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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)

FULFILLMENT OF THE RESUMPTION GUIDANCE AND RESUMPTION OF TRADING

Financial Adviser to the Company



英皇企業融資有限公司
Emperor Corporate Finance Limited

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 auditors; (vi) the announcement of the Company dated 22 November 2022 in relation to the recommendation of the Independent Investigation Committee; and (vii) the announcement of the Company dated 28 April 2023 in relation to the Internal Control Review (collectively, the **“Announcements”**).

BACKGROUND OF THE SUSPENSION OF TRADING

References are made to the announcements of the Company dated 15, 18, 30 and 31 March 2022, and the Stock Exchange notice dated 1 April 2022 in relation to, among others, the suspension of trading of the shares of the Company (the “**Shares**”) with effect from 9:00 a.m. on 1 April 2022 and matters that PricewaterhouseCoopers, the former auditors of the Company (“**Former Auditors**”) considers as outstanding matters for the audit for the year ended 31 December 2021 (“**Audit Issues**”).

The Former Auditors requested that, among others: (1) the Company shall set up an independent investigation committee that only comprises independent Directors; (2) the independent investigation committee shall appoint an independent professional advisor to conduct an independent investigation (the “**Investigation**”) on, among others, (a) certain investments made by an offshore fund (the “**Fund**”) which is managed by the Group’s asset management subsidiary; and (b) the nature, existence and valuation of the underlying assets of such investments; and (3) the independent investigation committee shall commission and lead the Investigation. As at 31 December 2021, the value of the investment in the Fund by the Group amounted to approximately HK\$136.6 million, representing less than 2.5% of the unaudited consolidated total assets of the Group as at 31 December 2021. As a result, there had been a delay in the publication of the Company’s audited financial results of the Group for the year ended 31 December 2021 (the “**2021 Annual Results**”) and the audited annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”) on or before 31 March 2022 as required under Rule 13.49 of the Listing Rules.

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.

Further to the above, due to the delay in publication of the 2021 Annual Results and the 2021 Annual Report, the Company was unable to publish its interim results for the six months ended 30 June 2022 (the “**2022 Interim Results**”) and the interim report for the six months ended 30 June 2022 (the “**2022 Interim Report**”).

RESUMPTION GUIDANCE

As disclosed in the announcement of the Company dated 13 May 2022, the Company has received a letter from the Stock Exchange setting out the following guidance for the resumption of trading in the Shares (the “**Resumption Guidance**”):

- (i) conduct an appropriate Investigation into the Audit Issues, assess the impact on the Company’s business operation and financial position, announce the investigation findings and take appropriate remedial actions (“**Resumption Guidance 1**”);
- (ii) demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence (“**Resumption Guidance 2**”);

- (iii) publish all outstanding financial results required under the Listing Rules and address any audit modifications (“**Resumption Guidance 3**”);
- (iv) demonstrate its compliance with Rule 13.24 of the Listing Rules (“**Resumption Guidance 4**”);
- (v) 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 (“**Resumption Guidance 5**”); and
- (vi) announce all material information for the Company’s shareholders and investors to appraise the Company’s position (“**Resumption Guidance 6**”).

Resumption Guidance 1

The Company formed an independent investigation committee comprising all independent non-executive Directors (“**Independent Investigation Committee**”) on 18 March 2022 to investigate into the issues causing its trading suspension. As disclosed in the announcement of the Company dated 30 March 2022, the Independent Investigation Committee had resolved to appoint an independent forensic consultant (the “**Independent Consultant**”) and legal advisors in connection with the investigation on the matters pertaining to the Fund and certain other matters (the “**Investigation**”). The Investigation has been completed and an investigation report (the “**Investigation Report**”) has been issued.

The Former Auditors requested that, among others, the Independent Investigation Committee shall, among others, appoint an independent professional advisor to conduct an independent investigation into (a) the investments in two subject funds (“**Subject Fund A**” and “**Subject Fund B**” respectively) by the Shareholder Value Offshore Fund (the “**Fund**”) through its master fund, Shareholder Value Fund (the “**Master Fund**”); and (b) the nature, existence and valuation of the underlying assets of such investments. Both the Fund and the Master Fund were managed by the Group’s asset management subsidiary (“**CVAM**”).

