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Sterling Group Holdings Limited

美臻集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1825)

UPDATES ON KEY FINDINGS OF INTERNAL CONTROL REVIEW FOR THE YEAR ENDED 31 MARCH 2025 AND ENHANCEMENT ON TREASURY MANAGEMENT FUNCTIONS OF THE GROUP

Reference is made to the announcement of Sterling Group Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 16 July 2024 (the “**Announcement**”) in relation to, among other things, the key findings of the Specific IC Report issued by GRC. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

Subsequent to the issue of the Specific IC Report, the Group has used its best endeavours to continue to diligently monitor and improve the effectiveness of its internal controls. The Company has engaged Pan-China Tax and Business Advisory Limited (“**Pan-China**”) to (i) review various internal control processes of the Company’s major operating subsidiaries, including Sterling Apparel Limited, for the year ended 31 March 2025 (the “**2025 Internal Control Review**”), covering, among others, human resources management, revenue and expenditure business cycles, monitoring of repayment of advances and follow-up on the findings of the Specific IC Report; and (ii) enhance effective internal controls on treasury management functions of the Group.

2025 INTERNAL CONTROL REVIEW

The Company would like to provide information about the key findings, recommendations and remedial measures of the 2025 Internal Control Review.

KEY FINDINGS

During the 2025 Internal Control Review, Pan-China noted that an amount of approximately HK\$27.3 million was repaid early to the Group by Santai in April and May 2025. It did not identify any new advances made by the Group to Santai, JPO or any third parties for the year ended 31 March 2025, apart from those transactions with Santai and/or JPO disclosed in the Company’s announcements dated 3 June 2024 and 30 August 2024. Also, it did not identify any payments of non-business nature made by the Group for the year ended 31 March 2025.

Pan-China also had other key findings on the Group’s internal control processes including that:

1. the written policies and/or internal control procedures of the following cycles were incomprehensive:-
 - for human resources and payroll management cycle, it was mainly observed that the relevant policies and procedures were incomprehensive regarding maintenance of complete records;
 - for revenue and sale cycle, it was mainly observed that the policy relating to assessment of customers was incomprehensive;
 - for expenditure and payment cycle, it was mainly observed that the relevant procedures have not been updated and distributed to the staff of the Group regularly and certain cheque duties (as elaborated in paragraph 2 below) were not segregated; and
 - for monitoring of repayment of advances, it was mainly observed that, due to the different circumstances in each specific case, such as the background of the counterparty, the relevant procedures should be reviewed periodically and adjusted according to the specific circumstances;
2. the duties of keeping the cheque books and issuing cheques were not segregated and were handled by the same senior accounting clerk of the Group;
3. there was no written report in relation to the assessment of customers' credit worthiness before accepting the sales order; and there were no preset credit limits for customers; and
4. training sessions were arranged to the Board on 8 May 2024 by a law firm and on 30 July 2025 by Pan-China, while training sessions were originally scheduled to be arranged semi-annually.

These key findings on the Group's internal control processes are considered not material, as they would not affect materially the overall internal control effectiveness of the relevant processes.

RECOMMENDATIONS AND REMEDIAL MEASURES

In view of the key findings above, Pan-China has provided recommendations and the Company has proposed remedial measures accordingly. It is recommended to, and the Company shall:

1. enhance its written policies and internal control procedures of the following cycles:-
 - for human resources and payroll management cycle, enhance the relevant policies and procedures such that clear and detailed guidelines are followed by the staff of the Group in respect of maintaining records, which include keeping complete personnel files for all employees of the Group;
 - for revenue and sale cycle, enhance the written policy of assessment of customers, including evaluation of the customers' financial situation and repayment ability; and the timing of making the assessment;
 - for expenditure and payment cycle, update the relevant procedures and distribute them to the staff of the Group regularly and ensure the duties are properly segregated; and

- for monitoring of repayment of advances, review and update the relevant policies and procedures periodically and adjust them according to the specific circumstances; and seek legal advice as and when necessary.

The enhanced policies and procedures shall be distributed to the Board and relevant staff of the Group; and shall be reviewed and updated periodically;

2. adopt a segregation of duties in keeping the cheque books (to be handled by an assistant accountant of the Group) and issuing cheques (to be handled by the senior accounting clerk of the Group); and require a proper documentation on the usage of the cheque books;
3. maintain proper documentation on the assessment of customers' credit worthiness and set up credit limit for each customer, which should be reviewed and updated on a regular basis; and
4. arrange training sessions to the Board and relevant staff of the Group on a quarterly basis, which shall be conducted by external professional advisers and shall cover various listing rules and corporate governance topics, including directors' duties, risk management and internal controls.

