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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)

KEY FINDINGS AND RESULTS OF INTERNAL CONTROL REVIEW

This announcement is made by China Vered Financial Holding Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to (i) the announcement of the Company dated 15 March 2022 in relation to the Investigation; (ii) the announcement of the Company dated 13 May 2022 in relation to the Resumption Guidance; (iii) the quarterly update announcements of the Company dated 30 June 2022, 30 September 2022, 30 December 2022 and 28 March 2023; (iv) the announcement of the Company dated 13 September 2022 in relation to the key findings of the Investigation; (v) the announcement of the Company dated 20 October 2022 in relation to the proposed change of auditor; and (vi) the announcement of the Company dated 22 November 2022 in relation to the recommendation of the Independent Investigation Committee (collectively, the “**Announcements**”).

Unless otherwise defined in this announcement, terms stated herein shall have the same meanings as defined in the Announcements.

KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

As disclosed in the announcement of the Company dated 13 May 2022, the Stock Exchange set forth the Resumption Guidance, among others, requiring the Company to conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules.

As disclosed in the quarterly update announcement of the Company dated 30 September 2022, the Company has engaged Crowe (HK) Risk Advisory Limited (“**Crowe**”) as independent internal control consultant on 29 August 2022 to review the internal control

system of the Group (the “**Internal Control Review**”) for the purpose of evaluating the effectiveness and efficiencies of the internal control environment of the Group, and to recommend improvements and/or measures to strengthen the internal control system.

The board of Directors (the “**Board**”) announces that Crowe has finished the Internal Control Review and has completed follow-up review on the measures adopted by the Company, and has issued a report in respect of the internal control review findings (the “**Internal Control Review Report**”). The results of the Internal Control Review Report and the details (including significant internal control review findings, review recommendation, and implementation of rectification) are summarised as follows:

Subject of internal control findings and comment	Summary of key findings	Current implementation status
Annual undertaking and enhancement on conflict of interest declaration	The Company should obtain annual written commitments from employees to adhere to the latest policies. The declaration of interest should be strengthened with a threshold for sizable transactions and declaration of independence obtained from key personnel. Sample checks of potential conflict of interest should be conducted regularly by an independent department. All employees should sign an annual declaration, and mechanism for prohibiting investments under embargo list should be formulated.	The measures recommended by Crowe has been implemented to enhance the mechanism of monitoring conflicts of interest, including regular commitments documented for directors and senior management of the Group and annual declaration of interest obtained from employees.
Enhancement of internal audit function and risk assessment	The internal audit plan prepared by the internal audit department does not clearly indicate whether it covers both consolidated and unconsolidated funds, and it is not determined based on a risk-based approach due to the lack of written risk assessment records. The Board should review the resources of internal audit function on an annual basis to ensure independence of the existing internal audit function.	The measures recommended by Crowe has been implemented, and the written policies of the internal audit function and risk assessment of the Group have been enhanced. Annual risk assessment report and internal audit plan (including consolidated and unconsolidated funds) have been prepared. Adequacy resources of internal audit function of the Company have been reviewed.

Subject of internal control findings and comment	Summary of key findings	Current implementation status
Enhancement on whistle-blowing channel	The Company has adopted a whistle-blowing policy. However, current reporting channels did not direct concern, report, and issue to the audit committee or a committee comprising a majority of independent non-executive directors, as required by code provision D.2.6 of Appendix 14 of the Listing Rules.	The measures recommended by Crowe has been implemented. Whistle-blowing policy had been enhanced and whistle-blowing email had been set up.
Enhancement on sub-committees	The Company needs to further enhance the sub-committees by establishing a reporting mechanism to the Board, retaining documentation of reporting, summarising key matters discussed by the sub-committees, setting explicit criteria and standards for key matters, and re-evaluating and re-electing the composition of the sub-committees.	The measures recommended by Crowe has been implemented, and the enhanced reporting mechanism and review of the composition of sub-committees have been set in the rules of procedure of the sub-committees.
Enhancement on the authorisation and delegation arrangement	A written policy to govern the authorisation and delegation arrangements from the Board to the management at company and subsidiary levels was not formulated.	The measures recommended by Crowe has been implemented. The Company has set and approved an authorisation matrix and written policy of delegation arrangements at all levels from the Board.
Insufficient supporting documents of assessment on directors and senior management	Initial and annual assessments of directors and senior management are conducted by the remuneration committee and the chief executive officer of the Company, but there is no written policy to govern the current assessment mechanisms, and there are insufficient documentations to ascertain whether there are any issues regarding competence and integrity.	The measures recommended by Crowe has been implemented, and mechanisms for assessment of directors and senior management have been stipulated in written policies. The Company has conducted annual assessment on existing directors and senior management and will conduct initial assessment on new directors and senior management.

