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China Vered Financial Holding Corporation Limited

中微金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Board (the “Board”) of Directors (the “Directors”) of China Vered Financial Holding Corporation Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (hereinafter together referred as the “Group”) for the year ended 31 December 2023 together with the comparative figures of the corresponding year in 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		2023	2022
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Interest income		76,241	194,900
Commission and fee income		26,760	30,463
Investment income		11,384	18,394
Total revenue	4,5	114,385	243,757

		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net gain/(loss) on financial assets/liabilities		81,810	(447,279)
Other loss		(7,047)	(12,742)
Trading costs		(2,299)	(11,790)
Staff costs and related expenses		(78,086)	(96,029)
Premises expenses		(12,497)	(17,490)
Legal and professional fees		(19,250)	(22,825)
Depreciation		(1,721)	(4,761)
Information technology expenses		(10,367)	(4,778)
Expected credit losses (“ECL”)		(49,389)	(174,675)
Other operating expenses		(21,288)	(29,333)
Impairment of goodwill		–	(10,792)
Write-off/impairment of other intangible assets		(902)	(700)
Share of post-tax loss of associates		(7,195)	(39,440)
Finance costs		(1,398)	(1,991)
		<hr/>	<hr/>
Loss before income tax	6	(15,244)	(630,868)
Income tax (expense)/credit	7	(8,317)	8,060
		<hr/>	<hr/>
Loss for the year		(23,561)	(622,808)
		<hr/>	<hr/>
Loss attributable to:			
— Owners of the Company		(24,834)	(623,263)
— Non-controlling interests		1,273	455
		<hr/>	<hr/>
		(23,561)	(622,808)
		<hr/>	<hr/>
		<i>HK Cents</i>	<i>HK Cents</i>
		<i>per share</i>	<i>per share</i>
Loss per share attributable to owners of the Company			
Basic loss per share	9	(0.08)	(1.89)
		<hr/>	<hr/>
Diluted loss per share	9	(0.08)	(1.89)
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year		<u>(23,561)</u>	<u>(622,808)</u>
Other comprehensive (loss)/income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net change in fair value on equity instruments at fair value through other comprehensive income, net of tax		(104,917)	(201,266)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in fair value on debt instruments at fair value through other comprehensive income, net of tax		(55,887)	(110,864)
Net change in ECL allowances on debt instruments at fair value through other comprehensive income	<i>11(c)</i>	31,450	179,289
Reclassified to profit or loss on disposal of debt instruments at fair value through other comprehensive income		(85)	6,866
Exchange differences on translation of foreign operations		<u>(13,344)</u>	<u>(36,692)</u>
Other comprehensive loss for the year, net of tax		<u>(142,783)</u>	<u>(162,667)</u>
Total comprehensive loss for the year		<u>(166,344)</u>	<u>(785,475)</u>
Total comprehensive loss for the year attributable to:			
— Owners of the Company		(167,301)	(785,110)
— Non-controlling interests		<u>957</u>	<u>(365)</u>
		<u>(166,344)</u>	<u>(785,475)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		1,403	3,079
Right-of-use assets		2,444	10,743
Goodwill		5,079	5,079
Other intangible assets		–	902
Investments in associates		77,898	72,138
Rental and other deposits		3,130	3,130
Loan and interest receivables	<i>13</i>	79,900	–
Financial assets at fair value through profit or loss	<i>10</i>	2,096,875	1,906,019
Financial assets at fair value through other comprehensive income	<i>11</i>	336,434	376,103
Deferred tax assets		130,671	127,277
Total non-current assets		<u>2,733,834</u>	<u>2,504,470</u>
Current assets			
Margin receivables and other trade receivables	<i>12</i>	66,565	77,553
Other receivables, prepayments and deposits		66,005	30,934
Loan and interest receivables	<i>13</i>	129,986	117,723
Other interest receivables		13,195	22,354
Financial assets at fair value through profit or loss	<i>10</i>	387,672	487,814
Financial assets at fair value through other comprehensive income	<i>11</i>	16,013	59,361
Financial assets at amortised cost		2,412	35,562
Tax receivables		170	716
Deposits with brokers		213,008	99,427
Cash and cash equivalents		689,636	1,028,332
Total current assets		<u>1,584,662</u>	<u>1,959,776</u>
Total assets		<u><u>4,318,496</u></u>	<u><u>4,464,246</u></u>

	2023	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY		
Equity attributable to owners of the Company		
Share capital	14 4,454,374	4,454,374
Other reserves	(216,963)	(74,786)
Accumulated losses	(255,035)	(230,012)
	<u>3,982,376</u>	<u>4,149,576</u>
Non-controlling interests	6,581	5,624
	<u>3,988,957</u>	<u>4,155,200</u>
LIABILITIES		
Non-current liabilities		
Lease liabilities	–	2,619
Deferred tax liabilities	5,805	1,749
	<u>5,805</u>	<u>4,368</u>
Current liabilities		
Accruals and other payables	161,758	107,273
Loan and interest payables	27,639	–
Financial liabilities at fair value through profit or loss	10 6,925	70,615
Current tax liabilities	124,793	118,064
Lease liabilities	2,619	8,726
	<u>323,734</u>	<u>304,678</u>
Total current liabilities	<u>323,734</u>	<u>304,678</u>
	<u>329,539</u>	<u>309,046</u>
Total liabilities	<u>329,539</u>	<u>309,046</u>
	<u>4,318,496</u>	<u>4,464,246</u>
Total equity and liabilities	<u>4,318,496</u>	<u>4,464,246</u>
	<u>1,260,928</u>	<u>1,655,098</u>
Net current assets	<u>1,260,928</u>	<u>1,655,098</u>
	<u>3,994,762</u>	<u>4,159,568</u>
Total assets less current liabilities	<u>3,994,762</u>	<u>4,159,568</u>

Notes:

1. STATUTORY FINANCIAL STATEMENTS

The financial information relating to the years ended 31 December 2023 and 2022 included in this announcement of 2023 Annual Results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance Cap. 622 (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 in due course.

The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2023. The auditor's report was qualified and contained a statement under sections 407(2) and 407(3) of the Companies Ordinance. The auditor's report did not contain a statement under 406(2) of the Companies Ordinance. For details, please refer to sub-section under "EXTRACT FROM INDEPENDENT AUDITOR'S REPORT".

