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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)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “Board”) of directors (the “Directors”) of China Vered Financial Holding Corporation Limited (the “Company”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
		2022	2021
	Note	HK\$'000	HK\$'000
Interest income		130,025	114,725
Commission and fee income		16,196	15,669
Investment income		3,752	4,372
<b>Total revenue</b>	4,5	<b>149,973</b>	<b>134,766</b>
Net (loss)/gain on financial assets/liabilities		(241,584)	288,150
Other income		1,673	4,956
Trading costs		(8,020)	(11,167)
Staff costs and related expenses		(43,891)	(47,181)
Premises expenses		(10,088)	(11,838)
Legal and professional fees		(8,520)	(4,425)
Depreciation		(3,659)	(5,494)
Information technology expenses		(2,508)	(2,455)
Expected credit losses (“ECL”)	7	(119,462)	(19,843)
Other operating expenses		(12,744)	(13,132)
Share of post-tax (loss)/profit of associates		(17,604)	10,192
Finance costs	8	(1,632)	(7,897)
<b>(Loss)/profit before income tax</b>	4	<b>(318,066)</b>	<b>314,632</b>
Income tax credit/(expense)	6	17,994	(58,867)
<b>(Loss)/profit for the period</b>		<b>(300,072)</b>	<b>255,765</b>

		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>(Loss)/profit attributable to:</b>			
— Owners of the Company		<b>(300,010)</b>	257,268
— Non-controlling interests		<b>(62)</b>	(1,503)
		<u><b>(300,072)</b></u>	<u>255,765</u>
		<b><i>HK Cents</i></b>	<b><i>HK Cents</i></b>
		<b><i>per share</i></b>	<b><i>per share</i></b>
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
<b>Basic (loss)/earnings per share</b>	<i>10</i>	<u><b>(0.91)</b></u>	<u>0.78</u>
<b>Diluted (loss)/earnings per share</b>	<i>10</i>	<u><b>(0.91)</b></u>	<u>0.78</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(Loss)/profit for the period</b>	<b>(300,072)</b>	255,765
<b>Other comprehensive (loss)/income</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net change in fair value of equity instruments at fair value through other comprehensive income	<b>(264,663)</b>	(307,041)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change in fair value of debt instruments at fair value through other comprehensive income	<b>(98,124)</b>	(32,729)
Net change in ECL allowances on debt instruments at fair value through other comprehensive income	<b>87,986</b>	17,331
Reclassified to profit or loss on disposal of debt instruments at fair value through other comprehensive income	<b>7,729</b>	–
Exchange differences on translation of foreign operations	<b>(28,718)</b>	(91)
<b>Other comprehensive loss for the period</b>	<b>(295,790)</b>	(322,530)
<b>Total comprehensive loss for the period</b>	<b>(595,862)</b>	(66,765)
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
— Owners of the Company	<b>(594,895)</b>	(68,351)
— Non-controlling interests	<b>(967)</b>	1,586
	<b>(595,862)</b>	(66,765)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)**

AS AT 30 JUNE 2022

		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,528	9,244
Right-of-use assets		14,892	2,455
Goodwill		15,871	15,871
Other intangible assets		1,602	1,602
Investments in associates		92,416	93,356
Rental and other deposits		3,215	3,215
Financial assets at fair value through profit or loss	11	1,984,949	1,894,785
Financial assets at fair value through other comprehensive income	12	254,258	417,566
Financial assets at amortised cost		–	33,765
Deferred tax assets	6	176,239	156,622
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>2,548,970</b>	<b>2,628,481</b>
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Margin receivables and other trade receivables	13	111,089	72,364
Financial assets at fair value through profit or loss	11	629,811	911,303
Financial assets at fair value through other comprehensive income	12	231,658	556,589
Financial assets at amortised cost		50,561	45,145
Loan and interest receivables	14	110,735	124,588
Other interest receivables		15,304	31,803
Tax receivables		933	894
Other receivables, prepayments and deposits		30,850	134,608
Deposits with brokers		504,457	181,175
Cash and cash equivalents		454,757	780,823
		<hr/>	<hr/>
<b>Total current assets</b>		<b>2,140,155</b>	<b>2,839,292</b>
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets</b>		<b>4,689,125</b>	<b>5,467,773</b>
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		4,454,374	4,454,374
Other reserves		(207,824)	87,061
Retained earnings		93,241	393,251
		<u>4,339,791</u>	<u>4,934,686</u>
Non-controlling interests		5,022	5,989
		<u>4,344,813</u>	<u>4,940,675</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	6	5,965	8,030
Lease liabilities		7,023	–
		<u>12,988</u>	<u>8,030</u>
<b>Total non-current liabilities</b>			
		<u>12,988</u>	<u>8,030</u>
<b>Current liabilities</b>			
Accruals and other payables		76,742	70,819
Loan and interest payables	15	–	163,189
Margin payables		7,232	9,164
Financial liabilities at fair value through profit or loss	11	78,314	115,785
Current tax liabilities		160,471	157,322
Lease liabilities		8,565	2,789
		<u>331,324</u>	<u>519,068</u>
<b>Total current liabilities</b>			
		<u>331,324</u>	<u>519,068</u>
<b>Total liabilities</b>			
		<u>344,312</u>	<u>527,098</u>
<b>Total equity and liabilities</b>			
		<u>4,689,125</u>	<u>5,467,773</u>