The Investigation was carried out, including but not limited to, the following procedures:

- (a) obtaining and reviewing relevant documents of the Company, CVAM, the Fund and the Master Fund;
- (b) conducting discussions and interviews with relevant employees of the Group and relevant external parties;
- (c) analysing the accounting records and bank documents of the Fund and Master Fund;
- (d) performing keyword searches on relevant electronic data to identify records in relation to the matters such as the investments in Subject Fund A and Subject Fund B and reviewing the same; and
- (e) performing background searches on relevant parties.

Set out below is the summary of the findings of the Investigation:

The Independent Consultant noted that, the former deputy chief executive officer (“**Former Deputy CEO**”) of the Company delegated his role as chairman of asset management committee of CVAM (“**AMC**”) to the former manager-in-charge of management oversight (“**Former OMO**”) of CVAM, which suggests possible conflict of interest.

The Master Fund invested in leverage notes issued by a third-party issuer in August 2019 and March 2020 (the “**1st Leverage Note**” and “**2nd Leverage Note**” respectively, collectively the “**Leverage Notes**”). The Independent Consultant found that the information provided at the AMC meeting approving the 1st Leverage Note was incomplete, while the approval process for the 2nd Leverage Note appeared to be not in line with the internal policy of CVAM. An investment proposal and voting form were circulated to the members of the AMC for review and signature, but no AMC meeting was held.

The Independent Consultant identified several issues with the approval process for investing the Subject Fund A and Subject Fund B. In addition, the terms of Subject Fund A and Subject Fund B were also noted as uncommon compared to another fund invested by the Master Fund. In particular, the Independent Consultant pointed out that (i) the performance fee charged by Subject Fund A (60%) and Subject Fund B (40%) was significantly higher than that charged by the other fund (20%); and (ii) the lock-up period for Subject Fund A (three years with one or two consecutive additional lock-up period(s) of three years) and Subject Fund B (seven years with one additional lock-up period of three years) was significantly longer than that imposed in the other fund (two years). The Independent Consultant considered that the alleged rationale for the investments in Subject Fund A and Subject Fund B were not supported by documentary evidence, and none of the alleged rationale could be independently verified as a sufficient ground for the investments in Subject Fund A and Subject Fund B.

Furthermore, the Independent Consultant was unable to verify the existence and value of the underlying assets of Subject Fund A and Subject Fund B due to missing details from the third party manager (the “**Third Party Manager**”) who managed both Subject Fund A and Subject Fund B. High concentration of investments in these funds appeared inconsistent with the investment objective of the Fund and the Master Fund. The Independent Consultant found no evidence of prior notice to investors regarding the investments in these funds. Additionally, an uncommon guarantee fee arrangement with a personal guarantor (the “**Personal Guarantor**”) was noted, for which the Former OMO of CVAM was solely responsible; whereas the Personal Guarantor is the major shareholder of a listed property developer which the Leverage Notes were linked to its issued bonds. Several instances of suspected misconduct by the Former OMO of CVAM and the Former Deputy CEO of the Company were also noted, including misrepresentation of shares, delegation of the chairmanship of the AMC, and removal of items from CVAM’s office. The Independent Consultant also suspected an undisclosed relationship between the parties involved but found no direct evidence of collusion for an improper purpose.

The Investigation revealed irregularities in the payment of an investment advisory service fee to the Third Party Manager and issues with the investments and loans made by three funds managed by external fund managers. One of the funds invested in loans advanced to two borrowers representing 85% of its total portfolio value, which did not align with its investment strategy, and the borrowing terms appeared too favourable to the borrowers who were related to the fund manager and a former director of the fund. The Investigation also covered other significant investments of the Group, however, no irregularities were identified by the Independent Consultant in this regard.

