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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 Limited)*

**(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 2021**

Reference is made to the qualified opinion set out in the Company's predecessor auditor (the "**Predecessor Auditor**") in their independent auditor's report for the year ended 31 December 2020 (together the "**2020 Annual Report**") and also the qualified opinion set out in the Company's auditors (the "**Auditor**") in their independent auditor's report for the year ended 31 December 2021 (the "**2021 Annual Report**"). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the 2020 Annual Report and the 2021 Annual Report, respectively.

In the 2020 Annual Report, the Predecessor Auditor expressed a qualified opinion on the Company's financial statements for the year ended 31 December 2020 as they were unable to obtain sufficient appropriate audit evidence regarding the expected credit loss allowances in respect of the Advances and Debt and the gain on disposal of a former subsidiary and the Settlement of the Debt during the year ended 31 December 2020 (the "**2020 Audit Qualifications**").

In view of the 2020 Audit Qualification, in the 2021 Annual Report, the Auditor expressed a qualified opinion for the Company's financial statements for the year ended 31 December 2021 relating to the comparability of certain current period's figures (i.e. for the year ended 31 December 2021) and the corresponding figures (i.e. for the year ended 31 December 2020) of the consolidated statement of profit or loss and other comprehensive income and consolidated cash flows statement included in the Company's consolidated financial statements for the year ended 31 December 2021 (the "**2021 Audit Qualifications**").

\* *For identification purpose only*

## **Additional Information regarding the 2021 Audit Qualifications**

In connection with the Auditor's qualified opinion set forth in the 2021 Annual Report, the Company would like to provide shareholders and potential investors with additional information regarding the matters from which the 2021 Audit Qualifications has arisen, and the views of the management of the Company and the audit committee of the Company (the "Audit Committee").

### **MANAGEMENT VIEW AND POSITION ON THE 2021 AUDIT QUALIFICATIONS**

In preparation of the financial statements for the year ended 31 December 2021, the Directors took into consideration the following factors in arriving at its position:

- During the year ended 31 December 2020, the Group disposed of its 51% equity interest in a former subsidiary, Chongqing Yuanjia (which had the Advances of HK\$2,700,000 provided to the mother of Mr. Dai Wei ("Mrs. Dai"). Mr. Dai Wei was a former controlling shareholders of Chongqing Yuanjia) to a non-controlling shareholder of Chongqing Yuanjia and recorded a gain on the disposal of Chongqing Yuanjia of HK\$3,125,000 for the year ended 31 December 2020 and details of which are described in note 31(b) to the Company's consolidated financial statements for the year ended 31 December 2021; and
- In April 2020, a tripartite settlement agreement was entered into among the Group, Mrs. Dai and the Borrower of the Debt of HK\$8,960,000. Pursuant to the agreement, Mrs. Dai has agreed and settled the Debt by cash to the Group on behalf of the Borrower. Thus, through the settlement, the Debt was fully settled and details of which are described in the note 34(a) to the Company's consolidated financial statements for the year ended 31 December 2021.

During the course of audit, the Auditors were not provided with adequate information about the Directors' impairment assessment in respect of the Advances and Debt and the corresponding gain on disposal of the former subsidiary and the Settlement of the Debt during the year ended 31 December 2020. The Auditors were therefore unable to obtain sufficient appropriate audit evidence they considered necessary to assess the appropriateness of the Directors' impairment assessment in respect of the Advances and Debt and the gain on disposal of the former subsidiary and the Settlement of the Debt during the year ended 31 December 2020.

In view of the above, the issues regarding the Advances and Debt were fully resolved and settled during the year ended 31 December 2020, the Directors understand that the 2021 Audit Qualifications were merely the comparability of certain current period's figures (i.e. for the year ended 31 December 2021) and the corresponding figures (i.e. for the year ended 31 December 2020) of the consolidated statement of profit or loss and other comprehensive income and consolidated cash flows statement included in the Company's

consolidated financial statements for the year ended 31 December 2021 which will be fully removed in the Company's financial statements for the year ending 31 December 2022 if no other issues arise.

### **AUDIT COMMITTEE'S VIEW ON THE 2021 AUDIT QUALIFICATIONS**

The Audit Committee (i) discussed with the Auditor and (ii) enquired management of their basis of assessment on the 2021 Audit Qualifications, in which the Audit Committee understood the reasoning for the opinion issued by the Auditor. The Directors note that the Audit Committee agreed 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 2021 AUDIT QUALIFICATIONS**

The Directors understand that the 2021 Audit Qualifications 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, 13 June 2022

*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, Dr. Lo Wai Shun and Mr. Leung Wai Hung.*