*Notes:*

## **1 GENERAL INFORMATION**

China Vered Financial Holding Corporation Limited (the “Company”) was incorporated in Hong Kong with limited liability. The address of the Company’s registered and business office is 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong.

The Company has its primary listing 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 condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The financial information relating to the year ended 31 December 2021 that is included in the condensed consolidated financial statements for the six months ended 30 June 2022 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year 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) is as follows:

The Company has delivered the consolidated 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 Hong Kong Companies Ordinance (Cap. 622).

The Company’s predecessor auditor had reported on those consolidated financial statements. The auditor’s report was qualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report. It also contained a statement under section 407(2) and 407(3) of the Hong Kong Companies Ordinance (Cap.622). The auditor’s report did not contain a statement under sections 406(2) of the Hong Kong Companies Ordinance (Cap. 622).

## **2 BASIS OF PREPARATION**

The condensed consolidated financial statements for the six months ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the “Group”).

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and in compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated financial statements were reviewed by the Audit Committee. The Board of Directors of the Company has approved the condensed consolidated financial statements for issue on 31 January 2023.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 3 ACCOUNTING POLICIES

The accounting policies applied in preparing these condensed consolidated financial statements are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2021, as disclosed in the Annual Report for 2021.

#### (a) New and amended standards adopted by the Group

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

- (a) Proceeds before Intended Use — Amendments to HKAS 16
- (b) Cost of Fulfilling a Contract — Amendments to HKAS 37
- (c) Annual Improvements to HKFRSs — 2018–2020 Cycle
- (d) Reference to the Conceptual Framework — Amendments to HKFRS 3

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### (b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the current 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 condensed consolidated financial statements.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2022 and 2021 is as follows:

### Six months ended 30 June 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	-	2,563	127,343	-	129,906	119	130,025
Commission and fee income	12,706	718	2,124	500	16,048	148	16,196
Investment income	-	-	3,752	-	3,752	-	3,752
Revenue from external customers	12,706	3,281	133,219	500	149,706	267	149,973
Net loss on financial assets/liabilities	-	-	(241,584)	-	(241,584)	-	(241,584)
	<u>12,706</u>	<u>3,281</u>	<u>(108,365)</u>	<u>500</u>	<u>(91,878)</u>	<u>267</u>	<u>(91,611)</u>
Segment profit/(loss) before income tax	<u>3,382</u>	<u>(1,286)</u>	<u>(271,709)</u>	<u>(1,317)</u>	<u>(270,930)</u>	<u>(47,136)</u>	<u>(318,066)</u>
Other segment information:							
Depreciation	(10)	(119)	(221)	-	(350)	(3,309)	(3,659)
Staff costs and related expenses	<u>(5,058)</u>	<u>(2,549)</u>	<u>(9,234)</u>	<u>(1,399)</u>	<u>(18,240)</u>	<u>(25,651)</u>	<u>(43,891)</u>

