap market by collaboration with the infrastructure institute of the Mainland and become one of the largest cross-border wealth management centres in the world.

Meanwhile, the financial market of Hong Kong will be more innovative in 2023. In terms of green finance, in 2022, the first carbon futures ETF was listed on the HKEX and the Core Climate international carbon market trading platform of the HKEX was launched, where transactions can be denominated in both HKD and RMB. It is expected that the transaction scale will be further increased in 2023. In addition, the HKEX actively promotes the popularization and enhancement of the ESG concept, and it is expected that the scale of ESG funds and issue of ESG bonds will be further increased in 2023. In terms of fin tech, the first encrypted asset ETF was listed on the HKEX in the end of 2022. Although the regulatory authorities of Hong Kong are still prudent when dealing with virtual assets, as one of the participants of the digital currency pilot project of the People's Bank of China, Hong Kong can continue to enlarge the scope and amount of digital RMB transactions. In addition, the breakthrough in artificial intelligence and core technologies such as Web3 will greatly promote fintech development in Hong Kong.

In view of the co-existence of risks and opportunities in the macroeconomic market, 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 strive to become an international professional financial services institution with market influence based on the unique market advantage of Hong Kong and future development direction. Meanwhile, we will continue to expand its business in Japan and Canada, etc. to improve our financial management capabilities and asset utilisation 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 descent. 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 Globalisation 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 maximising the interests of all our shareholders and investors.

FINANCIAL REVIEW

For the year ended 31 December 2022, the consolidated revenue of the Group was approximately HK\$243,757,000 (2021: HK\$302,540,000), representing a decrease of approximately 19% as compared with the corresponding period last year, mainly due to decrease on fee income from asset management business as a result of volatile investment market.

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 2022 and 2021

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Change
Interest income	194,900	219,155	(11%)
Commission and fee income	30,463	69,841	(56%)
Investment income	18,394	13,544	36%
	<u> </u>	<u> </u>	<u> </u>
Total revenue	<u>243,757</u>	<u>302,540</u>	<u>(19%)</u>

The Group recorded a loss of approximately HK\$622,808,000 for the year ended 31 December 2022 (2021: profit of HK\$70,180,000), which was mainly due to the net effects of the following factors:

- (i) net loss on investments with amount of approximately HK\$447,279,000 recorded for the year ended 31 December 2022 (2021: net gain of HK\$455,033,000);
- (ii) a decrease in revenue by approximately HK\$58,783,000 for the reasons mentioned above;
- (iii) an increase in share of loss of associates with amount of approximately HK\$39,440,000 recorded for the year ended 31 December 2022 (2021: HK\$12,000,000); and
- (iv) a decrease in provision for ECL allowances on financial assets with amount of approximately HK\$174,675,000 recorded for the year ended 31 December 2022 (2021: HK\$496,587,000).

The total operating costs (including staff costs, premises expenses, legal and professional fees, depreciation, information technology expenses, finance costs, trading costs and other operating costs) for the year ended 31 December 2022 was approximately HK\$188,997,000 (2021: HK\$146,026,000), representing an increase of approximately 29.4% which was due primarily to a reversal of provision for certain staff costs recorded for the year ended 31 December 2021 which no longer took place for the year ended 31 December 2022.

On financial position and cash flows:

- the Group's total assets were approximately HK\$4,464,246,000 as at 31 December 2022 (as at 31 December 2021: HK\$5,467,773,000), representing a decrease of approximately 18.4%; and
- net cash inflows/(outflows) from operating activities, investing activities and financing activities were approximately HK\$473,946,000, HK\$(18,315,000) and HK\$(177,096,000) respectively for the year ended 31 December 2022 (2021: HK\$501,616,000, HK\$(2,765,000) and HK\$(350,962,000) 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 loss attributable to owners of the Company of approximately HK\$623,263,000 for the year ended 31 December 2022 as compared to a profit of approximately HK\$71,189,000 for the year ended 31 December 2021.

Loan and interest receivables balance arising from lending business decreased to approximately HK\$117,723,000 as at 31 December 2022 (as at 31 December 2021: HK\$124,588,000).

