

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



China Vered Financial Holding Corporation Limited

中微金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

KEY FINDINGS OF THE INVESTIGATION

This announcement is made by China Vered Financial Holding Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 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 under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 22 February 2024, 29 February 2024, 13 March 2024 and 21 March 2024 (collectively, the “**Announcements**”) in relation to, among other matters, (i) a complaint letter received by the Company on 28 January 2024 (the “**Complaint Letter**”) regarding a number of allegations (the “**Allegations**”) against Ms. Lin Le (“**Ms. Lin**”); (ii) the suspension of duties and powers of Ms. Lin as the chairperson of the board of directors of the Company (the “**Board**”) on 22 February 2024; (iii) the originating summons issued by Ms. Lin on 28 February 2024 (the “**Originating Summons**”); (iv) the formation of an investigation committee (the “**Investigation Committee**”) to investigate the Allegations in the Complaint Letter (the “**Investigation**”); (v) the engagement of Grant Thornton Advisory Services Limited, an independent forensic investigation company, to conduct the Investigation; and (vi) the resignation of Ms. Lin as the chairperson of the Board and executive director of the Company with effect from 21 March 2024. Unless otherwise defined in this announcement, terms stated herein shall have the same meanings as defined in the Announcements.

The Company wishes to update the shareholders of the Company (the “**Shareholders**”) that the Investigation has been completed. Grant Thornton Advisory Services Limited (the “**Independent Investigator**”) has issued a report (the “**Report**”) setting out its findings. Key findings of the Investigation are set out below.

SUMMARY OF KEY FINDINGS OF THE INVESTIGATION

(A) Background of the Investigation

On 28 January 2024, the Company received the Complaint Letter regarding, among other matters, the alleged misconduct of Ms. Lin, the then executive director of the Company and the then chairperson of the Board.

The Complaint Letter was issued by three entities, being China Minsheng Investment Corporation Limited and its two subsidiaries (CMI Financial Holding Company Limited (“CMIHK”) and CMI Financial Holding Corporation) (collectively, the “Complainant”). As at the date of the Complaint Letter, the Complainant was a shareholder of the Company holding approximately 5.97% of the issued share capital in the Company.

The Board resolved to form the Investigation Committee to investigate the Allegations in the Complaint Letter. The Independent Investigator has also been engaged to conduct the Investigation. Subsequently, the Board have resolved that the Audit Committee take over the responsibilities of the Investigation Committee to oversee the Investigation and liaise with the Independent Investigator.

On 24 May 2024, the Independent Investigator issued the Report to the Audit Committee setting out its investigation findings.

(B) Purpose, scope of and procedures adopted in the Investigation

For the purposes of the Investigation as disclosed in the Company’s announcement dated 13 March 2024, the Independent Investigator has carried out the following procedures to investigate the matters in relation to the Allegations:

- (1) Contacted and made enquiries with the Complainant for the purpose of clarifying certain matters mentioned in the Complaint Letter;
- (2) Obtained and reviewed relevant documents and records of the Company;
- (3) Reached out to and/or conducted interviews with relevant personnel (including employees of the Company and external parties);
- (4) Performed independent background checks on relevant personnel and entities; and
- (5) Obtained and reviewed the relevant internal control policies and procedures of the Group.

(C) Key findings of the Investigation

Based on the aforementioned procedures carried out during the Investigation and subject to the limitations set out in Section (D) below, the Independent Investigator has the following key observations and findings.

1. Allegation 1: Potential litigation risk of Vered Hong Kong

Summary of the allegation and its background

In or around February 2019, CMIHK sold approximately 8.1 billion shares of the Company to Vered Holdings (Hong Kong) Limited* (薔薇控股(香港)有限公司) (“**Vered Hong Kong**”), a subsidiary of Vered Holdings Corporation* (薔薇控股股份有限公司) (“**Vered Holdings**”) (a substantial shareholder of the Company). Despite completion of the share transfer, Vered Hong Kong has not yet paid the consideration in full to CMIHK. Therefore, Vered Hong Kong was exposed to potential litigation risk, and it was inappropriate to appoint Ms. Lin as an executive director and chairperson of the Board.