The Investigation also considered four whistleblowing emails alleging potential misconduct of certain management personnel of the Group and the Independent Consultant concluded that the whistleblowing allegations were unsubstantiated.

In summary, during the Investigation, the Independent Consultant noted that there were irregularities and anomalies in the investments in Subject Fund A and Subject Fund B for which the Former Deputy CEO of the Company and the Former OMO of CVAM were responsible. However, based on the information available to and the work performed by the Independent Consultant, the Independent Consultant (i) did not identify any direct evidence indicating that other management personnel of the Company had colluded with the Former Deputy CEO of the Company and the Former OMO of CVAM; and (ii) except for the records identified and obtained during the Investigation, did not identify any records indicating that there were undisclosed agreements or arrangements entered into between the Company's current or former employees and external parties regarding the outstanding matters for the audit of the financial results for the year ended 31 December 2021.

The Independent Investigation Committee and the Board have reviewed the contents of the Investigation Report and consider that adequate investigative procedures have been carried out by the Independent Consultant to address the Former Auditors' concerns, subject to certain limitations as highlighted in this announcement. For further details of the Investigation, please refer to the announcement of the Company dated 13 September 2022.

Having considered the findings and recommendations set forth in the Report, the Board has taken the following actions up to the date of this announcement:

- (a) reported the matter to the relevant authorities including the Hong Kong Police and the relevant regulatory authorities;
- (b) sought legal advice to consider the actions to be taken against the relevant former employees of the Company/CVAM (including the Former OMO of CVAM and the Former Deputy CEO of the Company);
- (c) seeking legal advice as to whether to take actions against the relevant parties in relation to Subject Fund A and Subject Fund B;
- (d) enhancement to the governance, written policies and manuals of the Group; and
- (e) implemented stringent control measures to monitor the use, retention and destruction of the Company's and CVAM's records.

Furthermore, based on the findings and recommendations from the Independent Consultant, the Company has engaged an independent specialist to carry out an internal control review (the “**Internal Control Review**”) to ensure appropriate measures are put in place to prevent occurrence of similar incidents. Please refer to the section headed “Resumption Guidance 5” for the Internal Control Review and the announcement of the Company dated 28 April 2023 for the details of key findings of the Internal Control Review and remedial actions taken by the Company.

Resumption Guidance 2

The Company and the Board are satisfied that the regulatory concern about management integrity has been addressed, due to the fact that there is no direct evidence showing any misconduct or wrongdoings and grounds of unsuitability on the part of the relevant Board members who remained with the Group to continue to perform their functions and duties. However, notwithstanding the above and for prudent sake and good corporate governance, as disclosed in the announcement of the Company dated 22 November 2022, the Independent Investigation Committee recommended that, in the best interest of the Company and its Shareholders as a whole, the executive Directors whose tenure lasted for more than three years and served as executive Directors during the material period of the relevant incidents shall retire from directorship of the Company. Accordingly, Mr. Tomohiko Watanabe and Ms. Li Wei had accepted the recommendation of the Independent Investigation Committee and resigned as executive Directors with effect from 5 December 2022. Mr. Ni Xinguang did not agree with the recommendation from the Independent Investigation Committee and remained as executive director of the Company. The Investigation revealed that Mr. Ni Xinguang was not directly involved in the incidents, and there was no evidence to suggest that his integrity is in doubt.

Nevertheless, the Company has adopted the recommendation of the Internal Control Consultant (as defined below) to conduct independent background search on the board of directors and senior management of the Company (including Mr. Ni Xinguang), and nothing of concern has been identified in the background search. The Independent Investigation Committee therefore do not consider his integrity is in question. As at the date of this announcement, the executive Directors of the Company comprise of Mr. Tan Zhenyu, Mr. Li Feng and Mr. Ni Xinguang, the majority of which were appointed in 2022 and their tenure with the Company only started after the events covered in the Investigation.

The Board is of the view that each member of the Board would be able to individually and collectively fulfill their duties of skill, care and diligence as required under Rule 3.08 and Rule 3.09 of the Listing Rules.