2. GENERAL INFORMATION

China Vered Financial Holding Corporation Limited (the "Company") was incorporated in Hong Kong with limited liability. The address of its registered and business office is 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, securities advisory and securities brokerage services.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK\$'000"), unless otherwise stated.

3.1 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3.2 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2023:

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*
- HKFRS 17, *Insurance contracts*
- Amendments to HKFRS 17, *Insurance contracts: Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published but are not mandatory for 31 December 2023 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”) and investment holding (“Investment holding”). Each of the Group’s operating segments represents a strategic business unit that is managed by different business unit leaders. Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

For the year ended 31 December 2023

	Reportable segment				Unallocated amount HK\$'000 (Note i)	Total HK\$'000
	Asset management HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Total HK\$'000		
Interest income	1,128	7,467	46,212	54,807	21,434	76,241
Commission and fee income	16,131	230	9,610	25,971	789	26,760
Investment income	-	-	11,384	11,384	-	11,384
Revenue from external customers	17,259	7,697	67,206	92,162	22,223	114,385
Net gain on financial assets/liabilities	-	-	81,810	81,810	-	81,810
	<u>17,259</u>	<u>7,697</u>	<u>149,016</u>	<u>173,972</u>	<u>22,223</u>	<u>196,195</u>
Segment (loss)/profit before income tax	<u>(4,383)</u>	<u>(3,972)</u>	<u>57,613</u>	<u>49,258</u>	<u>(64,502)</u>	<u>(15,244)</u>
Other segment information:						
Depreciation of property, plant and equipment	-	(131)	(28)	(159)	(1,562)	(1,721)
Depreciation of right-of-use assets	-	-	-	-	(8,299)	(8,299)
Provision for ECL allowances	-	(2,800)	(46,589)	(49,389)	-	(49,389)
Write-off of intangible assets	-	-	-	-	(902)	(902)
Staff costs and related expenses	<u>(11,252)</u>	<u>(4,814)</u>	<u>(17,190)</u>	<u>(33,256)</u>	<u>(44,830)</u>	<u>(78,086)</u>

For the year ended 31 December 2022

	Reportable segment				Unallocated amount HK\$'000 (Note i)	Total HK\$'000
	Asset management HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Total HK\$'000		
Interest income	784	5,892	182,257	188,933	5,967	194,900
Commission and fee income	22,946	1,617	5,591	30,154	309	30,463
Investment income	-	-	18,394	18,394	-	18,394
Revenue from external customers	23,730	7,509	206,242	237,481	6,276	243,757
Net loss on financial assets/liabilities	-	-	(447,279)	(447,279)	-	(447,279)
	<u>23,730</u>	<u>7,509</u>	<u>(241,037)</u>	<u>(209,798)</u>	<u>6,276</u>	<u>(203,522)</u>
Segment profit/(loss) before income tax	<u>7,210</u>	<u>(4,473)</u>	<u>(516,003)</u>	<u>(513,266)</u>	<u>(117,602)</u>	<u>(630,868)</u>
Other segment information:						
Depreciation of property, plant and equipment	(10)	(212)	(436)	(658)	(4,103)	(4,761)
Depreciation of right-of-use assets	-	-	-	-	(8,310)	(8,310)
Reversal of/(provision for) ECL allowances	-	4	(174,679)	(174,675)	-	(174,675)
Impairment of goodwill	-	(10,792)	-	(10,792)	-	(10,792)
Impairment of intangible assets	-	(700)	-	(700)	-	(700)
Staff costs and related expenses	<u>(10,027)</u>	<u>(7,931)</u>	<u>(17,993)</u>	<u>(35,951)</u>	<u>(60,078)</u>	<u>(96,029)</u>

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

Note ii: Certain comparative information of segment for the year ended 31 December 2022 have been reclassified to conform with the current year presentation.

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

For the year ended 31 December 2023

	Hong Kong HK\$'000	The PRC HK\$'000	Japan HK\$'000	Canada HK\$'000	Total HK\$'000
Revenue from external customers	95,418	3,714	13,646	1,607	114,385
Net gain on financial assets/liabilities	67,063	14,747	–	–	81,810
	<u>162,481</u>	<u>18,461</u>	<u>13,646</u>	<u>1,607</u>	<u>196,195</u>

For the year ended 31 December 2022

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

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

	2023 HK\$'000	2022 HK\$'000
Hong Kong	29,664	30,034
The PRC	57,106	61,840
Japan	5	11
Canada	49	56
	<u>86,824</u>	<u>91,941</u>

5. REVENUE

	2023 HK\$'000	2022 HK\$'000
<i>Interest income:</i>		
Interest income from loan lending business (note i)	7,408	2,986
Interest income from margin financing business (note i)	6,112	5,595
Interest income from debt instruments at amortised cost (note i)	603	3,584
Interest income from debt instruments at fair value through other comprehensive income (note i)	17,509	126,481
Interest income from financial assets at fair value through profit or loss	20,449	48,911
Other interest income	24,160	7,343
	<u>76,241</u>	<u>194,900</u>

	2023 HK\$'000	2022 HK\$'000
<i>Commission and fee income (note ii):</i>		
Advisory fee income	13,575	8,607
Commission income from securities brokerage	1,019	1,269
Loan arrangement fee income	600	390
Fee income received from asset management	11,566	20,040
Underwriting fee income	–	157
	<u>26,760</u>	<u>30,463</u>
<i>Investment income:</i>		
Dividend income	11,384	18,394
	<u>11,384</u>	<u>18,394</u>
	<u>114,385</u>	<u>243,757</u>

Note i: Total interest income calculated using effective interest method from loan lending business, margin financing business, debt instruments at amortised cost and debt instruments at fair value through other comprehensive income amounted to HK\$31,632,000 (2022: HK\$138,646,000).

Note ii: Commission and fee income is the only revenue arising from HKFRS 15, while interest income and investment income are under the scope of HKFRS 9. Included in revenue arising from contract with customers recognised at a point of time and over time were revenue of HK\$8,204,000 (2022: HK\$2,660,000) and HK\$18,556,000 (2022: HK\$27,803,000) respectively.