Findings of the Independent Investigator

The Independent Investigator considered that the share transfer agreements between CMIHK and Vered Hong Kong (and their contractual obligations thereunder) do not appear to be relevant to the Company and the Investigation. The Independent Investigator therefore recommended that no further investigation procedures shall be undertaken in respect of this allegation.

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

Summary of the allegation and its background

Since March 2019 (i.e., prior to the Company’s appointment of Ms. Lin as an executive director and chairperson of the Board of the Company on 29 August 2023), Ms. Lin has been serving as the chairperson of the board of Kunlun Health Insurance Co., Ltd.* (昆侖健康保險股份有限公司) (“**Kunlun**”).

The Complainant alleged that in or around March 2020, Kunlun made an RMB625 million equity investment (the “**Kunlun Investment**”) in Beijing Yingtong Technology Company Limited* (北京應通科技有限公司) (“**Beijing Yingtong**”). In turn, Beijing Yingtong used the proceeds to make repayments to Vered Capital Company Limited (薔薇資本有限公司) (“**Vered Capital**”, a wholly-owned subsidiary of Vered Holdings). The Complainant claimed that Ms. Lin and her spouse (“**Ms. Lin’s Spouse**”) were the *de facto* controllers of Vered Capital.

The Complainant alleged that the fairness and rationale of the Kunlun Investment were questionable.

In addition, the Complainant alleged that Kunlun had failed to “disclose” its 2022 annual report as at the date of the Complaint Letter. The Independent Investigator understood that this allegation was about Kunlun’s failure to publish its 2022 annual report.

Findings of the Independent Investigator

Based on the background checks and review of Kunlun’s relevant announcements, the Independent Investigator noted that:

- (a) Ms. Lin was the legal representative and chairperson of the board of directors of Kunlun at the time when the Kunlun Investment was made.
- (b) The Kunlun Investment was considered and approved by the investment committee and the board of directors of Kunlun. Kunlun did not recognize the Kunlun Investment as a connected transaction at the time of such approval, i.e. March 2020.

With respect to the allegation that Kunlun had not published its 2022 annual report on a timely basis, the Independent Investigator noted that Ms. Lin explained at the Company’s Board meeting on 31 January 2024 that Kunlun had submitted its annual report in accordance with the required timeframe.

Given the limitations of the Investigation (in particular, the inability to conduct interviews with relevant parties such as Ms. Lin, Kunlun and Beijing Yingtong), the Independent Investigator could not confirm the following matters:

- (a) Ms. Lin’s involvement in the Kunlun Investment;
- (b) The historical background of Kunlun Investment;
- (c) Whether the Kunlun Investment had caused a loss to Kunlun;
- (d) Arrangement between Beijing Yingtong and Vered Capital; and
- (e) Whether Ms. Lin’s explanation made at the Company’s Board meeting on 31 January 2024 is true or not because Kunlun did not disclose its 2022 annual report.

3. Allegation 3: Ms. Lin might not have obtained all necessary approvals for her appointment in the Company

Summary of the allegation and its background

The Complainant claimed that it was questionable whether Ms. Lin had obtained the necessary approvals from the “competent authority” for her dual appointment in the Company and Kunlun.

Findings of the Independent Investigator

The Independent Investigator has made enquiries with the Complainant in respect of the meaning of “*competent authority*”, which the Complainant has clarified that it was referring to the National Financial Regulatory Administration (國家金融監督管理總局) (“**NFRA**”).

The then Head of Human Resources Administration* (人力行政主管) (the “**Former HR Administration Head**”) had represented to an independent non-executive director of the Company that the Company had obtained the relevant documents regarding written consent from Kunlun and the communications with the regulator in respect of the appointment of Ms. Lin as the executive director and chairperson of the Board.

However, the Company’s human resources department informed the Independent Investigator that the Company did not receive any documents indicating Kunlun’s consent and the regulator’s confirmation over the appointment of Ms. Lin as a director of the Company.

The Independent Investigator noted that at the Company’s Board meeting on 31 January 2024, Ms. Lin explained that her concurrent positions in the Company and Kunlun did not require approval from the authorities. In any event, she had already informed the relevant regulators regarding her appointment.