Meanwhile, the Former OMO and the Former Deputy CEO were dismissed in May 2021 and July 2021, respectively. Save for two staff of CVAM (the “**Relevant CVAM Employees**”), as at the date of this announcement, all other employees of the Group who were under the instructions of the Former OMO and/or the Former Deputy CEO and involved in the events covered in the Investigation had left the Group. Although the Relevant CVAM Employees remain with the Group, their management responsibilities will be taken up by suitably qualified personnel following successful application of the necessary licenses by these personnel.

Taking into account the above, the Board considers that it has fulfilled Resumption Guidance 2.

Resumption Guidance 3

The Company published (i) 2021 Annual Results and 2021 Annual Report on 20 September 2022 and 29 September 2022, respectively; (ii) 2022 Interims Results and 2022 Interim Report on 31 January 2023 and 17 February 2023, respectively; and (iii) the annual results for the year ended 31 December 2022 (“**2022 Annual Results**”) on 27 March 2023 and the annual report for the year ended 31 December 2022 (“**2022 Annual Report**”) on 28 April 2023, respectively, after which the Company has published all outstanding financial results as required under the Listing Rules.

With respect to Resumption Guidance 3, the Company wishes to provide updates that the audit issues raised in the basis for qualified opinion have been resolved as follows:

(a) Investment in an offshore fund

As disclosed in the 2021 Annual Report, the Group has invested in a fund, namely Shareholder Value Offshore 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 the Master Fund, has invested in certain listed securities, as well as Subject Fund A and Subject Fund B managed by a third-party fund manager, by in-specie subscription of two leveraged notes and certain listed shares.

In 2021, the Group’s asset management subsidiary received a redemption request from a third-party investor of the Fund but found a lack of liquidity to fulfill the request due to lock-up restrictions of the Subject Fund A and Subject Fund B invested by the Master Fund. The Company conducted an internal investigation and identified potential irregularities related to the investments in Subject Fund A and Subject Fund B and was unable to obtain details of underlying assets from the third-party fund manager. As a result, the Company established the Independent Investigation Committee and engaged the Independent Consultant to undertake the Investigation on matters pertaining to the Fund. The Independent Consultant completed the Investigation and issued the Investigation Report, which identified irregularities and anomalies related to the investments and business transactions managed by the former manager-in-charge of overall management oversight of the asset management subsidiary and the former senior management of the Company. The irregularities and anomalies included the high concentration of the Fund in Subject Fund A and Subject Fund B, unfavorable terms of Subject Fund A and Subject Fund B, inability to independently verify the rationale for investments, and inability to assess the value and existence of underlying assets. The investigation also revealed close relationships between the former manager-in-charge of overall management oversight, the former senior management and the fund manager of Subject Fund A and Subject Fund B.

The Former Auditors were of the view that the Investigation conducted by the Independent Consultant had limitations in terms of the nature and extent of the procedures conducted. The Independent Consultant was not able to obtain sufficient information directly from the former manager-in-charge of overall management oversight of the asset management subsidiary, the former senior management of the Company, or the fund manager of Subject Fund A and Subject Fund B, which made it difficult to understand the historical business consideration and reasons for the transactions entered by the Master Fund.

Based on the findings of the Investigation and available information, the directors made a judgement to write down the fair value of the investment in the Fund to zero and recognised a loss of HK\$142.3 million in the consolidated income statement of the Group for the year ended 31 December 2021. The Group's management was unable to obtain further information from the Fund or the fund manager of Subject Fund A and Subject Fund B to explain the business rationale and commercial substance of the investments.

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

As disclosed in the 2022 Annual Report, 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 as at 31 December 2022 (2021: zero) with relevant accumulated fair value loss on investment of approximately HK\$139.0 million (2021: loss of approximately HK\$139.0 million).

During the year ended 31 December 2022 and up to the date of approval of the consolidated financial statements for the year ended 31 December 2022, 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 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, thus, the auditors of the Company was also 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, the auditors of the Company was 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.

