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## **CHINA FINANCE INVESTMENT HOLDINGS LIMITED**

**中國金控投資集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 875)**

### **SUPPLEMENTAL ANNOUNCEMENT**

Reference is made to the announcement of China Finance Investment Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 March 2018 (the “**Announcement**”) and the annual report of the Group for the year ended 31 December 2017 (the “**Annual Report**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Board of Directors would like to supplement the following in relation to (i) the disclaimer of opinion (“**Disclaimer of Opinion**”) by the auditors as disclosed on page 26 on the Announcement and page 40 on the Annual Report; and (ii) the fire accident (the “**Accident**”) that occurred in one of the agricultural production base in Ningxia (the “**Ningxia Base**”) as disclosed on page 28 of the Announcement and page 4 of the Annual Report:

### **DETAILS OF THE AUDIT MODIFICATION AND OPINION OF THE AUDITORS**

The Board would like to further supplement that after the Accident, the staff of the Group had conducted a physical stock count on the loss of assets in the Ningxia Base. The items that were lost include (i) property, plant and machinery; (ii) inventory (including packing and other materials); (iii) cash notes; and (iv) personnel losses, which in aggregate amounted to approximately RMB3,546,000, and amounted to approximately RMB1,805,000 after Group adjustments (with previous years impairment loss done). The losses have been reflected in the latest management accounts of the Company.

Other than the above losses, certain vouchers and supporting documents for audit purpose relating to the business in Wuzhong branch and Lingwu branch (both within Ningxia) were also destroyed in the accident. Those vouchers and supporting documents had been inputted and recorded in the Group’s accounting system prior to the Accident, and the staff at Ningxia had managed to re-print all vouchers from the accounting system and to recover more than 95% supporting documents from counterparties, representing an aggregate amount of approximately RMB19,545,000.

Despite the above, in the opinion of the auditors, due to the inherent limitation that loss of primary supporting documents in the Accident, they cannot validate the transactions happened during the period and no other alternative audit procedures can be done. The lack of fundamental audit evidence caused the auditors becoming unable to obtain sufficient appropriate audit evidence regarding the completeness, accuracy, existence, occurrence, valuation, ownership as well as classification and disclosures of transactions in the Ningxia Base during the period from March 2017 to July 2017. Therefore, a disclaimer of opinion is issued.

## **MANAGEMENT RESPONSE TO THE DISCLAIMER OF OPINION**

The management considers that all physical losses in assets, inventories, cash and personal losses have been properly recorded and reflected in the accounting record of the Company. In addition, based on the re-printed vouchers and supporting documents reproduced by counterparties, the Company is able to record majority of the relevant transactions in the accounting systems of the Group. Nevertheless, the management has considered the auditors' view and understands their consideration in arriving their view towards the matter.

## **AUDIT COMMITTEE RESPONSE**

In the course of approving the consolidated financial statements for the year ended 31 December 2017, the members of the audit committee of the Company (the "**Audit Committee**") has reviewed the information provided by the management in relation to the fire loss and its impact towards the financial position of the Company. A meeting was also held between the auditors and the Audit Committee in respect of details and reasons of arriving at the Disclaimer of Opinion. The Audit Committee, having considered the management's report on the fire loss, agreed on the management's position, shared the view of the auditors towards the Disclaimer of Opinion and expressed no further comments on it.

## **FUTURE AUDITORS' REPORT**

In relation to the audit modification, the Directors were notified and given to understand the basis of the audit modification issued by the auditor was mainly due to the inherent limitation.

Since the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 form the corresponding figures of the consolidated financial statements for the year ending 31 December 2018 (the "**Corresponding Figures**"), it is expected that the Company's auditors have limitation of scope on the Corresponding Figures and hence the audit opinion for the consolidated financial statements for the year ending 31 December 2018 would be modified in this regard in accordance with Hong Kong Standard on Auditing 710 Comparative Information – Corresponding Figures and Comparative Financial Statements.

For the consolidated financial statements for the year ending 31 December 2019, the Company expects that the audit opinion would not modified due to the limitation of scope in the consolidated financial statements for the year ended 31 December 2017.

Save as stated above, all information in the Announcement and the Annual Report remains unchanged.

By order of the Board  
**China Finance Investment Holdings Limited**  
**Lin Yuhao**  
*Chairman*

Hong Kong, 4 June 2018

*As at the date of this announcement, the board of directors of the Company comprises seven directors, including three executive directors, namely Mr. Yau Yik Ming Leao, Ms. Diao Hong and Ms. Diao Jing, one non-executive director, namely Mr. Lin Yuhao and three independent non-executive directors, namely Mr. Li Shaohua, Ms. Zhu Rouxiang and Ms. Li Yang.*