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合豐集團控股有限公司  
**HOP FUNG GROUP HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*  
Stock Code: 2320

## **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO 2022 ANNUAL REPORT**

Reference are made to the 2022 annual report of the Company dispatched on 28 April 2023 (the “**2022 Annual Report**”). Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined in the 2022 Annual Report.

The Company would like to provide additional information on the section headed “Supplementary information regarding the qualified opinion” on page 10 of the 2022 Annual Report and the other tax expenses of approximately HK\$23,628,000 (the “**Tax Expenses**”) as mentioned in the Audit Qualification, to its shareholders and potential investors as follows:

### **THE COMPANY’S VIEW AND POSITION AS TO THE AUDIT QUALIFICATION**

The auditors stated in the Audit Qualification that they have been unable to obtain sufficient appropriate audit evidence to justify whether the Tax Expenses in relation to the Decision should be made in the current year or in the prior years.

The information and explanations requested by the auditors include the assessment of the Company’s management on whether it is reasonable and appropriate that the Tax Expenses in relation to the Decision should be made in the current year or in prior years of the Company’s consolidated financial statements and the supportive evidence to it.

The management position, view and assessment on the Audit Qualification, specifically about whether the Tax Expenses should be made in the current year or the prior years are described as below, which is different from that of the Company’s auditors:

- (1) The Group has objected and lodged appeals against the Decisions. As at the date of the 2022 Annual Report, there was no final court decision on the obligation of the Group. Given the uncertainties, the Company’s management was unable to assess whether the Tax Expenses in relation to the Decision should be made in the current year or in prior years; and

- (2) There were a number of supportive points with respect to the appeal analysed by the Company's PRC legal advisor on the Decisions in favor of the Group. As a result, the management believed that it was probable that the relevant tax bureau in the Mainland China would eventually accept the objections lodged by the Group, and therefore the Tax Expenses should not be treated as prior year expenses. However, the PRC legal advisor was not in a position to give a concrete legal view on the outcome of the appeals against the Decisions, which would be subject to the decision of the courts.

## **AUDIT COMMITTEE'S VIEW ON THE AUDIT QUALIFICATION**

The Company's auditors have reported to and discussed with the Audit Committee in respect of the Tax Expenses included in the Audit Qualification. The Audit Committee has also reviewed the relevant information provided by the Company's management concerning the Tax Expenses. The Audit Committee understood from the Company's auditors that they could not obtain sufficient audit evidence in respect of the Tax Expenses. On the other hand, the Company's management considered that the Tax Expenses should be recognised as current year expenses. After careful consideration, the Audit Committee was of the view that the Tax Expenses should not be recognised as prior year expenses unless a final and conclusive decision has been made by the court in the Mainland China. The Audit Committee concurred with the position of the Company's management while the Audit Committee also understood that the auditors might have different view on the accounting treatment of the Tax Expenses.

## **IMPACT OF THE AUDIT QUALIFICATION ON THE GROUP'S CONSOLIDATED FINANCIAL POSITION**

### **Company's view**

Based on the experience of the PRC legal advisor, it is expected that the court should have a final decision by the end of year 2023, and therefore the Company expects that the Audit Qualification, including the issues of accounting treatment of the Tax Expenses, will be removed in the next financial year ending 31 December 2023.

### **Auditor's view**

The Company's auditors are not able to confirm whether the Audit Qualification, including the Tax Expenses could be removed for the financial year ending 31 December 2023 given that the Group could not provide a concrete timeline as to when the matters concerning the Decisions could be settled with the relevant tax bureau. The Company is going to address the issue of the Tax Expenses of the Audit Qualification as stated below.

## **THE COMPANY'S PROPOSED ACTION PLAN TO ADDRESS THE AUDIT QUALIFICATION AND THE IMPLEMENTATION OF SUCH PLAN**

The Company will closely monitor the progress of the court case. Specifically, the Company will work closely with the PRC legal advisor to keep abreast of the development of the court case. Based on the opinion of the PRC legal advisor, it is expected the court will hand down its decision by the end of year 2023.

If the court's final decision is not favourable to the Group and the Group could not appeal to the court by the end of 2023, the Group will provide a prior year adjustment concerning the Tax Expenses in its consolidated financial statements for the next financial year ending 31 December 2023. In the event that the Group is able to provide supportable evidence to justify the timing and amount for the recognition of the Tax Expenses, which in turn support the provision of prior year adjustment, the Company's auditor considers that the Audit Qualification in respect of the Tax Expenses would be resolved and removed in the forthcoming audit for the year ending 31 December 2023.

By order of the Board  
**Hop Fung Group Holdings Limited**  
**Hui Sum Ping**  
*Chairman*

Hong Kong, 10 May 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Hui Sum Ping and Mr. Hui Sum Tai and the independent non-executive directors of the Company are Mr. Tso Sze Wai, Mr. Wong Chu Leung and Mr. Chau Suk Ming.*