As discussed with the auditors of the Company on the approach regarding the investor in the Fund, as the investment in the Fund has been fully written off which the carrying amount of such asset is zero, the audit opinion on the fair value of the Fund was not modified in the Company's consolidated statement of financial position as at 31 December 2022, but there was audit modification in the Company's consolidated statement of profit or loss on fair value change for the financial year ended 31 December 2022 due to insufficient audit evidence 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. As such, the auditors of the Company are of the view that there will be no any carrying forward impact on the consolidated financial statements of the Company for the year ending 31 December 2023 and onwards.

(b) Recoverable amount of loans and interest receivables in a fund

As disclosed in the 2021 Annual Report, the Group has invested unlisted investment fund (the “**Fund D**”), which has been accounted for as a financial asset at fair value through other comprehensive income. Fund D has been managed by a third-party fund manager (the “**Third Party Manager C**”). During the year, the directors identified that Fund D's investments included unsecured loans, one of which was related to the fund manager of Fund D. The Independent Consultant identified that Fund D had two unsecured loan receivables with an original maturity in December 2021, totalling HK\$55.0 million, with interest receivables amounting to HK\$2.6 million.

When assessing the fair value of the investment in Fund D as at 31 December 2021, the directors noted that the maturity of the loans and interest receivables were extended to December 2023 by Third Party Manager C. The Directors requested financial information from the respective borrowers of Loan A and Loan B (as defined below), but such request has been declined by Third Party Manager C. Considering the unsecured nature and uncertainty of repayment ability of the respective borrowers, the Directors estimated that a full write-down of the two loans and interest receivable with a total amount of HK\$57.6 million should be made, which was included in the fair value loss of HK\$59.0 million in the consolidated statement of comprehensive income for the year ended 31 December 2021.

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

As disclosed in the 2022 Annual Report, during the year ended 31 December 2022 and up to the date of approval of the consolidated financial statements for the year ended 31 December 2022, 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. 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 related to corporate background, credit history and other available aspect on the borrowers. The Group would continue to implement all possible recovery efforts on the redemption in the Fund D and the recovery of the two underlying loans in order to maximise the recoverable amount of the Fund D.

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 included matters pertaining to the Fund D as part 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. 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.

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, thus, the auditors of the Company were unable to verify the opening carrying value of the Fund D as at 1 January 2022 and the timing of fair value loss recognised in respect of the impairment assessment on the underlying loans held by the Fund D. Therefore, the auditors were unable to determine whether any adjustments to the opening carrying value of the Fund D as at 1 January 2022 and 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.

As discussed with the auditors of the Company, since the Company obtained all available information from the Third Party Manager C which confirmed that they had provided all the documents they possessed, qualified opinion in this regard was not required. However, audit modification in respect of the timing of impairment loss/write-off in respect of the two underlying loans held by the Fund D was necessary, thus the opening carrying value of the Fund D as at 1 January 2022 was qualified. As the carrying amount of the two underlying loans held by the Fund D was zero as at 1 January 2022 which has been fully written down, the auditors of the Company are of the view that there will be no audit modification on the matters for the year ending 31 December 2023 and onwards.

Based on the above, the Company has addressed all the audit modifications and is of the view that the audit modifications mainly resulted from the Fund and the Fund D. Since (i) the carrying amounts of the Fund and the two loans made by the Fund D were fully written off; (ii) the Group conducted the Investigation and the Internal Control Review and implemented the remedial actions, the Board is of the view that the audit modifications have been fully addressed and the Company is expecting an unqualified audit opinion for the financial year ending 31 December 2023. As such, the Board considers that the Company has fulfilled Resumption Guidance 3.

Resumption Guidance 4

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.

The Company mainly derives its income through interest income, commission and fee income and investment income from its asset management and consultancy services, financing services, securities advisory and securities brokerage services. Further, since the Company possesses significant amounts of financial assets in its portfolio, the fair value change in such financial assets is accounted for the profit and loss of the Company. The Board considers that the Company's business activities are viable and sustainable. Since 2020, the Company has been actively developing its asset management business in Mainland China, Japan and Canada, and the Group has achieved breakthroughs in these markets in 2021 and 2022. The Group's revenue is mainly derived from business activities in Hong Kong, Mainland China, Japan and Canada. The Company's revenue generating ability has remained strong over the years.

