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China Vered Financial Holding Corporation Limited

中薇金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

INSIDE INFORMATION SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO SUSPENSION OF DUTIES AND POWERS OF THE CHAIRMAN AND ORIGINATING SUMMONS

This announcement is made by China Vered Financial Holding Corporation Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited 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).

References are made to the announcement of the Company dated 22 February 2024 in relation to, among other matters, the suspension of duties and powers of Ms. Lin Le (“**Ms. Lin**”) as the chairman of the board of directors of the Company (the “**Board**”), and the announcement of the Company dated 29 February 2024 in relation to the originating summons issued by Ms. Lin (the “**Announcements**”). Unless otherwise specified, capitalised terms used in this announcement have the same meanings defined in the Announcements.

As at the date of this announcement, Ms. Lin is an executive director of the Company and Ms. Lin and Mr. Lin Zhihong (the spouse of Ms. Lin) hold an interest of 99.8% in aggregate in Ningbo Huashan Junde Investment Partnership (Limited Partnership)* (寧波華山君德投資合夥企業(有限合夥)), which is then interested as to approximately 21.19% in Vered Holdings Corporation* (薔薇控股股份有限公司) (“**Vered Holdings**”), a substantial shareholder of the Company.

The Board wishes to provide shareholders and potential investors of the Company with the following additional information in relation to the Announcements as set out below:

DETAILS OF THE COMPLAINT LETTER

On 28 January 2024, the Company received a complaint letter (the “**Complaint Letter**”) from China Minsheng Investment Group Corp (the “**Complainant**”), a shareholder of the Company holding approximately 5.97% of the issued share capital in the Company at as the date of this announcement.

In the Complaint Letter, the Complainant made a number of allegations against Ms. Lin, which are re-produced and summarized as follows (the “**Complaint Matter**”):

- (a) ***Allegation 1:** Litigation risk arising out of unsettled consideration from Vered Hong Kong*

In or around February 2019, CMI Financial Holding Company Limited (“**CMIHK**”), a subsidiary of the Complainant, sold approximately 8.1 billion shares of the Company to 薔薇香港 (“**Vered Hong Kong**”), a subsidiary of Vered Holdings. Although the shares transfer was completed, Vered Hong Kong failed to pay the consideration to CMIHK. There is potential litigation risk resulting from Vered Hong Kong failing to pay the consideration to CMIHK for the aforesaid shares acquisition.

- (b) ***Allegation 2:** Ms. Lin’s integrity was questionable due to potential connected transaction between Kunlun and Vered Holdings*

Ms. Lin is currently the legal representative and chairman of the board of directors of Kunlun Health Insurance Co., Ltd.* (崑崙健康保險股份有限公司) (“**Kunlun**”). During her tenure, in or around March 2020, Kunlun made an RMB625 million equity investment in Beijing Yingtong Technology Company Limited* (北京應通科技有限公司) (“**Beijing Yingtong**”). Beijing Yingtong used the proceeds to repay its debt to a wholly-owned subsidiary of Vered Holdings. In light of the above, there are doubts as to the fairness and true intent on Kunlun’s investment in Beijing Yingtong. Given the huge losses subsequently suffered by Kunlun, National Administration of Financial Regulation may hold the legal representative and chairman of the board of Kunlun accountable. In addition, Kunlun has not yet disclosed its 2022 annual report.

- (c) ***Allegation 3:** Ms. Lin may not have obtained all necessary approvals for her appointments in the Company*

Ms. Lin is serving as an executive director and chairman of the board of directors of the Company, and she is still serving as the legal representative and chairman of Kunlun. It is questionable whether Ms. Lin had obtained necessary approvals for her dual concurrent appointment.

- (d) ***Allegation 4:** Ms. Lin has caused an administrative penalty during her tenure as the legal representative of Kunlun*

During the tenure of Ms. Lin as legal representative of Kunlun, Kunlun was subject to administrative penalties because Ms. Lin acted as the interim person-in-charge (臨時負責人) for a period longer than the prescribed period.

- (e) ***Allegation 5:** Ms. Lin’s spouse was imposed a penalty in 2022 due to insider trading in 2021*

Shenzhen office of China Securities Regulatory Commission (中國證券監督管理委員會深圳監管局) imposed a penalty on Mr. Lin Zhihong and Vered Capital Company Limited (薔薇資本有限公司) (“**Vered Capital**”) (Mr. Lin Zhihong serves as the legal representative and executive director of Vered Capital at the material time, and Mr. Lin Zhihong and Ms. Lin are the actual controllers of Vered Capital) because of insider trading carried out by Mr. Lin Zhihong in May 2021.