Based on HKFRS 9 ECL assessment on margin receivables, loan and interest receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income and other interest receivables, the Group recognised an aggregate ECL allowance of approximately HK\$174,675,000 in consolidated statement of profit or loss for the year ended 31 December 2022 (2021: HK\$496,587,000). ECL allowances to total margin receivables, loan and interest receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income and other interest receivables ratio was approximately 79.4% as at 31 December 2022 (as at 31 December 2021: 49.7%). 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 2022, the Group's gearing ratio (total debt to total equity) was 0% (as at 31 December 2021: approximately 3.5%). 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 2022, the Group's cash and bank balances amounted to approximately HK\$1,028,332,000 (as at 31 December 2021: HK\$780,823,000). The current ratio as at 31 December 2022 was approximately 643.2% (as at 31 December 2021: 547.0%), 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 HK\$Nil as at 31 December 2022 (as at 31 December 2021: HK\$172,353,000). Based on the level of total debt to total equity of the Group, the Group's gearing ratio stood at a healthy level of 0% as at 31 December 2022 (as at 31 December 2021: approximately 3.5%). During the year under review, the Group's borrowings were mainly denominated in US dollars, and had remaining average maturity periods of less than one year. The Group's cash and cash equivalents were 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, debt instruments at fair value through other comprehensive income and other interest receivables, the Group recognised a (reversal of)/provision for ECL allowances of approximately HK\$(40,940,000), HK\$(4,000), HK\$34,415,000, HK\$179,289,000 and HK\$1,915,000 respectively in consolidated statement of profit or loss for the year ended 31 December 2022 (2021: HK\$36,632,000, HK\$(31,000), HK\$98,559,000, HK\$345,844,000 and HK\$15,583,000 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 2022.

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 2022, the Group has 75 employees (as at 31 December 2021: 83 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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profit or loss	–	132,977
Financial assets at fair value through other comprehensive income	–	72,573
Financial assets at amortised cost	–	45,145
	<hr/>	<hr/>
Total charges on Group's assets	<u>–</u>	<u>250,695</u>

As at 31 December 2021, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost were bonds and stocks pledged as collateral for the Group's borrowings.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 December 2022 and 2021 are set out in note 15 to this announcement.

CAPITAL COMMITMENTS

The Group has entered into contracts to commit investing into certain unlisted investment funds. The non-cancellable capital commitment as at 31 December 2022 is approximately HK\$292,829,000 (as at 31 December 2021: HK\$442,935,000).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group had no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2022.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Throughout the period under review, the Company has complied with the Code Provisions of the CG Code, save for the Code Provision C.2.1 which is explained below.

Under the Code Provision C.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. During 2022, Mr. Tomohiko Watanabe served as both the chairman and the chief executive officer of the Company until 30 September 2022.

With effect from 30 September 2022, Mr. Tomohiko Watanabe resigned as the chief executive officer of the Company, and Mr. Li Feng was appointed as the chief executive officer of the Company. With effect from 5 December 2022, Mr. Tan Zhenyu had been appointed as an executive director of the Company, the chairman of the Board and the chairman of the nomination committee of the Company (the "Nomination Committee"), while Mr. Tomohiko Watanabe had resigned as an executive director of the Company, the chairman of the Board and the chairman of the Nomination Committee. Subsequent to the above changes, the Company has been in compliance with the Code Provision C.2.1.

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 2022.

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 27 March 2023 and attended by Ms. Zhou Hui, Mr. Dong Hao and Mr. Wen Yuanhua, who have reviewed the annual results for the year ended 31 December 2022.

SCOPE OF WORK OF MAZARS CPA LIMITED

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 2022 as set out in this announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft audited consolidated financial statements for the year. The work performed by Mazars CPA Limited 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 Mazars CPA Limited on the 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 2022. 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 financial position of the Group as at 31 December 2022, and of its financial performance and 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 (the “HKICPA”) and have been properly prepared in compliance with the Companies Ordinance.

Basis for Qualified Opinion

A. Investment in an offshore fund

As disclosed in note 20 to the consolidated financial statements, the Group has invested in a fund, namely Shareholder Value Offshore Fund (the “Fund”), which was managed by the Group's asset management subsidiary, at an initial investment cost of approximately HK\$139.0 million. It has been accounted for as financial asset at fair value through profit or loss. 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. The Master Fund invested in certain listed securities and two subject funds (the “Subject Fund A” and the “Subject Fund B”) managed by a third-party fund manager, by in-specie subscription of two leveraged notes and certain listed shares.

As at 31 December 2022, the Group held around 31.7% interest in the Fund, and the carrying value of the Fund was determined by the directors to be zero (2021: zero) with relevant accumulated fair value loss on investment of approximately HK\$139.0 million (2021: loss of approximately HK\$139.0 million).