6. LOSS BEFORE INCOME TAX

	2023 HK\$'000	2022 HK\$'000
Loss before income tax has been arrived at after charging/(crediting):		
Auditors' remuneration	3,080	2,980
Short-term lease expenses	2,065	6,526
Loss on disposal of property, plant and equipment	–	2
Write-off of property, plant and equipment	60	1,391
Provision for/(reversal of) ECL allowances		
— loan and interest receivables	3,044	(40,940)
— margin receivables	–	(4)
— financial assets at amortised cost	4,187	34,415
— financial assets at fair value through other comprehensive income	31,450	179,289
— other interest receivables	7,908	1,915
— other trade receivables	2,800	–
	<u>49,389</u>	<u>174,675</u>
Foreign exchange loss, net	<u>7,146</u>	<u>15,377</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year and taxation on profits assessable elsewhere have been calculated at the rates of income tax prevailing in the countries in which the Group operates respectively.

The PRC Enterprise Income Tax rate is 25% (2022: 25%).

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong Profits Tax		
— charge for the year	5,995	—
— under/(over)provision for prior year	138	(32,671)
PRC Enterprise Income Tax		
— charge for the year	51	—
— underprovision for prior year	—	55
Overseas income tax		
— charge for the year	1,665	1,109
— overprovision for prior year	(188)	(2)
Deferred tax		
— (credit)/charge for the year	(1,841)	24,503
— under/(over)provision for prior year	2,497	(1,054)
	<u>8,317</u>	<u>(8,060)</u>
Income tax expense/(credit)	<u>8,317</u>	<u>(8,060)</u>

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: HK\$Nil).

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$24,834,000 (2022: HK\$623,263,000) and the weighted average number of ordinary shares of approximately 32,980,392,000 (2022: 32,979,049,000) in issue during the year (excluding the ordinary shares purchased by the Company under the share award plan).

Diluted loss per share

Diluted loss per share amount was the same as basic loss per share amount as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2023 and 31 December 2022.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial assets at fair value through profit or loss			
Unlisted equity investments		1,592,505	1,461,173
Unlisted investment funds	(a)	582,385	402,590
Unlisted debt investment		57,603	90,674
Listed equity investments	(b)	194,832	358,856
Listed debt investments	(b)	44,223	66,790
Convertible loan	(b)	12,999	13,750
		<u>2,484,547</u>	<u>2,393,833</u>
Classified as:			
Non-current assets		2,096,875	1,906,019
Current assets		387,672	487,814
		<u>2,484,547</u>	<u>2,393,833</u>
		2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial liabilities at fair value through profit or loss			
Payable to holders of non-controlling interests in unlisted consolidated investment fund		–	70,615
Other financial liabilities		6,925	–
		<u>6,925</u>	<u>70,615</u>
Classified as:			
Current liabilities		6,925	70,615

Notes:

- (a) The investments in unlisted investment funds of HK\$582,385,000 (2022: HK\$402,590,000) as above represent investments in unconsolidated structured entities. The Group does not consolidate these structured entities as the Group does not have power over them. Such structured entities include investments in funds and partnership managed by either the Group or third parties. The maximum exposure to loss is HK\$582,385,000 (2022: HK\$402,590,000) which represents the fair value as at 31 December 2023.

The size of these unconsolidated structured entities is HK\$4,956,252,000 (2022: HK\$2,656,136,000).

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

- (b) The interest receivables derived from convertible loan, listed debt investments and certain listed equity investments have been recognised as other interest receivables in the consolidated statement of financial position.

Investment in Fund F

As at 31 December 2023, these financial assets included an investment in an unlisted investment fund (the “Fund F”), which was managed by an external fund manager (the “Fund Manager E”), whose carrying value amounted to approximately HK\$67,976,000 (2022: HK\$73,867,000). The original cost of investment in the Fund F amounted to approximately HK\$77,981,000 with an accumulated fair value loss of approximately HK\$10,005,000 (2022: loss of HK\$4,114,000). Based on the fund documents of the Fund F, its investment objective is to invest in equity or debt securities of healthcare companies with disruptive technologies or products. According to the latest available financial information of the Fund F, it was noted that the main underlying assets included investments in unlisted equity securities and convertible note of various healthcare companies.

The Group was unable to obtain updated and sufficient financial information and valuation performed in respect of the underlying assets of the Fund F from the Fund Manager E and no sufficient information of the underlying assets of the Fund F as at and for the year ended 31 December 2023 is available for the Group for assessing the fair value of the Fund F. As such, the fair value of the Fund F as at the end of the reporting period was reference to the net assets value approach based on the capital statement as at 31 December 2023 provided by the Fund Manager E. The Group considered that the basis applied in the fair value assessment of the Fund F including the recognition of fair value loss of approximately HK\$5,891,000 during the year ended 31 December 2023 represented their best estimate.

The Group is now taking active measures including discussion with the Fund Manager E to obtain documentary evidence in respect of the underlying assets of the Fund F.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial assets at fair value through other comprehensive income			
Unlisted investment funds	(a)	108,762	146,648
Listed equity investments	(b)	207,174	228,467
Listed debt investments	(c)	36,511	60,349
		352,447	435,464
Classified as:			
Non-current assets		336,434	376,103
Current assets		16,013	59,361
		352,447	435,464

Notes:

- (a) The investments in unlisted investment funds of HK\$108,762,000 (2022: HK\$146,648,000) represent investments in unconsolidated structured entities which were designated as fair value through other comprehensive income as these investments are held for long term strategic purpose. The maximum exposure to loss is HK\$108,762,000 (2022: HK\$146,648,000) which represents the fair value as at 31 December 2023.

The size of these unconsolidated structured entities is HK\$131,434,000 (2022: HK\$178,261,000).

During the year, the Group did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support.

- (b) The Group designated these investments at fair value through other comprehensive income as the investments are held for long term strategic purposes. The issuers of these listed equity investments are mainly under banking and finance sector and real estate sector.
- (c) The interest receivables derived from listed debt investments have been recognised as other interest receivables in the consolidated statement of financial position.

ECL allowances attributable to debt investments at fair value through other comprehensive income as at 31 December 2023 amounted to HK\$592,750,000 (2022: HK\$561,300,000). The increase in ECL allowances of HK\$31,450,000 (2022: HK\$179,289,000) was recognised in the consolidated statement of profit or loss during the year.

12. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Margin receivables	118,342	120,200
Less: ECL allowances	<u>(63,566)</u>	<u>(63,566)</u>
	<u>54,776</u>	<u>56,634</u>
Trade receivables arising from asset management business and underwriting business	14,589	20,919
Less: ECL allowances	<u>(2,800)</u>	<u>–</u>
	<u>11,789</u>	<u>20,919</u>
	<u><u>66,565</u></u>	<u><u>77,553</u></u>

As at 31 December 2023, loans to margin clients are secured by clients' pledged Hong Kong-listed securities at fair value of HK\$430,937,000 (2022: HK\$583,609,000) 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 31 December 2023 amounted to HK\$63,566,000 (2022: HK\$63,566,000). No change in ECL allowances (2022: decrease of HK\$4,000) was recognised in the consolidated statement of profit or loss during the year.

Except for those margin receivables in stage 3 of ECL assessment, the Group considered that the business nature of margin receivables is short-term and the directors are of the opinion that no further aging analysis is disclosed.

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

Trade receivables arising from asset management business are generally deducted from the net asset value of the investment funds and managed accounts and paid directly by the administrator or custodian of the investment funds and managed accounts at the end of the relevant valuation period or credit period, as appropriate.

ECL allowances attributable to other trade receivables as at 31 December 2023 amounted to HK\$2,800,000 (2022: HK\$Nil). The increase of ECL allowances of HK\$2,800,000 (2022: HK\$Nil) was recognised in the consolidated statement of profit or loss during the year.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–90 days	2,358	4,125
91 days to 1 year	8,190	16,794
Over 1 year	4,041	–
	14,589	20,919

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

The carrying amounts of other trade receivables approximate to their fair values due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the other trade receivables. The Group did not hold any collateral as security as at 31 December 2023 (2022: HK\$Nil).

13. LOAN AND INTEREST RECEIVABLES

As at 31 December 2023, these loan receivables bore interest at fixed rate ranging from 10% to 15% per annum (2022: 15% per annum). Interest income derived from loan receivables was recognised and presented under “Interest income from loan lending business” in note 5 to this announcement.

Regular credit reviews on these loans receivables are conducted by the Risk Management Department based on the latest status of these loans, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans in order to minimise credit risk by regularly reviewing the borrowers’ and/or guarantors’ financial positions.

As these loan receivables will be settled within 12 months, the carrying amounts approximate to their fair values.

ECL allowances attributable to loan and interest receivables as at 31 December 2023 amounted to HK\$263,310,000 (2022: HK\$260,266,000). The increase in ECL allowances of HK\$3,044,000 (2022: decrease of HK\$40,940,000) was recognised in the consolidated statement of profit or loss during the year.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Not past due or less than 1 month past due	97,186	3,730
1–3 months past due	–	–
3–6 months past due	1,773	–
6–12 months past due	–	–
Over 12 months past due	<u>374,237</u>	<u>374,259</u>
	473,196	377,989
Less: ECL allowances	<u>(263,310)</u>	<u>(260,266)</u>
	<u><u>209,886</u></u>	<u><u>117,723</u></u>
Classified as:		
Non-current assets	79,900	–
Current assets	<u>129,986</u>	<u>117,723</u>
	<u><u>209,886</u></u>	<u><u>117,723</u></u>

14. SHARE CAPITAL

	2023		2022	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary shares, issued and fully paid: At 1 January and 31 December	<u>34,714,459</u>	<u>4,454,374</u>	<u>34,714,459</u>	<u>4,454,374</u>

15. CONTINGENT LIABILITIES

On 7 June 2022, the Group's subsidiary, namely China Vered Asset Management (Hong Kong) Limited ("CVAM") received the Writ of Summons with an indorsement of claim issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region by the plaintiff against CVAM, as a defendant. Details of the receipt of Writ of Summons are set out in the Company's announcement dated 10 June 2022. Subsequently, on 5 August 2022, Shareholder Value Offshore Fund (the "Fund") was also included as a defendant.

As stated in the indorsement of claim attached to the Writ of Summons, the plaintiff claims against the defendants, among others, for: (1) a sum of US\$17,090,460.61, being the original investment amount of US\$25,000,000.00 made by the plaintiff in the Fund where CVAM serves as the investment manager, less US\$7,909,539.39, being the redemption proceeds paid to the plaintiff; (2) interest for investment in the Fund; (3) loss and/or damages; (4) such further or other reliefs as the court shall deem fit; and (5) costs.

The Group has sought legal advice in respect of the litigation. At the end of the reporting period and up to the date of approval of these consolidated financial statements, based on the information available and the advice from external legal advisors, the Group's management assessed that whether any present obligation exists is still subject to high uncertainty. Accordingly, the Group has not made any provisions for any claim arising from the litigation, other than the related legal and other costs.

CVAM as a licensed corporation is registered with the SFC. It may be required to assist in and/or are subject to inquiries by relevant regulatory authorities in Hong Kong, including the SFC, if and when necessary. CVAM has been involved in ongoing communication with regulatory authorities in connection with the matters being investigated by the Group in prior year and no disciplinary action has been initiated by any regulatory authorities up to the date of this announcement. The Group has not made any provision for the aforementioned contingency.

Save as disclosed above and elsewhere in this announcement, as at 31 December 2023, the Group and the Company did not have any significant contingent liabilities (2022: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Over the past year, the global economic landscape has undergone profound adjustments. Central banks in many countries have successively launched interest rate hike cycles, resulting in large differences between the actual performance and expectations of different economies. In the wake of multiple interest rate hikes in the United States, inflationary pressures have subsided, the job market has steadily improved, and investment in the manufacturing and construction industries has grown rapidly, with the U.S. stock market performing spectacularly well. The S&P Index rose by 24% throughout the year, and the NASDAQ Composite index far exceeded market expectations by soaring by 43%. Meanwhile, Japan has emerged from the predicament of “low inflation”, with strong export momentum and pronounced signs of economic recovery. The Nikkei Index has witnessed the highest growth in the past decade with an annual increase of nearly 30%. By contrast, the recovery in the euro area appears to proceed at a slower pace with a dampened external demand and weak exports and investment momentum. Despite the implementation of monetary tightening policies, their inhibitory effect on inflation is less than obvious, with the risk of economic recession looming large.