Subject of internal control findings and comment	Summary of key findings	Current implementation status
Enhancement on written policies and procedures	Written policies of the Company can be further enhanced, including but not limited to, risk management policy, anti-corruption policy and whistle blowing policy, policy on delegation arrangements, board diversity policy, directors and senior management remuneration and fringe benefits policy, internal and external communication policy and procedure, corporate governance policy, conflict of interest policy, rules of procedure of the sub-committees, authorisation matrix, connected transactions and notifiable transactions policies.	The measures recommended by Crowe has been implemented, and a full set of written policies has been reviewed and enhanced, approved by management, and endorsed by the Board.
Enhancement to the governance, written policies and fund operation manuals	Irregularities occurred due inadequate documentation of delegation arrangement for chairmanship of the relevant sub-committee and unclear investment policy on fund operation. The composition of the relevant sub-committee was also reassigned without proper records. Insufficient segregation of duties was also identified due to manpower limitation. It should have more comprehensive monitoring procedures to assess ability to meet redemption requests. Additionally, the responsible parties for approving all fund expenses, including guarantee fees, were not clearly specified, and there were inadequate procedures for handling subscription in-kind.	The measures recommended by Crowe has been implemented, including enhanced policies with no committee chairmanship delegation, regular review of the relevant sub-committee composition, and reporting line throughout different levels. Internal policies have also been enhanced with assessment and approval processes for fund investments, comprehensive analysis for monitoring liquidity, fund expense procedures, and mechanism of handling subscription-in-kind.
Policy of post investment management not adequately formulated and effectively followed	The internal control procedures for the post investment policy require further strengthening, including tracking investment status, reporting to senior management or committees, and alerting risky investments. There were no explicit procedures for verifying the existence and values of unlisted investment funds and equity investments, and documentation of telephone interviews and site visits was not adequately retained. Deficiencies were noted in the reporting protocol and risk assessment documentation, which should be addressed according to the policy.	Internal control procedures for post-investment management had been strengthened.

Subject of internal control findings and comment	Summary of key findings	Current implementation status
Inadequate controls over initiation and change of fund investments as investor	Inadequate controls over initiation and change of fund investments were identified, including inadequate risk assessment, due diligence on fund managers, and assessment of terms and conditions. The Company should consider strengthening its internal control system with respect to fund investments.	Written policies in terms of the mentioned aspects on initiation and change of fund investment had been enhanced.
Specific policies and procedures for loan lending not formally stipulated	Internal control weaknesses were identified on procedures and policies on loan lending business. Documentation of existing credit worthiness monitoring was not retained properly.	The written loan lending policy had been enhanced for both new and existing loan facilities. Credit worthiness assessment in loan lending business had been implemented.
Procedures for company asset protection needs to be strengthened	Terms of employment on the protection of company assets and rights to recover losses have been included in employment contracts and handbooks, but were considered not sufficient. The Company is advised to enhance the protection of company assets.	The written policy on company asset protection and documentation mechanism had been enhanced. Each department had designated person to monitor the business records.
Lack of comprehensive document retention policy	The data management policy should be strengthened to include a comprehensive document retention policy. During the course of internal control review, certain documents were not available due to lack of a comprehensive document retention policy.	The data management policy had been enhanced with respect to the mentioned aspects. The Company had prepared filing checklists, retained filing register with records of review and performed regular data back-up.
Enhancement on connected transaction management	The Company had insufficient information on connected persons due to the absence of a complete list of connected persons and regular declarations.	The connection transaction policy had been enhanced. The Company prepared connected persons list for identification and monitoring and collected declarations from relevant persons.

Opinions of the Audit Committee and the Board

Having considered the Internal Control Review, the Internal Control Review Report and the measures implemented by the Group, both the Audit Committee of the Company and the Board are of the opinion that the measures recommended by Crowe in the Internal Control Review Report have been implemented and are adequate to address the findings in the Internal Control Review Report. Both the Audit Committee and the Board believed that the Group has strengthened the key internal controls in the business process, and considered that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules.

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 in the securities of the Company.

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

Hong Kong, 28 April 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.