As mentioned in the Announcement, the Company has implemented several enhanced internal controls in May and June 2024. In view of the findings of the 2025 Internal Control Review, the Board and the Compliance Committee are not aware of any material internal control deficiencies of the Group.

ENHANCING EFFECTIVE INTERNAL CONTROLS ON TREASURY MANAGEMENT FUNCTIONS OF THE GROUP

As of the date of this announcement, the Group completed the further enhancement of effective internal controls on the Group's treasury management and payment functions.

The Group has adopted the above newly enhanced internal control policies on the Group's treasury management functions and implemented relevant internal control procedures. The newly enhanced policy manual covers cash and bank account management; funding and capital or debt raising; and compliance and reporting.

The senior finance manager of the Company shall check whether the counterparties of all payments are connected persons of the Company and/or associated with the Group. If necessary, further verification procedures, such as background search and shareholder check, shall be performed.

Specifically, the policies and procedures of the following aspects of the Group were enhanced:

1. Formation and composition of the treasury committee

The Company established a treasury committee and will dedicate team (to be led by the senior finance manager of the Company) responsible for implementing the internal controls.

The treasury committee currently comprises of all executive directors (including the chief executive officer) and the senior finance manager of the Company. The main responsibilities of the treasury committee include:

- approval of treasury policies and procedures annually;
- review of treasury performance quarterly;
- approval of payments, investment and hedging strategies and setting of strategic objectives for treasury activities; and
- overseeing risk management and ensuring compliance with corporate governance requirements under the Listing Rules and other laws and regulations.

2. Authorization thresholds and approval hierarchy

The Company's treasury and payment transactions must be authorized and approved by appropriate personnel in accordance with the respective approved thresholds. All fund transfers of the Group, other than those under ordinary course of businesses of the Group, should be approved as follows:

- (i) for amounts below US\$5,000, by any two of the following personnel:

chief executive officer, executive director, chief financial officer and senior finance manager of the Company; and
- (ii) for amounts ranging from US\$5,000 to the lower of US\$1,000,000 or an amount resulting one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules equal to 5%, by two executive directors and chief financial officer of the Company.

Regarding all payments and fund transfers, under ordinary course of businesses of the Group or otherwise, of amounts totalling above the lower of US\$1,000,000 or an amount resulting one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules equal to 5% (when aggregated for the same counterparty and its associates for the past twelve months, except for payments for materials to trade suppliers, via bank credit lines or otherwise, with executed purchase orders and/or supply contracts), the Company shall seek the approval of the Board (including all independent non-executive directors of the Company). The Board shall ensure the payments and fund transfers are compliant with the Listing Rules.

3. Segregation of duties and approval process for fund transfers

Regarding segregation of duties and approval for fund transfers, the process of preparing the cheques, keeping the cheque book, and performing the monthly bank account reconciliation must be performed separately by different persons, i.e. senior accounts clerk, assistant accountant and senior finance manager of the Company respectively. A signed reconciliation report shall be submitted to the senior finance manager of the Company for review and submitted to the executive directors of the Company for approval.

4. Investment and fund management guidelines

The Company established clear investment and fund management guidelines which prohibit, among others, lending money, provision of financial support and/or provision of financial assistance to any parties, unless prior approval from the Board is obtained and compliance adviser is consulted to ensure compliance with the Listing Rules.

5. Reporting and measurement mechanism

The Company established a regular reporting schedule for treasury management functions of the Group, which includes i) weekly cash flow projections; ii) quarterly risk assessment and performance review; and iii) annual review of treasury policies and procedures.

The Company will continue to monitor the effectiveness of these internal controls implemented and review the policies and procedures at least annually.

The Board considers that the Company's internal control measures, as amended and supplemented, are adequate and effective to monitor its operations and transactions to ensure compliance with the Listing Rules in the future.

By order of the Board
Sterling Group Holdings Limited
美臻集團控股有限公司*
Wong Mei Wai Alice
Chairperson, Executive Director and
Chief Executive Officer

Hong Kong, 13 November 2025

As at the date of this announcement, Ms. Wong Mei Wai Alice is the executive Director and Chairperson, Mr. Siu Yik Ming, Mr. Yang Lun and Ms. Zhang Man are the executive Directors, Ms. Chen Jie, Ms. Gao Yuan Yuan and Ms. Wu Jing are the independent non-executive Directors.

* For identification purpose only