### Six months ended 30 June 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	-	8,108	106,414	-	114,522	203	114,725
Commission and fee income	14,932	737	-	-	15,669	-	15,669
Investment income	-	-	4,372	-	4,372	-	4,372
Revenue from external customers	14,932	8,845	110,786	-	134,563	203	134,766
Net gain/(loss) on financial assets/liabilities	-	-	289,683	-	289,683	(1,533)	288,150
	<u>14,932</u>	<u>8,845</u>	<u>400,469</u>	<u>-</u>	<u>424,246</u>	<u>(1,330)</u>	<u>422,916</u>
Segment profit/(loss) before income tax	<u>4,743</u>	<u>(5,272)</u>	<u>361,685</u>	<u>(845)</u>	<u>360,311</u>	<u>(45,679)</u>	<u>314,632</u>
Other segment information:							
Depreciation	(28)	(228)	(252)	-	(508)	(4,986)	(5,494)
Staff costs and related expenses	<u>(5,740)</u>	<u>(6,336)</u>	<u>(9,045)</u>	<u>(780)</u>	<u>(21,901)</u>	<u>(25,280)</u>	<u>(47,181)</u>

*Note:* The “unallocated amount” primarily included unallocated interest income, service fee income and expenditures for head office operations as well as interest expenses incurred 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:

**Six months ended 30 June 2022**

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Japan <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	144,969	1,333	3,451	220	149,973
Net loss on financial assets/liabilities	(196,913)	(44,671)	-	-	(241,584)
	<u>(51,944)</u>	<u>(43,338)</u>	<u>3,451</u>	<u>220</u>	<u>(91,611)</u>

**Six months ended 30 June 2021**

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Japan <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	130,008	2,028	2,668	62	134,766
Net gain/(loss) on financial assets/liabilities	336,818	(48,668)	-	-	288,150
	<u>466,826</u>	<u>(46,640)</u>	<u>2,668</u>	<u>62</u>	<u>422,916</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:

	<b>30 June 2022</b> <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>
Hong Kong	35,214	26,206
The PRC	95,020	96,234
Japan	7	12
Canada	68	76
	<u>130,309</u>	<u>122,528</u>

## 5 REVENUE

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Interest income:</i>		
Interest income from loan lending business	<b>1,780</b>	8,208
Interest income from margin financing business	<b>2,487</b>	7,835
Interest income from investments in debt instruments classified as financial assets at amortised cost	<b>2,170</b>	14,798
Interest income from financial assets at fair value through other comprehensive income	<b>85,731</b>	57,825
Interest income from financial assets at fair value through profit or loss	<b>37,443</b>	24,993
Other interest income	<b>414</b>	1,066
	<u><b>130,025</b></u>	<u>114,725</u>
<i>Commission and fee income:</i>		
Advisory fee income	<b>2,409</b>	696
Commission income from securities brokerage	<b>866</b>	158
Loan arrangement fee income	<b>390</b>	–
Fee income from asset management, net	<b>12,531</b>	14,815
	<u><b>16,196</b></u>	<u>15,669</u>
<i>Investment income:</i>		
Dividend income	<b>3,752</b>	4,372
	<u><b>3,752</b></u>	<u>4,372</u>
	<u><b>149,973</b></u>	<u>134,766</u>

## 6 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period 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% (six months ended 30 June 2021: 25%).

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong Profits Tax		
— charge for the period	<b>3,192</b>	47,233
— underprovision for prior year	–	509
PRC Enterprise Income Tax		
— charge for the period	–	2
— underprovision/(overprovision) for prior year	<b>59</b>	(55)
Overseas income tax		
— charge for the period	<b>6</b>	8
— overprovision for prior year	<b>(2)</b>	(492)
Deferred tax		
— (credit)/charge for the period	<b>(21,249)</b>	11,662
	<u><b>(17,994)</b></u>	<u>58,867</u>
Income tax (credit)/expense	<u><b>(17,994)</b></u>	<u>58,867</u>

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the end of the reporting period.