As far as China’s economy is concerned, according to the latest data from the National Bureau of Statistics, China’s economy displayed a bullish dynamic in 2023, driven by a steady and solid pursuit of high-quality development and catapulting the gross domestic product (GDP) beyond the RMB126 trillion threshold, also representing a year-on-year growth of 5.2%, which not only far surpassed the projected target set at the beginning of the year but also landed China among the world’s top performing major economies. Especially in Hong Kong, since the resumption of traveller clearance with the mainland and the world, the government has taken proactive measures to rebuild the economy. Under the pressure of US dollar interest rate hikes, the city still managed to achieve a remarkable GDP growth of 3.2%.

However, Hong Kong's capital market still faced considerable challenges in 2023. The city's economic growth saw a slowdown as its capital market is weighed down by the enormous pressure brought about by the Federal Reserve's continuation of its previous policy of raising interest rates, with the target range of the federal funds rate reaching 5.25% to 5.5%. A large amount of funds flowed into bank deposits, causing the prices of stocks, bonds, real estate and other assets to tumble. The scale of financing in the stock and bond markets fell sharply and presented considerable difficulties to enterprises in sustaining their livelihood and pursuing sustainable development, causing a degree of havoc on the market sentiment. Hong Kong stocks have taken a tumble after reaching a high at the beginning of the year and recorded a cumulative decline for the whole year of 13.8%, setting a record for the first time in the history of Hong Kong stocks falling for four consecutive years. In consequence, the Hong Kong stock IPO market has seen a downturn and a sharp decline in the total number of newly listed companies and initial financing amount, both of which fell out of the top five global IPO financing rankings. Despite this, the scale of Chinese offshore bond issuance continues to grow, but it has yet to return to the scale in 2021 or before.

Overall speaking, despite the intricate and ever-changing global economic environment, the Chinese economy and the Hong Kong economy still show strong resilience and potential. In the face of challenges and opportunities, they still need to hold on resolutely to a strategic focus and unswervingly maintain a policy of openness in promoting high-quality economic development.

BUSINESS REVIEW

Looking back over 2023, in the face of complex and challenging internal and external environments, the Company as a whole continued to retain a prudent and restrained style of management adopted in 2022. As well as maintaining the stability of the Company's business and team, it has strived to make steady progress in business and make sustained efforts towards strengthening internal quality control and risk management. Building on this basis, we have strictly abided by the resumption guidelines of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), actively adopted valuable suggestions from external professional consultants and pushed ahead with the Company's resumption of trading efforts. After making unremitting efforts, we have finally fulfilled the resumption guidelines and resumed stock trading on 25 May 2023.

At the business level, the Company has made relentless efforts towards implementing the “double reduction” strategy, aiming to minimize the negative impact of real estate and potential risky assets on the Company’s performance. The Company actively revitalizes existing assets, improves asset valuations and accelerates cash realization. While focusing on investment banking and investment business, we also pay special attention to liquidity management, increase investments in fixed-income assets that balance returns and risks, and focus on high-quality, high-growth areas such as hard & core technology, cutting-edge manufacturing, digital economy, artificial intelligence, medical and health, etc., to capture high-quality equity opportunities. In addition, the Company is also actively exploring special opportunities for non-performing assets, distressed assets, cross-border mergers and acquisitions and primary and secondary market linkages, and exploring the feasibility of cross-border wealth management business, with a view to providing customers with excellent cross-border financial services on a broader scale.

In the area of internal control and risk management, the Company focuses on investment recovery and disposal of inefficient assets. To address changes in the economic situation and market trend differentiation, etc., the Company redeemed fund interests with low capital utilization efficiency, participated in secondary market bond restructuring, and decided to sell the stocks held by the Company to optimize asset allocation and improve capital utilization efficiency. In terms of internal control management and risk control system optimization, the Company further implemented rectification work, strengthened system and institutional construction, and also adjusted and optimized the management and authorization system of subsidiaries to adapt to market changes and business development needs, ensuring that the Company’s operations are stable and risks are manageable. Through these measures, the Company strives to build a more rigorous and efficient internal control and risk management system to pave a solid foundation for the Company’s sustainable development.

In terms of financial performance, amidst the continued downturn in the capital market and the scarcity of quality projects, the Company has, on the one hand, managed to improve its investment results from previous year by optimising its investment portfolio and stringent risk control, resulting in an improvement in its secondary market losses and a significant decrease in the provision for impairment. On the other hand, it has achieved certain results in the implementation of the “double reduction” strategy, resulting in reduction of operating costs and substantial decrease of net loss. Overall, the Company’s financial position remained healthy and liquidity was adequate.

LOOKING AHEAD

Looking forward to 2024, geopolitical uncertainties may continue to haunt the global economy, with mixed market expectations for the new year. However, central banks are expected to start cutting interest rates in the middle of the year, and mainland China and Hong Kong will continue to introduce favourable policies. The property market and capital liquidity is likely to be “let loose”, with consumption and trade emerging from their previous sluggish performance. The scale of opening up to the outside world and the introduction of key enterprises and talents will continue to expand, bringing opportunities for investors to reallocate their asset portfolios and significantly improving the current investment atmosphere. The Company is firmly optimistic about Hong Kong’s status as an international financial centre and expects that Hong Kong’s economy is expected to continue to rebound and regain growth vitality driven by the recovery of the mainland’s economy and the stabilization of the global economy.

In 2023, Hong Kong launched a number of strategic listing reform measures. Among them, the newly established “Chapter 18C” aims to attract specialized technology companies to list in Hong Kong, providing these innovative companies with a more convenient and flexible listing method. At the same time, the reform of the GEM market has provided new financing channels for high-growth and high-quality start-ups and small and medium-sized enterprises in Greater China, thereby enhancing the attractiveness of the GEM market.

In addition, Hong Kong has become the first listing venue for Saudi Arabian Exchange-traded funds in Asia. Such move not only demonstrates Hong Kong’s leading position as an international financial centre, but also signals closer cooperation between Hong Kong and the Middle East markets. Looking ahead, Hong Kong is expected to continue to deepen its ties with the Middle East market and facilitate cross-border capital raising by Middle East companies in Hong Kong, thereby further strengthening Hong Kong’s position as one of the world’s leading international financial centres.

