# CHEUK NANG (HOLDINGS) LIMITED

# 卓能(集團)有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 131)

## SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CHANGE OF AUDITOR

Cheuk Nang (Holdings) Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to its announcements dated 17 July 2026 in relation to the resignation of GT (the "**Resignation Announcement**") and 27 July 2026 in relation to the appointment of BDO (the "**Appointment Announcement**", together, the "**Announcements**"). Unless otherwise stated, capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcements.

### SUPPLEMENTAL INFORMATION RELATING TO GT'S RESIGNATION

As stated in the Resignation Announcement, the resignation of GT was due to the Company's non-acceptance of the audit fee arrangement including the professional fees of GT's experts to be incurred by GT in respect of the audit for the financial year ended 30 June 2026 ("**FY2026**") to be borne by the Company.

GT first informed the Company of its intention to propose a significant increase in audit fees for FY2026 on 22 June 2026. Prior to that the Company had expected audit fee discussions and planning to commence in July 2026, after the financial year end, as in previous years. In the interest of ensuring the continuity of the Company's auditors and proceeding with the audit process as in the past, the Company accepted on 26 June 2026 GT's fee proposal of HK$1.7 million (financial year ended 30 June 2025 ("**FY2025**"): HK$0.85 million) for which no reason for the fee increase nor breakdown had been given by GT and agreed to their request that the Company rotates to other reputable lawyers/valuers for the valuation of the Group's project in Macau. The Company was subsequently informed by GT on 29 June 2026 that the proposed audit fees do not include fees of GT's own external professional advisers (including fees of legal opinions and valuer) that is to be incurred by GT and borne by the Company. Given that the Company had borne external professional adviser fees in prior years, it only became apparent through subsequent correspondence that on top of the Company engaging its own experts, GT proposes to require the Company to bear additional unquantified fees for GT's own experts which had not been required in previous years.

GT informed the Company on 14 July that they would consider resigning as auditors if the Group cannot accept their proposal. GT had not explained with reasonable particulars the basis for this requirement whether upon the enquiry of the Company's management or in their separate meeting with the Audit Committee without management presence (which was arranged after the Audit Committee was informed of GT's intention to resign). Given that there has been no substantive changes to the business of the Group in FY2026 compared with FY2025 and the fact that the Company has promptly agreed to GT's requests to rotate legal advisers and independent valuers at the Group's costs and their substantially increased audit fees, the Audit Committee considered that GT's last minute requirement that the Company bears unquantified fees of an unspecified number of GT's external experts to be unreasonable. Based on its meeting with GT, the Audit Committee understood that there were no extraneous reasons pertaining to the Group (other than the issue around the fees of GT's own experts referred to above) that contributed to GT's then proposed resignation.

**SUPPLEMENTAL INFORMATION RELATING TO BDO'S APPOINTMENT**

In connection with BDO's audit engagement, BDO has confirmed to the Board that to the best of its knowledge and belief, BDO, its partners, staff and network firms are independent of the Group in accordance with Code of Ethics for Professional Accountants issued by the HKICPA. They explained that they will implement layered supervision, whereby the juniors report to seniors; seniors are supervised by managers; managers and the engagement manager perform regular technical reviews; the engagement partner provides milestone oversight and final sign-off; and the independent Engagement Quality Reviewer performs a pre-issuance review. Complex areas will be allocated to experienced seniors/managers where required. Further, BDO has confirmed it will supplement senior resources should the engagement's scope or complexity increase.

BDO has further confirmed that, while other members of the international BDO network can provide assistance if required, they will not be using component auditors for its audit engagement but they plan to engage BDO PLT in Malaysia as their tax expert to evaluate the tax exposure of the Group's Malaysian subsidiary.

BDO has confirmed that they have budgeted core team resources allocation mainly towards the audit of the Group's property sales and rental segments, subject to overall supervision by the partners as the Group's business segments comprise property investment, development and management. They have provided a breakdown by seniority of and time dedicated by the audit team members and geographical locations of the Company's businesses, as follows:

| Role | Responsibility/Geographical Location | | Estimated hours |
|---|---|---|---|
| Engagement Partner | Person in charge | | 100 |
| Engagement Quality Review | Independent quality review | | 40 |
| Engagement Manager | HK, Macau, Malaysia and PRC | | 270 |
| Manager | HK and Macau | | 270 |
| Assistant Manager | HK, PRC and Macau | | 392 |
| Assistant Manager | HK and Malaysia | | 312 |
| Senior | PRC | | 160 |
| Junior | HK and PRC | | 392 |
| Junior | HK and PRC | | 392 |
| | | **Total:** | 2,328 |

Based on the confirmations from BDO on the matters disclosed above and discussions with management on GT's audit scope and approach in previous year, the Audit Committee has not noted any substantive difference between BDO and GT's audit approach and scope of audit work. BDO has identified as the audit focus for FY2026, the existence and valuation of the Group's properties, including investment properties, property held for sale and self-owned property under fixed assets, and also on opening balances given that this is their first year audit of the Group. The Company will retain and pay for suitable external legal counsel and independent valuers as may be required for audit purposes.

Based on the above and taking into consideration (i) the proposed audit fees for the Group received by the Company from GT and other potential auditor candidates ranged from HK$1.0 million to HK$1.7 million; and (ii) the subsequent negotiated discount on the fee proposal from BDO, the Audit Committee is of the view that the audit fee agreed with BDO of HK$1.25 million (which excludes fees for external experts engaged by BDO for any amount below HK$100,000 and out of pocket expenses) as disclosed in the Appointment Announcement, is commensurate with the estimated time to be spent by each of the members of the core engagement and audit team, and the audit scope and is not unusually low. There is therefore no reason for the Audit Committee to consider that the audit quality of BDO would be compromised only because their fee proposal happened to be lower than that proposed by GT.

In view of (i) the Audit Committee's consideration of, among other things, the factors set out in the "Guidelines for Effective Audit Committees – Selection, Appointment and Reappointment of Auditors" issued by the AFRC in December 2021, as disclosed in the Appointment Announcement; (ii) the fact that the resignation of GT did not arise from any disagreement or disagreement with management (other than in relation to fees of GT's external experts); (iii) the fact that management of the Company would normally require at least four weeks following year end on 30 June to prepare full year management accounts of operating companies in the Group and prepare for audit and audit field work in prior years generally commencing only around mid-August; and (iv) the fact that any works required in the first year audit of the Group (including on opening balances) have been discussed between BDO and the Audit Committee, and factored into the timeline for audit as disclosed in the Appointment Announcement, the Audit Committee has reason to consider that the Company is able to publish the annual results for FY2026 by the publication deadline specified in the Listing Rules as outlined in the Appointment Announcement.

By order of the Board
**HO SAU FUN CONNIE**
*Company Secretary*

Hong Kong, 24 August 2026

*As at the date of this announcement, the Executive Directors are Dr. Chao Sze Tsung Cecil (Chairman), Dr. Chao Gigi (Vice Chairman), Mr. Chao Howard and Ms. Ho Sau Fun Connie; the Non-executive Director is Mr. Lee Ding Yue Joseph and the Independent Non-executive Directors are Mr. Lam Ka Wai Graham, Mr. Sun Dai Hoe Harold and Mr. Lee Tsung Hei David Chris.*