- (f) ***Allegation 6:** The related parties of Ms. Lin had entered into connected transactions with the Company*

There was connected transactions conducted by the related parties of Ms. Lin with the Company, but Ms. Lin did not disclose such connected transactions, thereby potentially breaching the Listing Rules.

As at the date of this announcement, the Investigation (as defined below) is still ongoing and the contents of the Complaint Letter have not been verified. Ms. Lin has provided response in relation to the above allegations, and indicated her willingness to cooperate with the Company in the Investigation. Shareholders and potential investors are advised to exercise caution when reviewing the contents in this section.

DETAILS OF THE INVESTIGATION

As set out in the Announcements, the Board has approved and resolved the formation of an investigation committee to investigate (the “**Investigation**”) the matters in relation to the Complaint Letter. The Board has also engaged Grant Thornton Advisory Services Limited (“**Grant Thornton**”), an independent forensic investigation company, which has commenced work in relation to the Investigation.

The key purposes of the Investigation are as follows:

- (1) to investigate whether Ms. Lin has violated the Listing Rules or any requirements of directors’ duties during her tenure with the Company, resulting in any loss or damages to the Company; and
- (2) to investigate whether there are undisclosed related party transactions between the Company and any related parties of Ms. Lin, and investigate whether the undisclosed matters (if any) have resulted in any violations to the Listing Rules.

The scope of the Investigation are as follows:

- (1) *review all the relevant documents and records*

- Obtain and review the Complaint Letter received by the Board against Ms. Lin;
- Obtain and review the relevant meeting minutes of the management, the Board, the investigation team (if any), and the audit committee regarding the Complaint Matter;

- Obtain and review the internal investigation report and its working papers, if any, regarding the Complaint Matter;
- Obtain and review the relevant correspondences and legal advice between the Company and its legal advisor regarding the Complaint Matter, if any;
- Obtain and review the relevant legal and litigation documents regarding the Complaint Matter;
- Obtain and review the relevant company announcements regarding the Complaint Matter, if any;
- Obtain and review the relevant documents and correspondences (including but not limited to emails, letters and other forms of communications) regarding the Complaint Matter;
- Obtain and review the director's contract of Ms. Lin, to understand her roles and duties as the Company's director;
- Obtain and review the relevant accounting records, including but not limited to the relevant contracts or agreements, payment records and receipts, internal approval records, accounting vouchers, bank statements and other bank documents, in order to understand the details, business nature and reasons for the Complaint Matter; and
- Obtain and review other relevant documents, including but not limited to the relevant approval records, contract registers, list of related parties transactions, relevant internal control policies and manuals, in order to understand whether the procedures relating to the Complaint Matter complied with the Company's guidelines.

(2) *interview with the relevant personnel*

- Conduct interviews with relevant personnel to obtain an overall understanding of the Complaint Matter, as well as to identify both internal and external parties that may be involved in process, and their roles therein;
- Conduct interviews with Ms. Lin, the Company's directors (current and former), relevant management, the secretary of Ms. Lin, and/or finance/accounting staff to obtain an understanding of the following:
 - i. Details of the Complaint Matter, reasons, parties that may be involved, any other relevant information and records; and
 - ii. Whether the procedures of the Complaint Matter (including related party transactions, contract approval, fund management, price setting policy for independent third parties and related parties) are in compliance with the Company's authorization and internal control requirements, and whether appropriate segregation of duties and security precautions have been applied during such processes; and

- Conduct interviews with the related parties and external parties relevant to the Complaint Matter, to obtain an understanding of the negotiation process, transaction purposes, commercial rationale, transaction terms and amounts, and their relationships and dealings between them and the Company’s current and former directors.

(3) *perform independent background check on relevant personnel*

- Perform independent background check and company search on the Company and its relevant subsidiaries; and
- Perform independent background check and/or company search on the relevant personnel, companies and relevant parties relevant to the Complaint Matter, to understand background of such personnel/parties, and their relationship with the Group.

(4) *perform inquiry*

- Obtain confirmations from transaction counterparties, related parties or fund transfer counterparties relevant to the Complaint Matter, in order to confirm the relationships, details and amounts of the transactions, and request for relevant supporting documents, if necessary;
- Visit relevant banks to obtain the bank statements relevant to the Complaint Matter, in order to confirm the details of the transactions, if necessary; and
- Perform site visits to the addresses of the transaction counterparties or fund transfer counterparties, in order to confirm their operations, if necessary.