The Independent Investigator was unable to ascertain the following matters:

- (a) Whether Ms. Lin has reported to the relevant regulatory bodies;
- (b) Whether Ms. Lin has obtained consent from Kunlun for taking up the role as an executive director and the chairperson of the Board of the Company;
- (c) Whether the regulators have approved the dual roles held by Ms. Lin in the Company and Kunlun; and
- (d) The reasons for the purported untrue representation made by the Former HR Administrative Head.

4. Allegation 4: Administrative penalties were imposed on Kunlun when Ms. Lin was the legal representative of Kunlun

Summary of the allegation and its background

In June 2021, administrative penalties were imposed on Kunlun because Ms. Lin had acted as the interim person-in-charge (臨時負責人) of Kunlun for a duration longer than the permitted period.

Findings of the Independent Investigator

《保險公司董事、監事和高級管理人員任職資格管理規定》 provided that an interim person-in-charge of an insurance company could not be in charge for a period exceeding six months.

Based on the review of the materials enclosed with the Complaint Letter and independent checks, the Independent Investigator noted that Ms. Lin had acted as the interim person-in-charge of Kunlun for nearly 19 months, which was in violation of the aforesaid administrative requirement. As such, an administrative penalty was imposed on Kunlun.

The Independent Investigator considered that Ms. Lin should be responsible for such incident and that Ms. Lin had failed to disclose this incident to the Company prior to her appointment.

Further, the Independent Investigator also noted that the Company's independent background check against Ms. Lin was carried out after her appointment as a director of the Company. The scope of the background check did not cover Mainland China.

The Independent Investigator recommended that going forward, the Company should:

- (a) ascertain whether its existing (and new) executive directors hold any concurrent positions in other companies, and if so, obtain written consent from the relevant parties (if required); and
- (b) complete background checks (with the scope covering the place of incorporation of the former employer of the new directors) prior to appointment.

5. Allegation 5: Ms. Lin's Spouse was fined in 2022 for insider trading

Summary of the allegation and its background

The Complainant claimed that in November 2022, the Shenzhen office of China Securities Regulatory Commission (中國證券監督管理委員會深圳監管局) (“**Shenzhen CSRC**”) imposed a penalty on Vered Capital and Ms. Lin's Spouse due to certain insider trading activities committed by them in May 2021.

Findings of the Independent Investigator

The Independent Investigator reviewed this Shenzhen CSRC decision. This decision did not mention that Ms. Lin was involved in the relevant insider trading activities.

Because of the limitations of the Investigation, the Independent Investigator was unable to confirm whether Ms. Lin had been involved in and/or related to the insider trading in question.

6. Allegation 6: The related parties of Ms. Lin had entered into connected transactions with the Company

Summary of the allegation and its background

The Complainant alleged that there were connected transactions between the Company and the related parties of Ms. Lin. However, these connected transactions were not disclosed by the Company.

Findings

Based on the independent background checks and interviews, the Independent Investigator noted that both Ms. Lin's Spouse and the elder brother of Ms. Lin's Spouse ("**Brother of Ms. Lin's Spouse**") were connected persons of Ms. Lin. They were both consultants of the Company.

Nevertheless, Ms. Lin did not indicate that the Brother of Ms. Lin's Spouse was her connected person when she made the self-declaration to the Company prior to her directorship appointment. The Independent Investigator could not ascertain the reason(s) for Ms. Lin to submit an incomplete list of connected persons to the Company.

The Independent Investigator noted that the Company (out of its own initiative) has included the name of the Brother of Ms. Lin's Spouse in the Company's list of connected parties.

The Independent Investigator recommended the Company to seek advice from professional advisers to ascertain if there were connected transactions requiring disclosure to be made by the Company. In this regard:

- (a) The Company has been paying an annual management fee of 2% to the general partner of a fund of which the Company is a limited partner. The Brother of Ms. Lin's Spouse is the connected party of and appeared to be the *de facto* controller of the fund's general partner. After Ms. Lin was appointed as a director of the Company, the management fee paid to this fund's general partner may constitute a connected transaction of the Company.
- (b) The Independent Investigator noted that Ms. Lin and Ms. Lin's Spouse had a certain degree of influence over Vered Holdings, and recommended that the Company consult its professional advisers as to whether they had *de facto* control over Vered Holdings.

