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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CHANGE OF AUDITOR

Reference is made to the announcement of Sterling Group Holdings Limited (the “**Company**”) dated 31 March 2026 in relation to the change of auditor (the “**Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement. The Company would like to provide supplementary information on the change of auditor of the Company.

THE CHRONOLOGY OF EVENTS LEADING TO THE CHANGE OF AUDITOR

At the annual general meeting of the Company on 29 September 2025, the Shareholders approved to re-appoint Baker Tilly as the auditor of the Company and approved to authorise the Board to fix its remuneration. At that material time, although the auditor remuneration was not fixed between the Company and Baker Tilly, it was expected that the remuneration of Baker Tilly for the 2026 Audit would be comparable to the audit fee for the year ended 31 March 2025 of HK\$1,000,000.

On 28 November 2025, the Group announced its interim results for the six months ended 30 September 2025 (the “**Interim Results**”). The revenue of the Group decreased by approximately 35% to approximately HK\$179 million for the six months ended 30 September 2025, when compared with the Group’s revenue for the six months ended 30 September 2024 (the “**Revenue Drop**”). The Group’s performance changed from the net profit of approximately HK\$3.2 million for the six months ended 30 September 2024 to the net loss of approximately HK\$7.6 million for the six months ended 30 September 2025.

In view of the ongoing challenging business environment, including the uncertainty of tariff policies imposed by the United States, and that the Group’s financial performance has been deteriorating, the management of the Company has been actively seeking measures to reduce the Group’s operating expenses.

In general, it is expected that the audit fee is determined, among others, with reference to the business scale; therefore the Company considered that the audit fee for the 2026 Audit should be significantly decreased in view of the Revenue Drop. It is reasonably expected that the number of sales and purchase transactions, bank transactions and relevant documents of the Group to be reviewed by the auditor for the 2026 Audit shall be much less than that for the year ended 31 March 2025, due to the decrease of the Group’s business scale.

Accordingly, since January 2026, the Company has started to look for suitable professional accounting firms with the requisite listed-company audit experience and has invited them, including Baker Tilly, to provide audit fee proposals for the 2026 Audit.

By the end of February 2026, the Company received three fee quotations, ranging from HK\$900,000 to HK\$1,100,000, including the quotation from Baker Tilly proposing a fee of HK\$1,000,000, which is the same as the audit fee for the year ended 31 March 2025. However, the Company considered that those fees should be further reduced in view of the Revenue Drop and that the Company's 2026 Audit shall be performed during slack audit seasons of professional accounting firms.

Since early March 2026, the Company has been reviewing the three fee proposals received and assessing their resources, capabilities, audit approaches and any possibilities of fee reduction. At the same time, the Company was continuously seeking for and inviting other professional accounting firms to submit fee proposals. By 26 March 2026, two more fee proposals were received, including the quotation from Rongcheng.

On 27 March 2026, meetings were held with Baker Tilly, Confucious International CPA Limited (“**Confucious**”) and Rongcheng separately, during which the Audit Committee reviewed the proposals in detail, and considered, among others, proposed audit fees, firm resources, technical competence and audit strategies. Subsequently, the Company and Baker Tilly were unable to reach a consensus on the audit fee, and both parties agreed to terminate the appointment of Baker Tilly as the auditor of the Company, with Baker Tilly initiating the resignation process.

On 31 March 2026, Baker Tilly tendered its resignation. The Board, after due consideration and with the recommendation of the Audit Committee, has resolved to appoint Rongcheng as the auditor of the Company to fill the casual vacancy. Up to the date of this announcement, no amounts have been paid to Baker Tilly for the 2026 Audit of the Company.

AUDIT FEE OF RONGCHENG

Five professional accounting firms provided audit fee proposals to the Company for the 2026 Audit, namely Baker Tilly (HK\$1,000,000), Rongcheng (HK\$700,000), Prism Hong Kong Limited (HK\$1,100,000), McMillan Woods (Hong Kong) CPA Limited (HK\$900,000) and Confucious (HK\$850,000).

The fee quotations range from HK\$700,000 to HK\$1,100,000, while Rongcheng quoted HK\$700,000, being the most competitive in terms of audit fee among the five quotations. The audit fee under discussion with Baker Tilly for the 2026 Audit was HK\$1,000,000.

The fee proposed by Rongcheng reflects its firm’s internal cost structure, resource model, and capacity planning. Professional firms determine their fee quotations based on a number of factors, including the scale and composition of their teams, the seniority mix deployed, the firms’ operating model and the availability of resources. These commercial considerations may vary between firms with different cost structures even when the audit scope is broadly comparable.

The Company understands that Rongcheng has considered and placed more weight on the timing of the resources to be allocated for the 2026 Audit, mainly from April to July 2026, given the Company’s financial year-end date is 31 March 2026, which is different from the more common year-end date of 31 December adopted by other listed companies in Hong Kong. Therefore, Rongcheng is able to utilize its human resources in relatively slack audit seasons and is willing to offer a relatively low audit fee to the Company. It was advised that certain discount on the charge-out hourly rate has been offered by Rongcheng for this reason, including better utilisation of the idle staff of Rongcheng in this period.

It was advised that Rongcheng is highly relied on clients with businesses in Mainland China, which generally adopt year end of 31 December. As such, the number of Rongcheng’s clients with year end of 31 March is only approximately one-third of the number of its clients with year end of 31 December. Although Baker Tilly has also relatively more clients with December year end than the clients with March year end, it does not usually consider the period from April to June as its slack audit season.