(5) *perform target-oriented internal control review*

- Conduct interviews with the relevant management and finance personnel of the Group, in order to understand the relevant internal control policies and procedures regarding the Complaint Matter;
- Obtain and review the internal control written policies and procedural manuals, including but not limited to the procedures for related party transactions, contract approval, fund management, price setting policy for independent third parties and related parties, to understand whether the existing relevant procedures are appropriate and whether appropriate security measures and segregation of duties are in place;
- Understand whether the Group has internal control and policies on the identification of continuing connected transactions (“CCT”);
- Understand whether all directors (including but not limited to Ms. Lin) of the Company have followed the internal control policies on the identification of CCT;

- Regarding the transactions/contracts approved by Ms. Lin during her appointment period, to obtain and review relevant approval documents, in order to understand the details of the transactions, parties that may be involved, and whether the procedures for the relevant transactions are in compliance with the Company’s authorization and internal control requirements; and
- During our investigation, if non-compliance of internal control policies on the identification of CCT by any directors of the Company is identified, the scope of investigation procedures would be expanded to cover such director(s).

The following is the tentative timeline for the Investigation, which may be subject to further adjustment depending on the findings of the Investigation:

Date	Milestone
27 Feb 2024 to mid of Mar 2024	Completion of all the interview and investigation work.
On or around 18 Mar 2024	Grant Thornton circulates a draft investigation report to the Company and the Company’s auditor.
On or around 22 Mar 2024	The Company’s auditor will provide audit opinions, and the Investigation Committee will provide response based on the draft investigation report.
23 Mar 2024 to end of Mar 2024	Grant Thornton will issue the final version of the investigation report, and the Company’s auditor will complete the audit and confirm the financial results announcement.

BASIS OF THE SUSPENSION OF DUTIES AND POWERS OF MS. LIN AS CHAIRPERSON OF THE BOARD

The Company accords good corporate governance with the highest priority. Given the serious nature of the allegations, the Board had deliberated and considered appropriate response in relation to the Complaint Letter. The Company had not removed Ms. Lin (as requested by the Complainant) given the Investigation was ongoing, nonetheless, the Company has suspended her duties as the chairperson of the Board pursuant to a majority vote in a Board meeting held on 22 February 2024 (the “**Board Meeting**”) having considered the following factors:

- The chairperson of the Board has been vested with some special powers in relation to the administrative and executive functions of the Board. For example, the chairperson of the Board can abridge the notice period for convening a Board meeting in accordance with the Company internal policy. The abuse or misuse of such power can delay the process of Investigation and disrupt operations of the Company.
- In addition, the chairperson of the Board traditionally represents the Board in general and the suspension of all duties and power of Ms. Lin as the chairperson of the Board can alleviate any possible concerns of the shareholders of the Company and the public about the impartiality of the Investigation.

- Further, the suspension of all the duties and powers of Ms. Lin as chairperson of the Board is in accord with the good corporate governance practice because this can mitigate the potential corporate governance risk in the event the allegations under the Complaint Letter are real.

Nevertheless, Ms. Lin currently disputes, amongst others, the validity of the Board Meeting and the resolutions passed therein. For further details, please refer to the Company's announcement dated 29 February 2024.

UPDATE ON ORIGINATING SUMMONS

As set out in the Announcements, Ms. Lin has issued and filed an originating summons against certain Company's directors and the Company in respect of the Board Meeting held on 22 February 2024.

The Company has engaged a legal adviser and is currently seeking legal advice as to its next course of action and will take appropriate actions to defend its position. The Company will keep its shareholders and the public informed of any material development in connection with the above proceedings by way of further announcement(s) as and when appropriate.

As at the date of this announcement, the Company considers that (i) the matters above have not caused any material adverse impact to the business and operation of the Group and (ii) there is no inside information required to be disclosed under the Listing Rules 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).

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
Du Lina
Acting Chairperson

Hong Kong, 13 March 2024

As at the date of this announcement, the Board comprises (1) Ms. Lin Le, Mr. Li Feng, and Ms. Du Lina 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, Mr. Dong Hao, Mr. Cheng Tai Sheung and Mr. Jin Mingming as independent non-executive directors of the Company.

* *For identification purpose only*