The Independent Investigator also suggested that the Company consider requiring its directors to identify their immediate family members (and their spouse's immediate family members) (if applicable) in their self-declarations.

7. Other observations/findings in relation to Ms. Lin's conduct

During the Investigation, the Independent Investigator noted that Ms. Lin might have not complied with the internal policy and/or gone beyond her authority in the following matters:

- (a) In February 2024, Ms. Lin executed two engagement letters to engage lawyers on behalf of the Company without obtaining the requisite internal approval. The Independent Investigator considered that Ms. Lin had violated the relevant internal policy, and should be held responsible for this non-compliance.
- (b) Ms. Lin (through the Company's Integrated Business Department) submitted her reimbursement claims for personal expenses in around HK\$43,000, which was in breach of the Group's internal policy. The Independent Investigator noted that on 27 February 2024, Ms. Lin explained to the head of the Finance Department that she had verbally instructed the then head of the Integrated Business Department that those personal expenses should be settled by herself instead. Nevertheless, her instruction was not followed. Ms. Lin returned the relevant sum to the Company on 27 February 2024. The Independent Investigator considered that Ms. Lin should be held responsible for this irregularity.
- (c) Between around September and November 2023, the Former HR Administration Head instructed the Company's staff to adjust the approval sequence and authority in the OA System, making the then chairperson of the Board (Ms. Lin) as the final approver. The adjustment would lead to an unclear division of labour between the chairperson and the chief executive officer. Such adjustment was also not approved by the Board and the Company's management. The Independent Investigator was of the view that Ms. Lin should be held responsible for this irregularity. The Independent Investigator recommended that the Company reinstate the OA System configuration.

(D) Key limitations to the Investigation

The Independent Investigator confirmed that the Company did not impose any unreasonable restrictions during the Investigation.

Nevertheless, the Investigation was subject to the following key limitations:

- (1) The Independent Investigator invited Ms. Lin for an interview, but she failed to attend the interview on two scheduled dates.
- (2) Apart from the inability to conduct interview with Ms. Lin, the Independent Investigator was also unable to conduct interviews with the Former HR Administration Head, Ms. Lin's Spouse, the Brother of Ms. Lin's Spouse, Kunlun, Vered Capital and Beijing Yingtong. The Brother of Ms. Lin's Spouse responded to the Independent Investigator's interview outline, but he eventually refused attending an interview.

- (3) The Independent Investigator was unable to obtain certain internal documents of Kunlun and Beijing Yingtong, and the approval documents from NFRA (if any) in respect of Ms. Lin's dual directorship in Kunlun and the Company.
- (4) Certain explanations obtained during the interviews and documents reviewed by the Independent Investigator were inconsistent.
- (5) The information revealed in the materials provided by the Company, its directors and via public channels may be incomplete.
- (6) The Investigation was conducted based on the voluntary cooperation of the Group and the relevant personnels. The Independent Investigator was unable to verify all their responses and/or confirm that the investigation findings are error-free and complete.

VIEWS OF THE AUDIT COMMITTEE AND THE BOARD

The Audit Committee and the Board have reviewed the contents of the Report and agreed with the findings of the Independent Investigator. The Board has concerns over the conduct of Ms. Lin and the Former HR Administration Head. The investigation findings have revealed that there were various instances where they had failed to comply with the internal policies and procedures of the Company, which was detrimental to the Group's corporate governance as a whole. The Company is determined to take all necessary steps to protect the interests of the Company.

As disclosed in the Company's announcement dated 22 February 2024, the Company suspended Ms. Lin's duties and power as the chairperson of the Board pursuant to a majority vote passed in a Board meeting held on 22 February 2024.

On 22 February 2024, the Former HR Administration Head also left the employ of the Company. On the same day, the OA System has been reconfigured.