Notably, with the continuous development and popularization of blockchain technology, virtual assets, as a new investment tool, are gradually receiving the attention and recognition of global investors. On 17 November 2023, the U.S. Securities and Exchange Commission (the “SEC”) made an important decision regarding the approval of Bitcoin ETF, which is to open the trading of Bitcoin ETF to everyday investors, allowing mainstream investors to buy and sell Bitcoin as easily as stocks and mutual funds. The SEC’s decision reflects the changing attitude of mainstream economies towards the regulation of virtual assets such as Bitcoin, as well as their recognition and support for the development of the virtual asset market. The price of Bitcoin was approximately US\$36,500 on the day the policy was released. By 13 March 2024, it rose to approximately US\$73,100, an increase of more than 100%. As one of the pioneers in the global virtual asset industry and upon issuing the “Policy Declaration on the Development of Virtual Assets in Hong Kong” on 31 October 2022, Hong Kong has continued to improve the relevant regulatory and licensing systems and provide stable, transparent and compliance-friendly business environment, with a view to building an “international virtual assets centre” — which, coupled with Hong Kong’s own leading advantages in finance, cross-border and technology fields, will further consolidate Hong Kong’s position as an international financial centre in the Web3.0 era.

Looking forward to the future, the Company will unyieldingly work towards deepening its strategic deployment in Hong Kong and cross-border financial domains, remain steadfast to the core ideal of steady development, pay close attention to global economic trends, flexibly adjust strategies, and continue to optimize asset allocation. We will continue to focus on our main business, reduce costs and increase efficiency, strengthen team building, improve professional capabilities and service standards, and provide customers with outstanding, professional, efficient and accurate cross-border and diversified asset allocation solutions to meet their individual needs.

At the same time, the Company will make full use of Hong Kong’s leading position in the global financial technology field, leverage its advantages in connecting high-quality global assets, seize the development opportunities arising from the economic integration of the Greater Bay Area and capital market connectivity, actively expand asset management and investment banking businesses, promote business innovation and explore more competitive service models.

During the course of this process, the Company will always adhere to the values of integrity, professionalism and innovation, continuously improve service quality and customer satisfaction, strive to build long-term and stable customer relationships, and actively respond to market challenges by continuously optimizing itself to serve shareholders and investors, with a view to creating more generous returns and maximizing company value.

FINANCIAL REVIEW

For the year ended 31 December 2023, the consolidated revenue of the Group was approximately HK\$114,385,000 (2022: HK\$243,757,000), representing a decrease of approximately 53% as compared with the corresponding year in 2022, mainly due to decrease in interest income arising from reduction in scale of debt investments for the year under review.

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

For the years ended 31 December 2023 and 2022

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	Change
Interest income	76,241	194,900	(61%)
Commission and fee income	26,760	30,463	(12%)
Investment income	11,384	18,394	(38%)
	<hr/>	<hr/>	<hr/>
Total revenue	114,385	243,757	(53%)

The Group recorded a loss of approximately HK\$23,561,000 for the year ended 31 December 2023, as compared to a loss of HK\$622,808,000 in 2022. The significant reduction in loss was mainly due to the net effects of the following factors:

- (i) a net gain on investments of approximately HK\$81,810,000 recorded for the year ended 31 December 2023 as compared to a net loss of HK\$447,279,000 in 2022;
- (ii) a decrease in provision for ECL allowances on financial assets with amount of approximately HK\$49,389,000 recorded for the year ended 31 December 2023 (2022: HK\$174,675,000);
- (iii) a decrease in share of loss of associates with amount of approximately HK\$7,195,000 recorded for the year ended 31 December 2023 (2022: HK\$39,440,000); and
- (iv) a decrease in revenue by approximately HK\$129,372,000 for the reasons mentioned above.

The table below presents the breakdown of segment revenue (including net gain/(loss) on financial assets/liabilities) and reportable segment results for the years ended 31 December 2023 and 2022:

	Segment revenue and net gain/(loss) on financial assets/liabilities		Segment results	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asset management	17,259	23,730	(4,383)	7,210
Securities brokerage	7,697	7,509	(3,972)	(4,473)
Investment holding	149,016	(241,037)	57,613	(516,003)
Total	<u>173,972</u>	<u>(209,798)</u>	<u>49,258</u>	<u>(513,266)</u>

Asset management segment

The Group's asset management business represents the provision of asset management services to clients. The Group's asset management segment recorded revenue of approximately HK\$17.3 million for the year ended 31 December 2023 as compared to approximately HK\$23.7 million for the year ended 31 December 2022 and loss of approximately HK\$4.4 million for the year ended 31 December 2023 as compared to profit of approximately HK\$7.2 million for the year ended 31 December 2022. The decrease in segment revenue and the turnaround from profit to loss was primarily due to the decrease in asset management fee income arising from the reduction of average aggregated net value of assets under management during the year under review.

Securities brokerage segment

The Group's securities brokerage business mainly includes the provision of brokerage services, securities margin financing to clients, underwriting services to corporate clients for their fund raising activities in equity and debt capital market, financial advisory and financial arrangement services to clients. For the year ended 31 December 2023, the revenue contributed by the securities brokerage segment slightly increased to approximately HK\$7.7 million, while the loss reduced to approximately HK\$4.0 million, compared to the revenue and loss of approximately HK\$7.5 million and HK\$4.5 million, respectively, for the year ended 31 December 2022. The increase in segment revenue was mainly due to the increase in interest income from margin financing which was partially offset by the decline in fees received from clients, while the decrease in loss was principally attributable to the decrease in segment operating costs during the year under review.

Investment holding segment

The Group's investment holding business mainly represents direct investments in investment funds, listed and unlisted debts and equities, alternative investments (such as real estate investments through investment funds) and private equities, and provision of loan financing services.

The Group's investment holding segment recorded revenue (including net gain/(loss) on financial assets/liabilities) of approximately HK\$149.0 million for the year ended 31 December 2023 as compared to a net negative amount of approximately HK\$241.0 million for the year ended 31 December 2022 and profit of approximately HK\$57.6 million for the year ended 31 December 2023 as compared to loss of approximately HK\$516.0 million for the year ended 31 December 2022. The improvement in segment revenue and results was mainly due to the net impact of (i) net gain on financial assets/liabilities of approximately HK\$81.8 million recorded for the year ended 31 December 2023 as compared to a net loss of approximately HK\$447.3 million recorded for the year ended 31 December 2022 as a result of the improvement of fair value of certain unlisted investments and the slowdown in decline in fair value of equity and debt investments; (ii) a significant decrease in provision of impairment of financial assets as a result of slowdown in incline of credit and default risk of debt investments for the year under review; and (iii) partially offset by a decrease in interest income arising from reduction in scale of debt investments.