Based on the fact that (i) the business activities of the Group are viable and sustainable; (ii) the Group's business activities have a sizeable operating scale and a long historical track record; (iii) the Group has sufficient assets to support its business operations; and (iv) the Group's business is of substance and has good prospect, the Company considers it has fulfilled this Resumption Guidance on compliance with Rule 13.24 of the Listing Rules.

Resumption Guidance 5

Following the incidents in relation to the matters arising from the Investigation, the Company carried out self-review on internal controls in 2021 and identified deficiencies in the management of CVAM, and, without violating the operational independence of licensed corporations, adopted the following measures to strengthen oversight of CVAM's operation by referencing to industry practice:

- (a) dismissal of relevant persons directly involved in the matters leading to the Investigation;
- (b) strengthening oversight of CVAM's operations, immediately after dismissal of certain relevant employees, the board of directors of CVAM was expanded from two members to three members. Additionally, the head of the risk management department of the Company was appointed as a director to supervise the operation of CVAM;
- (c) ensuring that relevant functional departments of the Group were aware of all contract approval and payment applications, including non-consolidated funds, where CVAM was required to strictly follow the internal approval process of the Company. In particular, the legal review process of the Group must be completed before executing all external contracts of CVAM;
- (d) CVAM was required to immediately address issues identified during the self-review, including revising the terms of reference of the AMC and rules and procedures of asset management business. Additionally, the composition of the AMC and investment management process was specified; and

- (e) the composition of the managers-in-charge of CVAM and members of the AMC were reviewed, with a focus on filling relevant positions with representatives from functional departments of the Group such as finance, compliance, and risk management. The job responsibilities, qualifications, and requirements of each function were more clearly defined.

Furthermore, Crowe (HK) Risk Advisory Limited (“**Crowe**”) was engaged by the Company as independent internal control consultant (the “**Independent Internal Control Consultant**”) on 29 August 2022 to conduct 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.

Crowe has completed the Internal Control Review and follow-up review on the measures adopted by the Company and issued an internal control review report (the “**Internal Control Review Report**”). Having considered the Internal Control Review, the Internal Control Review Report and the measures implemented by the Group, details of which were set out in the announcement of the Company dated 28 April 2023, 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 has been implemented and are adequate to address the findings in the Internal Control Review Report.

Crowe has issued comfort letter to the Company that the enhanced internal control system is satisfactory. 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.

Shareholders are advised to read the announcement of the Company dated 28 April 2023 for the key findings of the Internal Control Review and remedial actions taken by the Company.

Resumption Guidance 6

The Directors confirm that to the best of their knowledge, information and belief, save as disclosed in this announcement and the announcements and publications previously made by the Company including but not limited to the announcements in relation to the resumption guidance, key findings of the Investigation, key findings of the Internal Control Review, 2021 Annual Results, 2021 Annual Report, 2022 Interim Results, 2022 Interim Report, 2022 Annual Results and 2022 Annual Report, there is no other material information that needs to be disclosed pursuant to any of the requirements set out in the Listing Rules, nor are there any other matters that need to be brought to the attention of the shareholders and potential investors of the Company in connection with the Resumption Guidance, and the Directors are not aware of any other inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as at the date of this announcement. The Company will continue to inform the market of all material information as and when appropriate.

The Board considers that the actions taken by the Company as disclosed above are in the best interest of the Company and the Shareholders as a whole. The Company believes that it has taken all reasonable steps to demonstrate its fulfillment of the resumption guidance that (i) the Company has published all outstanding financial results and adequately addressed the audit modifications; and (ii) announcing all material information for the Company's shareholders and potential investors to appraise the position of the Company. As such, the Board considers that it has fulfilled Resumption Guidance 6.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 1 April 2022. As the Resumption Guidance has been fulfilled, an application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 29 May 2023.

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, 25 May 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.