The following is the analysis of the deferred tax balances for financial reporting purpose:

	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Deferred tax assets	<b>176,239</b>	156,622
Deferred tax liabilities	<b>(5,965)</b>	(8,030)
	<u><b>170,274</b></u>	<u>148,592</u>

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses <i>HK\$'000</i>	Fair value change <i>HK\$'000</i>	Depreciation allowances <i>HK\$'000</i>	ECL allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	88,265	–	–	–	88,265
Credited/(charged) to profit or loss	68,172	(10,297)	(354)	720	58,241
Credited directly to equity	1,959	–	–	–	1,959
Exchange difference arising from translation of foreign operations	–	127	–	–	127
At 31 December 2021 and 1 January 2022	158,396	(10,170)	(354)	720	148,592
Credited/(charged) to profit or loss	18,695	2,876	–	(322)	21,249
Exchange difference arising from translation of foreign operations	–	433	–	–	433
At 30 June 2022	<u>177,091</u>	<u>(6,861)</u>	<u>(354)</u>	<u>398</u>	<u>170,274</u>

## 7 EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>ECL recognised/(reversed) in profit or loss during the period</b>		
— Loan and interest receivables	<b>4,871</b>	(10,862)
— Margin receivables	<b>15</b>	5,225
— Financial assets at amortised cost	<b>19,764</b>	(726)
— Debt investments at fair value through other comprehensive income	<b>87,986</b>	26,206
— Other interest receivables	<b>6,826</b>	–
	<u><b>119,462</b></u>	<u>19,843</u>

## 8 FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Finance costs on leverage note	671	1,998
Finance costs on loan payables	–	1,526
Finance costs on repurchase agreements	616	1,499
Finance costs on margin payables	219	2,396
Finance costs on lease liabilities	126	453
Loan arrangement fee	–	25
	<u>1,632</u>	<u>7,897</u>

## 9 DIVIDENDS

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## 10 (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 period attributable to owners of the Company of approximately HK\$300,010,000 (six months ended 30 June 2021: profit of HK\$257,268,000) and the weighted average number of ordinary shares of approximately 32,979,049,000 (six months ended 30 June 2021: 32,984,549,000) in issue during the period (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 six-month period ended 30 June 2022 and 30 June 2021.

## 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and financial liabilities at fair value through profit or loss include the following:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
<b>Financial assets at fair value through profit or loss</b>		
Unlisted equity investments	<b>1,619,663</b>	1,620,791
Unlisted investment funds	<b>461,579</b>	389,825
Convertible loan	<b>12,641</b>	14,912
Listed equity investments	<b>364,581</b>	530,555
Listed debt investments	<b>156,296</b>	228,590
Unlisted notes	–	21,415
	<u><b>2,614,760</b></u>	<u>2,806,088</u>
Classified as:		
Non-current assets	<b>1,984,949</b>	1,894,785
Current assets	<b>629,811</b>	911,303
	<u><b>2,614,760</b></u>	<u>2,806,088</u>
	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
<b>Financial liabilities at fair value through profit or loss</b>		
Payable to holders of non-controlling interests in unlisted consolidated investment fund	<b>78,314</b>	115,785
	<u><b>78,314</b></u>	<u>115,785</u>
Classified as:		
Current liabilities	<b>78,314</b>	115,785
	<u><b>78,314</b></u>	<u>115,785</u>

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

As at 30 June 2022, the investment in unlisted investment funds included 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 Nil (31 December 2021: Nil). The original cost of investment in the Fund amounted to HK\$139,007,000 (31 December 2021: HK\$139,007,000) with an accumulated fair value loss of HK\$139,007,000 (31 December 2021: 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 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 and resolved to appoint an independent consultant (the “Independent Consultant”) to investigate into the investment and nature, existence and valuation of the underlying assets of such investment. The independent investigation completed in September 2022. Please refer to 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” in respect of key findings of the independent investigation.

As at 30 June 2022 and 31 December 2021, taking into account the uncertainty on the recoverability of Subject Fund A and Subject Fund B and accordingly, the Group assessed the carrying value of the investment in the Fund as fully written down. The Group is taking various actions through CVAM to obtain documentary evidence in relation to the Subject Fund A and the Subject Fund B. Up to the date of this announcement, the above actions are still on-going and the assessment on the carrying value of the investment in the Fund remains unchanged.

In addition, on 7 June 2022, 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, as defendants. Subsequently, on 5 August 2022, the Fund was also included as a defendant. Please refer to Note 16 to this results announcement for additional disclosures regarding the contingent liabilities.