As explained in note 20 to the consolidated financial statements, during the year ended 31 December 2022 and up to the date of approval of the consolidated financial statements, the Group has taken various actions to obtain documentary evidence and implement best efforts to the recovery of the Fund's investment in relation to the Subject Fund A and the Subject Fund B. However, after taking all possible actions the Group could not successfully redeem and access the investment and the Group concluded that it was no longer able to derive any beneficial interests in terms of their indirect investments in the Subject Fund A and the Subject Fund B through the Master Fund, therefore, the interests in the Subject Fund A and the Subject Fund B were considered unrecoverable and the Group's interest in the Fund (including its interests in the Subject Fund A and the Subject Fund B) was fully written off as a result of loss of control on economic resources to the Subject Fund A and the Subject Fund B as at 31 December 2022 notwithstanding the carrying amount of the Fund had become zero as at 31 December 2021.

Despite the above, given the lack of sufficient appropriate audit evidence to evaluate the fair value of the Fund (including the underlying investments of the Subject Fund A and the Subject Fund B) as at 31 December 2021, we were unable to verify the opening carrying value of the Fund as at 1 January 2022 and the timing of the relevant loss on investment recognised in relation to the Fund. Therefore, we were unable to determine whether any adjustments to the opening carrying value of the Fund as at 1 January 2022 and the relevant loss on investment recognised in respect of the Fund for the years ended 31 December 2021 and 2022 were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2022.

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

As disclosed in note 21 to the consolidated financial statements, the Group has invested in 100% interest in a fund (the "Fund D") which has been accounted for as financial asset at fair value through other comprehensive income. The Fund D has been managed by a third-party fund manager. As at 31 December 2022, the carrying value of the Fund D was determined by the directors to be approximately HK\$0.2 million (2021: approximately HK\$5.6 million) and a fair value loss of approximately HK\$5.4 million (2021: approximately HK\$59.0 million) was recognised by the Group during the year ended 31 December 2022.

As explained in note 21 to the consolidated financial statements, during the year ended 31 December 2022 and up to the date of approval of the consolidated financial statements, the Group has taken various actions to determine the fair value of the Fund D, including the assessment on the recoverable amount of the two underlying loans held by the Fund D. After conducting all relevant legal and recovery actions and taking into account the available information obtained, the Group considered the recoverable amount of the two underlying loans held by the Fund D was minimal and accordingly, the Group assessed the carrying value of the loans and interest receivables recorded in Fund D should be fully impaired. While for the remaining net assets, including cash and other securities investment, less liabilities, the fair value was approximately HK\$0.2 million as at 31 December 2022.

Despite the above, given the lack of sufficient appropriate audit evidence to evaluate the recoverable amount of the two underlying loans held by the Fund D as at 31 December 2021, we were unable to verify the opening carrying value of the Fund D as at 1 January 2022 and the timing of the fair value loss recognised in respect of the impairment assessment on the underlying loans held by the Fund D. Therefore, we were unable to determine whether any adjustments to the opening carrying value of the Fund D as at 1 January 2022 and the fair value loss recognised during the years ended 31 December 2021 and 2022 in respect of the Fund D resulted from impairment assessment of the underlying loans were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2022.

We conducted our audit in accordance with Hong Kong Standards on Auditing 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 are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding a) whether any adjustments were necessary on the opening carrying value of the Fund as at 1 January 2022 and relevant loss on investments for the years ended 31 December 2022 and 2021; and b) whether any adjustments were necessary in respect of the opening carrying value of the Fund D as at 1 January 2022 and the fair value loss for the years ended 31 December 2022 and 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

There were no significant events after the year ended 31 December 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities.

ANNUAL GENERAL MEETING

The 2023 annual general meeting (the “2023 AGM”) is expected to be held in May 2023. A further announcement in relation to the date of the 2023 AGM and the closure of register of members will be published in accordance with the Listing Rules.

PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk under “Latest Listed Company Information” and on the website of the Company at www.chinavered.com respectively.

The annual report of the Company for the year ended 31 December 2022 will be dispatched to the 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 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
Tan Zhenyu
Chairman

Hong Kong, 27 March 2023

As at the date of this announcement, the Board comprises (1) Mr. Tan Zhenyu, Mr. Li Feng and Mr. Ni Xinguang as executive directors of the Company; (2) Mr. Zhang Boyang as non-executive director of the Company; and (3) Mr. Wen Yuanhua, Ms. Zhou Hui and Mr. Dong Hao as independent non-executive directors of the Company.