The total operating costs (including staff costs, premises expenses, legal and professional fees, depreciation, information technology expenses, finance costs, trading costs and other operating costs) for the year ended 31 December 2023 was approximately HK\$146,906,000 (2022: HK\$188,997,000), representing a decrease of approximately 22.3% which was due primarily to effective cost control measures implemented by the Group on the overall operating expenses for the year ended 31 December 2023.

On financial position and cash flows:

- the Group's total assets were approximately HK\$4,318,496,000 as at 31 December 2023 (as at 31 December 2022: HK\$4,464,246,000), representing a decrease of approximately 3.3%; and
- net cash (outflows)/inflows from operating activities, investing activities and financing activities were approximately HK\$(313,122,000), HK\$(27,023,000) and HK\$17,921,000 respectively for the year ended 31 December 2023 (2022: HK\$473,946,000, HK\$(18,315,000) and HK\$(177,096,000) respectively).

Key financial and business performance indicators

The key financial and business performance indicators of the Group are comprised of profitability; loan receivables; impaired loan receivables to total loan receivables ratio; and gearing ratio.

The Group recorded a loss attributable to owners of the Company of approximately HK\$24,834,000 for the year ended 31 December 2023 as compared to a loss of approximately HK\$623,263,000 for the year ended 31 December 2022.

Loan and interest receivables balance arising from lending business increased to approximately HK\$209,886,000 as at 31 December 2023 (as at 31 December 2022: HK\$117,723,000).

Based on HKFRS 9 ECL assessment on margin receivables, loan and interest receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income, other trade receivables and other interest receivables, the Group recognised an aggregate ECL allowance of approximately HK\$49,389,000 in consolidated statement of profit or loss for the year ended 31 December 2023 (2022: HK\$174,675,000). ECL allowances to total margin receivables, loan and interest receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income, other trade receivables and other interest receivables ratio was approximately 76.9% as at 31 December 2023 (as at 31 December 2022: 79.4%). The Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its loan receivables and to take prompt actions to pursue loans recovery regarding potential problem credits.

As at 31 December 2023, the Group's gearing ratio (total debt to total equity) was approximately 0.7% (as at 31 December 2022: 0%). The Group strives to achieve appropriate leverage level in order to grow its business effectively, and at the same time continue to monitor its liquidity prudently, manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's cash and bank balances amounted to approximately HK\$689,636,000 (as at 31 December 2022: HK\$1,028,332,000). The current ratio as at 31 December 2023 was approximately 489.5% (as at 31 December 2022: 643.2%), which indicated that the Group's overall financial position remained strong.

The Directors are of the opinion that there are sufficient financial resources for the Group to meet its obligations and business requirements.

OPERATIONAL REVIEW

Funding, capital structure and capital management

The main objective of the Group's funding activities is to ensure the availability of funds at reasonable costs to meet all contractual financial commitments and to generate reasonable returns from available funds. The Group has implemented adequate measures to monitor the liquidity for business operations and any investment opportunities, and the foreseeable funding requirements to ensure certain subsidiaries of the Company continuously comply with the relevant rules and regulations.

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 repurchase agreements amounted to approximately HK\$27,639,000 as at 31 December 2023 (as at 31 December 2022: HK\$Nil). Based on the level of total debt to total equity of the Group, the Group's gearing ratio stood at a healthy level of approximately 0.7% as at 31 December 2023 (as at 31 December 2022: 0%). During the year under review, the Group's borrowings were mainly denominated in US dollars, and had remaining average maturity periods of less than one year. The Group's cash and cash equivalents were mainly denominated in US dollars, Renminbi, Japanese Yen, Canadian dollars and Hong Kong dollars. There were no foreign currency net investments hedged by foreign currency borrowings and other hedging instruments by the Group during the year under review.

Asset quality and credit management

The Group will continue to manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management. Based on HKFRS 9 ECL assessment on loan and interest receivables, margin receivables, financial assets at amortised cost, debt instruments at fair value through other comprehensive income, other trade receivables and other interest receivables, the Group recognised a provision for/(reversal of) ECL allowances of approximately HK\$3,044,000, HK\$Nil, HK\$4,187,000, HK\$31,450,000, HK\$2,800,000 and HK\$7,908,000 respectively in consolidated statement of profit or loss for the year ended 31 December 2023 (2022: HK\$(40,940,000), HK\$(4,000), HK\$34,415,000, HK\$179,289,000, HK\$Nil and HK\$1,915,000 respectively).

Furthermore, the Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its financial assets. Further, the Group's investments and cash and bank balances are placed with a diversified portfolio of reputable financial institutions.

Human resources management

The objective of the Group's human resources management is to reward and recognise well performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff enrolled in external training courses, seminars, professional and technical courses in order to update their technical knowledge and skills, to increase their awareness of the market developments, and to improve their management and business skills.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND RELATED HEDGING

The Directors consider that the Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in foreign currencies other than its functional currency, which is Hong Kong dollars. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency should the need arises.

STAFF AND REMUNERATION POLICY

As at 31 December 2023, the Group had 64 employees (as at 31 December 2022: 75 employees).

The employees are remunerated based on their work performances, professional experiences and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management.

CHARGES ON GROUP'S ASSETS

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

	2023	2022
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss	<u>75,233</u>	<u>–</u>
Total charges on Group's assets	<u><u>75,233</u></u>	<u><u>–</u></u>

As at 31 December 2023, financial assets at fair value through profit or loss were bonds pledged as collateral for the Group's borrowings.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 December 2023 and 2022 are set out in note 15 to this announcement.