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
<b>Financial assets at fair value through other comprehensive income</b>		
Listed equity investments	<b>126,946</b>	62,545
Listed debt investments	<b>236,998</b>	588,644
Unlisted investment funds	<b>121,972</b>	322,966
	<b>485,916</b>	974,155
Classified as:		
Non-current assets	<b>254,258</b>	417,566
Current assets	<b>231,658</b>	556,589
	<b>485,916</b>	974,155

ECL allowances attributable to debt investments at fair value through other comprehensive income as at 30 June 2022 amounted to HK\$469,997,000 (31 December 2021: HK\$382,011,000). The increase in ECL allowances of HK\$87,986,000 (six months ended 30 June 2021: increase of HK\$26,206,000) was recognised in the condensed consolidated statement of profit or loss during the period.

### Investment in Fund D

As at 30 June 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\$4,204,000 (31 December 2021: HK\$5,618,000). 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. Please refer to Note 20 to the consolidated financial statements of the Annual Report 2021 under heading “Investment in Fund D” for further details of these two loans.

As at 30 June 2022 and 31 December 2021, considered that the recoverability of the two loans made by Fund D was highly uncertain and accordingly, the Group 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 the full write-down on the abovementioned loans and interest receivables of HK\$57,648,000. 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. Up to the date of this announcement, the above actions are still on-going and the assessment on the carrying value of the investment in Fund D was still measured at the net asset value of Fund D adjusted for full write-down on the abovementioned loans and interest receivables.



### 13 MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	<b>30 June 2022</b>	31 December 2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Margin receivables	<b>159,644</b>	106,490
Less: ECL allowances	<b>(63,585)</b>	(63,570)
	<b>96,059</b>	42,920
Trade receivables arising from the business of asset management	<b>12,230</b>	26,629
Trade receivables arising from the business of underwriting	<b>2,800</b>	2,815
	<b>111,089</b>	72,364

Loans to margin clients are secured by client's pledged Hong Kong-listed securities at fair value of HK\$511,011,000 (31 December 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 attributable to margin receivables as at 30 June 2022 amounted to HK\$63,585,000 (31 December 2021: HK\$63,570,000). The increase in ECL allowances of HK\$15,000 (six months ended 30 June 2021: increase of HK\$5,225,000) was recognised in the condensed consolidated statement of profit or loss during the period.

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:

	<b>30 June 2022</b>	31 December 2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
0–90 days	<b>12,230</b>	10,032
91 days to 1 year	<b>2,800</b>	19,412
	<b>15,030</b>	29,444

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

## 14 LOAN AND INTEREST RECEIVABLES

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

	<b>30 June 2022</b>	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not past due or less than 1 month past due	<b>41,755</b>	173,355
1–3 months past due	–	–
3–6 months past due	–	–
6–12 months past due	<b>122,618</b>	–
Over 12 months past due	<b>252,439</b>	252,439
	<hr/>	<hr/>
	<b>416,812</b>	425,794
Less: ECL allowances	<b>(306,077)</b>	(301,206)
	<hr/>	<hr/>
	<b>110,735</b>	124,588
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2022, these loan receivables bear interest at fixed rates at 8.9% per annum (31 December 2021: 8.9% per annum). Interest income derived from loan receivables was recognised and presented under “Interest income from loan lending business” in Note 5 to this results announcement.

ECL allowances attributable to loan and interest receivables as at 30 June 2022 amounted to HK\$306,077,000 (31 December 2021: HK\$301,206,000). The increase in ECL allowances of HK\$4,871,000 (six months ended 30 June 2021: decrease of HK\$10,862,000) was recognised in the condensed consolidated statement of profit or loss during the period.

## 15 LOAN AND INTEREST PAYABLES

	<b>30 June 2022</b>	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repurchase agreements	–	74,874
Leverage note	–	85,016
Interest payables	–	3,299
	<hr/>	<hr/>
	–	163,189
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2022, there were no outstanding loan payables. As at 31 December 2021, loan payables bore interest at fixed rates ranging from 2.6% to 4.0% per annum.

The above borrowings are repayable as follows:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Within 1 year	<u>–</u>	<u>163,189</u>

As at 31 December 2021, the carrying amount of the pledged bonds at amortised cost was approximately HK\$45,145,000 in respect of repurchase agreements, and the carrying amounts of the pledged bonds classified at fair value through other comprehensive income and a cash collateral arising from the maturity of certain bonds were approximately HK\$72,573,000 and HK\$104,738,000 respectively in respect of leverage note.