As disclosed in the Company's announcement dated 21 March 2024, Ms. Lin resigned from all her positions in the Company with effect from the same day. Details of Ms. Lin's response to the Allegations are set forth in the Company's announcement dated 21 March 2024.

Having considered the findings and recommendations set forth in the Report, the Board have resolved that the following actions shall be taken by the Company:

- (a) seek professional advice to determine whether certain transactions indicated in the Report are connected transactions and shall be disclosed by the Company;
- (b) seek legal advice in relation to possible recourse against relevant individuals;
- (c) enhance the scope of background checks on new directors;
- (d) require the directors to identify their immediate family members (and their spouse's immediate family members) (if applicable) in the self-declarations submitted to the Company.

UPDATE ON ORIGINATING SUMMONS

On 8 May 2024, the Company received a letter from Ms. Lin’s legal representative in respect of her intention to wholly discontinue the Originating Summons against the Company. In this regard, the Company considers that the discontinuance of the action is in the best interest of the Group and shareholders of the Company as a whole provided the Company is able to recover a reasonable amount of legal costs incurred. The Company will further negotiate with Ms. Lin’s legal representative in this regard.

The Company will keep its shareholders and the public informed of any material development in connection with the above matters by way of further announcement(s) as and when appropriate.

DEFINITIONS

“Allegations”	the allegations made against Ms. Lin in the Complaint Letter
“Announcements”	the announcements of the Company dated 22 February 2024, 29 February 2024, 13 March 2024 and 21 March 2024
“Beijing Yingtong”	Beijing Yingtong Technology Company Limited* (北京應通科技有限公司)
“Board”	the board of directors of the Company
“Brother of Ms. Lin’s Spouse”	the elder brother of Ms. Lin’s Spouse
“CMIHK”	CMI Financial Holding Company Limited
“Company”	China Vered Financial Holding Corporation Limited
“Complainant”	China Minsheng Investment Corporation Limited and its two subsidiaries, CMIHK and CMI Financial Holding Corporation, the shareholder of the Company holding approximately 5.97% of the issued share capital in the Company as at the date of the Complaint Letter
“Complaint Letter”	a complaint letter received by the Company on 28 January 2024
“Former HR Administration Head”	the then Head of Human Resources Administration, who left the Company’s employ on 22 February 2024
“Group”	the Company and its subsidiaries
“Independent Investigator”	Grant Thornton Advisory Services Limited
“Investigation Committee”	the investigation committee initially formed to investigate the Allegations in the Complaint Letter

“Investigation”	the investigation carried out by the Independent Investigator
“Kunlun”	Kunlun Health Insurance Co., Ltd.* (昆侖健康保險股份有限公司)
“Kunlun Investment”	the RMB625 million equity investment made by Kunlun in Beijing Yingtong in or around March 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Ms. Lin”	Ms. Lin Le, former chairman of the Board who resigned on 21 March 2024
“Ms. Lin’s Spouse”	the spouse of Ms. Lin
“NFRA”	the National Financial Regulatory Administration (國家金融監督管理總局)
“OA System”	the Company’s internal approval system
“Originating Summons”	the originating summons issued by Ms. Lin on 28 February 2024 against the Company and its certain directors in respect of the Board meeting held on 22 February 2024
“Report”	the investigation report issued by the Independent Investigator
“Shares”	share(s) of the Company
“Shareholders”	shareholders of the Company
“Shenzhen CSRC”	the Shenzhen office of China Securities Regulatory Commission (中國證券監督管理委員會深圳監管局)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vered Capital”	Vered Capital Company Limited (薔薇資本有限公司)
“Vered Hong Kong”	Vered Holdings (Hong Kong) Limited* (薔薇控股(香港)有限公司)
“Vered Holdings”	Vered Holdings Corporation* (薔薇控股股份有限公司)

On behalf of the Board
China Vered Financial Holding Corporation Limited
Ng Kian Guan
Chairman

Hong Kong, 24 May 2024

As at the date of this announcement, the Board comprises (1) Mr. Li Feng, and Mr. Xie Fang as executive directors of the Company; (2) Mr. Ng Kian Guan, and Mr. Huang Yan as non-executive directors 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.

** For identification purpose only*