CAPITAL COMMITMENTS

The Group has entered into contracts to commit investing into certain unlisted investment funds. The non-cancellable capital commitment as at 31 December 2023 is approximately HK\$260,656,000 (as at 31 December 2022: HK\$292,829,000).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year ended 31 December 2023, the Group has partially redeemed an investment in an unlisted fund, namely CVAM Greater China Selected Fixed Income SP, and the interest in this fund decreased from approximately 69% to 28%. Accordingly, the Group deconsolidated the fund as the Group no longer has control over this investment.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 (formerly Appendix 14) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

To the best knowledge of Directors, the Company has complied with all applicable Code Provisions of the CG Code throughout the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 (formerly Appendix 10) of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2023.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

AUDIT COMMITTEE

Composition

The Company established an Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. As at 31 December 2023, the Audit Committee consisted of three independent non-executive Directors. The Audit Committee meets twice a year on a half year basis, or more frequently if required. The Group's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

Functions and Role

The primary functions of the Audit Committee are, inter alias, to assist the Board in fulfilling its overseeing responsibilities with respect to maintaining appropriate relationship with external auditor, and, to review the annual and interim reports and other financial information provided by the Company to its shareholders, the public and other matters within the scope of the terms of reference. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

In discharging its responsibilities, the Audit Committee performed the following work during the year of 2023:

- (i) reviewed the effectiveness of audit process in accordance with applicable standards;
- (ii) reviewed the consolidated financial statements and reports and the change in accounting principles and policies and assessment of potential impacts on the Group's consolidated financial statements;
- (iii) reviewed the Group's risk management and internal control systems and discussed the relevant issues including financial, operational and compliance controls; and
- (iv) reviewed the internal control matters reported by internal auditor and external auditor and ensure the Board will provide a timely response to the issues raised therein.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The auditor has issued a qualified opinion in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2023. The details of which are extracted as follows:

“Qualified Opinion

In our opinion, except for the possible effects of the matters described in the “Basis for Qualified Opinion” section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the Companies Ordinance.

Basis for Qualified Opinion

- A. *Comparability of the current year's figures and the corresponding figures for the year ended 31 December 2022 in the consolidated statement of profit or loss and statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity*

The Group held an investment in an offshore fund (the "Fund") as disclosed in note 20 to the consolidated financial statements and an investment in a fund (the "Fund D") as disclosed in note 21 to the consolidated financial statements. We have previously qualified our opinion in respect of the Group's consolidated financial statements for the year ended 31 December 2022 as we were unable to obtain sufficient appropriate audit evidence to verify (a) 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; and (b) the opening carrying value of the Fund D as at 1 January 2022 and the timing of the fair value loss recognised in respect of the impairment assessment on the underlying loans held by the Fund D. Therefore, we were unable to determine whether any adjustments to (a) 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; and (b) the opening carrying value of the Fund D as at 1 January 2022 and the fair value loss recognised during the years ended 31 December 2021 and 2022 in respect of the Fund D resulted from impairment assessment of the underlying loans, were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2022. Details of the qualified opinion were set out in the independent auditor's report in respect of the year ended 31 December 2022 dated 27 March 2023 which were included in the Company's 2022 annual report.

Because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2022 in the consolidated financial statements, our opinion on the consolidated financial statements for the year ended 31 December 2023 is also modified.

B. Investment in an unlisted investment fund

As disclosed in note 20 to the consolidated financial statements, the Group invested in 50% interest in a fund (the “Fund F”) which has been accounted for as financial asset at fair value through profit or loss as at 31 December 2023. The original cost of investment in Fund F amounted to approximately HK\$77,981,000. As at 31 December 2023, the carrying value of the Fund F was approximately HK\$67,976,000 with a fair value loss of approximately HK\$5,891,000 recognised in the consolidated statement of profit or loss during the year ended 31 December 2023 in respect of the Fund F.

As described in note 20 to the consolidated financial statements, the Group was unable to obtain sufficient financial information and the valuation of the underlying assets of the Fund F as at 31 December 2023 from an external fund manager. Because of the above scope limitation, we were unable to obtain sufficient appropriate audit evidence to determine whether any adjustments were necessary on the carrying amount of the Fund F as at 31 December 2023 and the relevant fair value loss recognised in respect of the Fund F for the year ended 31 December 2023 and whether the related disclosure of investment in the Fund F is appropriate.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Report on Other Matters under Sections 407(2) and 407(3) of the Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding whether any adjustments were necessary in respect of the carrying amount of the Fund F as at 31 December 2023 and the relevant fair value loss recognised for the year ended 31 December 2023 as described in the Basis for Qualified Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and
- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.”

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(1) Investigation by an independent forensic investigation company

On 22 February 2024, the Board has approved and resolved the formation of an investigation committee to investigate (the “Investigation”) the matters in relation to the alleged misconduct of Ms. Lin Le (“Ms. Lin”), the then chairman of the Board and an executive director of the Company as contained in a complaint letter from a shareholder of the Company. The key purposes of the Investigation include the following:

- (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 Board has engaged Grant Thornton Advisory Services Limited, an independent forensic investigation company, to conduct the Investigation. Please refer to the announcements of the Company dated 22 February 2024 and 13 March 2024 for details of the Investigation. As at the date of this announcement, the Investigation is in the progress of finalisation and the Group expects that the Investigation would not cause any material adverse impact to the financial position of the Group through ongoing communication with the independent forensic investigation company. Further announcement will be made by the Company on the Investigation as and when appropriate in compliance with the Listing Rules.

(2) Originating Summons issued by Ms. Lin

On 28 February 2024, Ms. Lin, the then executive director of the Company, issued and filed an originating summons (the “Summons”) against certain directors at material time and the Company as the defendants.

The Company is currently seeking legal advice in respect of the Summons and 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. Please refer to the announcements of the Company dated 29 February 2024 and 13 March 2024 for further details of the Summons.

Saved as disclosed above, as of 31 December 2023 up to the date of this announcement, there are no other significant events occurred after the reporting period that may affect the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

ANNUAL GENERAL MEETING

The 2024 annual general meeting (the "2024 AGM") is expected to be held in June 2024. A further announcement in relation to the date of the 2024 AGM and the closure of register of members will be published in accordance with the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

The annual report of the Company for the year ended 31 December 2023 will be dispatched to the shareholders and be published on the aforementioned websites in due course.

On behalf of the Board
China Vered Financial Holding Corporation Limited
Du Lina
Chairperson

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises (1) Ms. Du Lina, Mr. Li Feng and Mr. Xie Fang as executive directors of the Company; (2) Mr. Zhang Boyang as non-executive director of the Company; and (3) Mr. Cheng Tai Sheung, Mr. Sun Junchen, Mr. Ko Ming Tung, Edward and Mr. Wong Ka Wai as independent non-executive directors of the Company.