## 16 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 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 (collectively the "Claim").

At the end of the reporting period and up to the date of approval of these condensed 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 ("SFC"). It may be required to assist in and/or 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 19 to the consolidated financial statements of the Annual Report 2021 and no disciplinary action has been initiated by any regulatory authorities up to the date of this results announcement. The Group has not made any provision for the aforementioned contingency.

Save as disclosed above, as at 30 June 2022, the Group and the Company did not have any significant contingent liabilities (31 December 2021: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review

In the first half of 2022, the impact of the pandemic and geopolitical events continued to affect the global market. China continued to adopt a dynamic clearing policy in response to the pandemic. Affected by recurring pandemic waves as well as large-scale lockdowns and controls, the industrial production and consumption have been suppressed, while the number of land and real estate transactions has decreased. At the same time, the Russia-Ukraine conflict caused the prices of crude oil and bulk commodities to continue to rise, further pushing up the inflation that was already surging. The Federal Reserve also took the lead in raising interest rates to tamp down severe inflation, and the divergence and consolidation of fiscal and monetary policies in the U.S. and Japan further caused the Japanese yen to depreciate beyond expectations.

Due to the above factors, the U.S. stocks continued to weaken in the first half of the year, marking the worst first-half performance since 1970. Although A-shares and Hong Kong stocks also fell sharply at the beginning of the year, the rebound which started in the end of April has resulted in a significant recovery. As of the close on 30 June, the Shanghai Composite Index fell 6.63% in the first half of the year, while the Hong Kong Hang Seng Index closed down 6.57%.

Looking back on the first half of 2022, the investment business of the Company was severely affected by the poor market performance. The net loss incurred due to the change in the fair value of equity securities and bond investments held by the Group 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 affected the net results and owners' equity of the Company in the first half of the year. 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.

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**

Looking forward to the second half of 2022 and 2023, factors such as stagflation and regional conflicts still have a significant impact on the global economy. Among them, the Chinese economy is still in the transition period of regaining growth momentum. The real estate transformation will continue to cause growth slowdown in the existing economic growth model, the lack of domestic demand and loose monetary policy will further reinforce the economic stagflation, and the boundary effect of the real estate stimulus policy will become more visible. In the absence of other industries that can replace the real estate chain, it is expected that the policy will tend to increase emphasis on real estate sector and stabilize economic growth.

The Company will fully study the economic impact caused by the Federal Reserve's tapering, curbing inflation and the U.S. economic recession, while continuing to pay attention to China's real estate transformation and corresponding policy adjustments, implementing the strategic direction of steady development, strengthening the level of risk management, properly handling existing issues of projects and monitoring projects with potential risk, and at the same time selecting investment projects with stable cash flow. Meanwhile, the Company will continue to expand its business in Mainland China, Japan, Canada and other Asia-Pacific regions, use low-cost funds and our resource advantages in Hong Kong to link the needs of clients in China and the Asia-Pacific region, provide cross-regional international financial services, and improve the investment and financing capabilities in the Asia-Pacific market. Among them, the Japanese subsidiary will continue to establish and launch a series of real estate funds, actively absorb local high-quality financial resources, and enhance fund-raising and investment capabilities.

In the meantime, the Company will be committed to identifying the deficiencies in business operation and governance, and will continue to improve the existing systems and procedures of the Company, refine the internal control process, step up efforts in supervision, and complete the resumption of trading as soon as possible.

## Financial Review

For the six months ended 30 June 2022, the unaudited condensed consolidated revenue of the Group was approximately HK\$149,973,000 (six months ended 30 June 2021: HK\$134,766,000), representing an increase of approximately 11%, mainly due to an increase in interest income from debt investments for the period under review.

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

### Six months ended 30 June 2022 and 2021

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Change
Interest income	<b>130,025</b>	114,725	13%
Commission and fee income	<b>16,196</b>	15,669	3%
Investment income	<b>3,752</b>	4,372	(14%)
	<hr/>	<hr/>	<hr/>
Total revenue	<b>149,973</b>	134,766	11%

The Group recorded a loss of approximately HK\$300,072,000 for the six months ended 30 June 2022, as compared to a profit of HK\$255,765,000 for the six months ended 30 June 2021 ("Corresponding Period"). The loss was mainly attributable to (i) a net loss of approximately HK\$241,584,000 resulted from financial assets and liabilities held by the Group recognised in current interim period as compared to a net gain of approximately HK\$288,150,000 in the Corresponding Period; (ii) an increase in provision for impairment of financial assets; and (iii) share of loss of associates mainly due to investment loss as compared to share of profit in the Corresponding Period.

