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**China Fortune Holdings Limited**

**中國長遠控股有限公司\***

*(Incorporated in Bermuda with limited liability, carrying on business in H.K. as CFH Ltd.)*

**(Stock Code: 110)**

**SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO THE QUALIFIED OPINION SET OUT  
IN THE INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

Reference is made to the supplemental announcement of China Fortune Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 11 December 2020 (the “**Supplemental Announcement**”), annual results announcement for the year ended 31 December 2020 dated 31 March 2021 (the “**2020 Results Announcement**”) and the qualified opinion (“**Qualified Opinion**”) set out in the independent auditor’s report for the year ended 31 December 2020 (the “**2020 Annual Report**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Supplemental Announcement.

In the annual report for the year ended 31 December 2019, the Company’s auditor (the “**Auditors**”) expressed a qualified opinion on the Company’s financial statements for the year ended 31 December 2019 as they were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the directors’ credit loss allowance assessment on the Debts and the Advance as at 31 December 2019 (the “**2019 Audit Qualifications**”).

In the 2020 Results Announcement and the 2020 Annual Report, the Auditors expressed a qualified opinion on the Company’s financial statements for the year ended 31 December 2020, as (i) they were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the directors’ credit loss allowance assessment on the Advance as at the date immediately before the disposal of subsidiaries in 2020; (ii) the possible consequential impact of the 2019 Audit Qualifications to the profit or loss for the year ended 31 December 2020 and (iii) the comparability of the related 2020 figures and 2019 figures included in the 2020 consolidated financial statements (the “**2020 Audit Qualifications**”).

\* For identification purpose only

## MANAGEMENT VIEW AND POSITION ON THE AUDIT QUALIFICATIONS

In preparation of the financial statements for the years ended 31 December 2019 and 2020, the management took into consideration the following factors in arriving at its position:

- the discussion between the management of the Group and Mr. Dai and Mrs. Dai regarding the recoverability of the Debt and the Advance respectively;
- requested repayment schedules from Mr. Dai and Mrs. Dai for a timeline of when Mr. Dai and Mrs. Dai expect to be able to settle the Debt and the Advance respectively;
- the relevant PRC operations team responsible for the Debt and the Advance contacted Mr. Dai and Mrs. Dai and understood that Mr. Dai and Mrs. Dai committed to repay the Debt and the Advance in 2020. It was further noted that Mr. Dai and Mrs. Dai have adequate financial ability in order to settle the Debt and the Advance. The Hong Kong management team, after consulting with the PRC operations team, understood and therefore assessed that the expected credit losses of the Debt and the Advance were immaterial.

During the course of audit, the Auditors were not provided with adequate information about the directors of the Company (the “**Directors**”) assessment conclusion that the credit risk of the Advance and the Debt have not increased significantly since initial recognition. In addition, no reliable and supportable information in respect of the estimation of the 12-month expected credit losses of the Advance and the Debt were provided to the Auditors. The Auditors were therefore unable to obtain sufficient appropriate audit evidence they considered necessary to assess the appropriateness of the Directors’ expected credit losses allowance assessment on the Advance and the Debt.

## AUDIT COMMITTEE’S VIEW ON THE AUDIT QUALIFICATIONS

The audit committee of the Company (the “**Audit Committee**”) (i) discussed with the Auditor and (ii) enquired management of their basis of assessment on the 2019 and 2020 Audit Qualifications, in which the Audit Committee agreed with management’s impairment assessment regarding the Debt and the Advance whilst understanding the reasoning for the opinion issued by the Auditor. The Directors note that the Audit Committee did not disagree with the board of Directors. A discussion was also held between the Auditors and the Audit Committee where the Auditors explained the reasons for the audit qualifications, which the Audit Committee acknowledged and understood.

## **PLANS TO ADDRESS THE AUDIT QUALIFICATIONS**

The Directors understand that the 2020 Audit Qualifications will also continue to exist in the Company's financial statements for the year ending 31 December 2021 for its comparative figures on the statement of comprehensive income for the year ended 31 December 2020 and will be fully removed in the Company's financial statements for the year ending 31 December 2022 if no other issues arise.

By order of the Board  
**China Fortune Holdings Limited**  
**Lau Siu Ying**  
*Chairman and Chief Executive Officer*

Hong Kong, 8 June 2021

*As at the date of this announcement, the Board comprises three executive directors, namely Mr. Lau Siu Ying, Mr. Wang Yu and Mr. Hou Zhenyang; and three independent non-executive directors, namely Dr. Law Chun Kwan, Mr. Fok Wai Ming, Eddie and Dr. Lo Wai Shun.*