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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 2023 ANNUAL REPORT**

Reference is made to the 2023 annual report of Hop Fung Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively with the Company, the “**Group**”) dispatched on 30 April 2024 (the “**2023 Annual Report**”). Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined in the 2023 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 2023 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 auditor stated in the Audit Qualification that they have been unable to obtain sufficient appropriate audit evidence to support whether the Tax Expenses recognised in the profit or loss for the year ended 31 December 2022 in relation to the Decisions should be made in the last year or in the prior years.

The information and explanations requested by the auditor include the assessment of the Company’s management on whether it is reasonable and appropriate that the Tax Expenses recognised in the profit or loss for the year ended 31 December 2022 in relation to the Decisions should be made in the year ended 31 December 2022 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 year ended 31 December 2022 or in the prior years are described below, which is different from that of the Company's auditor:

- (1) The Group has objected and lodged appeals against the Decisions. As at the date of the 2023 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 year ended 31 December 2022 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 auditor 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 auditor 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 in the year ended 31 December 2022 as 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 auditor 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*

The Audit Qualification in relation to the Tax Expenses recognized in the profit or loss in the year ended 31 December 2022 were referred to the Tax Expenses incurred in 2022 and there was no similar expense in 2023. In addition, it is expected that the court should have a final decision by the end of year 2024, and therefore the Company expects that the Audit Qualification, including the issues of accounting treatment of the Tax Expenses, will be removed in the financial year ending 31 December 2024.

*Auditor's view*

The Company's auditor confirmed that the Audit Qualification in relation to the Tax Expenses only referred to the Tax Expenses recognized in the profit or loss for the year ended 31 December 2022. There were no similar Tax Expenses in 2023. Since the financial statements for the year ended 31 December 2023 included the financial information of 2022 as comparative figures, the Company's auditor is required to consider the impact on the comparative figures and resulting in the respective qualification in the Auditor's Report for the year ended 31 December 2023. The auditor confirmed that the Audit Qualification for the Tax Expenses would be removed in the financial statements for the year ended 31 December 2024. Apart from the Audit Qualification for the Tax Expenses, the auditor is not able to confirm whether the Audit Qualification could be removed for the financial year ending 31 December 2024 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'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 that the court will hand down its decision by the end of year 2024.

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

Hong Kong, 17 May 2024

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