Total costs (including staff costs, premises expenses, finance costs, trading costs and other operating costs) for the six months ended 30 June 2022 was approximately HK\$91,062,000 (six months ended 30 June 2021: HK\$103,589,000), representing a decrease of approximately 12% which was mainly due to effective cost control measures implemented by the Group on the overall operating expenses for the period under review.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

For the financial position as at 30 June 2022, total assets of the Group were approximately HK\$4,689,125,000 (31 December 2021: HK\$5,467,773,000), representing a decrease of approximately 14.2%. Net cash inflow/(outflow) from operating activities, investing activities and financing activities for the period under review were approximately HK\$(131,653,000), HK\$(16,690,000) and HK\$(165,622,000) (six months ended 30 June 2021: HK\$180,962,000, HK\$(15,449,000) and HK\$(290,855,000)), respectively. Depreciation for property, plant and equipment for the period under review was approximately HK\$3,659,000 (six months ended 30 June 2021: HK\$5,494,000).

### **Employee relations**

As at 30 June 2022, the Group had 77 employees (as at 30 June 2021: 79 employees).

Total staff costs and related expenses for the six months ended 30 June 2022 were approximately HK\$43,891,000 (six months ended 30 June 2021: HK\$47,181,000).

The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management. In addition, the Group adopts a share option scheme and a share award plan for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

### **Liquidity and financial resources**

As at 30 June 2022, the Group's cash and bank balances amounted to approximately HK\$454,757,000 (as at 31 December 2021: HK\$780,823,000). The gearing ratio as at 30 June 2022 (total debts to total equity) was approximately 0.2% (as at 31 December 2021: 3.5%), which indicated that the Group's overall financial position remained strong.

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\$7,232,000 as at 30 June 2022 (as at 31 December 2021: HK\$172,353,000). The Group's borrowings are mainly denominated in US dollars, and have remaining average maturity period of less than 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 period under review.

### **Segment information**

Details of segment information are set out in Note 4 to this results announcement.

### **Capital structure**

There were no changes to the Group's capital structure during the six months ended 30 June 2022.

## Material acquisitions and disposals of subsidiaries and associates

Save as disclosed, the Group had no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2022.

## Charges on Group's assets

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

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Financial assets at fair value through profit or loss	<b>94,116</b>	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	<b><u>94,116</u></b>	<b><u>250,695</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 pledged as collateral for the Group's borrowings.

## Exposure to exchange rate fluctuation and related hedging

The Directors considered that the Group has certain exposures to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of the respective group entities such as Renminbi. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

## Contingent liabilities

Details of the Group's contingent liabilities as at 30 June 2022 and 31 December 2021 are set out in Note 16 to this results announcement.

## Events after the reporting period

On 26 July 2022, a wholly owned subsidiary of the Company purchased senior notes in the nominal amount of US\$2.5 million at a consideration of US\$2.24 million (equivalent to approximately HK\$17.59 million) on the secondary market.

Save as disclosed above and those in Notes 11 and 16 to this results announcement for the details of a legal case, there are no material subsequent events since the end of the reporting period and up to the date of this announcement.



## **CORPORATE GOVERNANCE**

### **Compliance with the Code on Corporate Governance Practices of the Listing Rules**

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 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. 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, 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 CG Code provision of C.2.1.

### **Review of Accounts**

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules.

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and has discussed with the management the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2022.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted 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 of the Board 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 six months ended 30 June 2022.

## **OTHER INFORMATION**

### **Pre-emptive Rights**

There is no provision for pre-emptive rights under the articles of association of the Company which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **PUBLICATION OF RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited (the "HKEx") 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 interim report of the Company for the six months ended 30 June 2022 will be despatched to the shareholders and published on the websites of the HKEx and the Company 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.**

By Order of the Board  
**China Vered Financial Holding Corporation Limited**  
**Tan Zhenyu**  
*Chairman*

Hong Kong, 31 January 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.*