As elaborated further under the paragraph “(f) Audit methodology and audit plan” below, given the principal businesses of the Group are manufacturing and trading of apparel products, which are relatively straight forward operations, and the Group’s business scale has been diminished, the Audit Committee is of the view that the proposed fee of Rongcheng is reasonable and commensurate with the operations of the Group.

ALLOCATION OF STAFF RESOURCES OF RONGCHENG

The proposed audit engagement core team members of Rongcheng for the 2026 Audit of the Company comprise of one engagement director (the “**Engagement Director**”), one engagement quality reviewer (the “**Engagement Quality Reviewer**”), one engagement manager (the “**Engagement Manager**”), two seniors and two associates. The budgeted hours of staff resources proposed by Rongcheng and Baker Tilly are detailed below:

Grade of audit staff	Estimated audit hours of Rongcheng	Estimated audit hours of Baker Tilly
Engagement Director	97	100
Engagement Quality Reviewer	25	30
Engagement Manager	223	198
Senior associates	485	496
Associates	1,015	992
Technical reviewer	40	18
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Total	<u>1,885</u>	<u>1,834</u>

The Company considers that, as Rongcheng is required to understand the Group's business model and internal controls and to carry out first-year audit procedures, the staff resources proposed to be deployed by Rongcheng already included the manpower necessary to complete relevant audit work. The Company noted that the estimated audit hours of Rongcheng was comparable to that of Baker Tilly, it is considered that the resources committed by Rongcheng is sufficient, its audit timetable is feasible and its audit quality would not be compromised; despite the proposed fee of Rongcheng is 30% lower than that of Baker Tilly. It is also advised that the charge-out hourly rate of Rongcheng offered was discounted for the reason of slack audit season for the 2026 Audit of the Company.

The professional qualifications and experience of each of the proposed audit engagement core team members of Rongcheng for the 2026 Audit of the Company (one director, one quality reviewer, one manager, two seniors, two associates and and one technical reviewer) are as follows:

The Engagement Director is a practicing member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), with over 15 years of experience in providing audit and assurance services for listed companies in Hong Kong, including those in manufacturing and trading industries. The primary responsibilities of the Engagement Director include overall accountability for the engagement and the audit quality, authorization of client acceptance and continuance, supervision of audit strategy and critical judgments, management of resource allocation and final approval through signing the audit report.

The Engagement Quality Reviewer is a member of the HKICPA, with over 15 years of experience in providing audit and assurance services for listed companies in Hong Kong, including those in manufacturing and trading industries. With strong accounting and professional skills in financial reporting under the HKFRS Accounting Standards ("HKFRSs"), the Engagement Quality Reviewer is mainly responsible for independent evaluation of major judgments and critical audit risk areas, consultations, adherence to independence requirements and assessment of the appropriateness of the audit report prior to its release.

The Engagement Manager is a member of the CPA Australia, with over 15 years of experience in providing audit and assurance services for listed companies in Hong Kong, including those in manufacturing and trading industries. The roles of the Engagement Manager mainly comprise of supporting audit planning, overseeing seniors and associates, reviewing working papers, managing the audit budget and schedule, liaising with the clients, and delivering technical guidance to the subordinates.

One of the two seniors is a member of the HKICPA with around 4 years of audit experience; and another audit senior staff is a student member of the HKICPA with around 3 years of audit experience. The roles of the two seniors mainly comprise of supervising associates, executing audit procedures in line with the audit plan, preparing working documentation, supporting and executing controls and substantive testing procedures, and reporting results to the Engagement Manager and/or the Engagement Director.

The two audit associates are student members of the HKICPA with around 1 to 2 years of audit experience for listed companies. The roles of the two audit associates mainly comprise of performing audit procedures, preparing audit working papers, and assisting and performing procedures related to controls and substantive tests under guidance and supervision.

In addition, one technical reviewer will be available to provide professional advice and consultation regarding the audit engagement, as and when necessary.

OTHER KEY CONSIDERATIONS OF THE AUDIT COMMITTEE

In evaluating the appointment of Rongcheng, the Audit Committee has considered the audit fee quotations of the five candidates. The Audit Committee noted that those firms proposed to perform the audit in accordance with the Hong Kong Standards on Auditing (the “**HKSA**”) issued by the HKICPA; and the audit approach, audit scope and human resources committed are not materially different, except that Rongcheng and other new auditors, as compared to Baker Tilly, are required to delegate additional time and resources to carry out the audit of the opening balances.

Regarding the Group’s operations in Sri Lanka, all candidates intended to engage the existing component auditor in Sri Lanka (the “**Component Auditor**”), i.e. BDO Sri Lanka (BDO Partners). There has been no change in the component auditor despite the Company’s auditor was changed from Baker Tilly to Rongcheng for the 2026 Audit. The audit fee of the Component Auditor is subject to a separate fee quote and has not been included in any of the audit fee quotations of the five candidates; and this is in line with the practice in prior years that the audit fees of the component auditor paid in prior years were also subject to separate fee quotes.

Up to the date of this announcement, Rongcheng has sent its audit instructions to the Component Auditor and has been communicating with the Component Auditor in a continuous manner. Given there has been no change in the component auditor for the 2026 Audit and Rongcheng has communicated with and instructed the Component Auditor according to the audit schedule, the Audit Committee considers that the coordination and communication between Rongcheng and the Component Auditor is sufficient and will not be affected by a relatively shortened audit timetable.

The Audit Committee has considered section 2, particularly paragraph 2.2.4, of the guide issued by the Accounting and Financial Reporting Council (the “**AFRC**”) on 16 December 2021 and is satisfied that the Rongcheng is independent, competent and capable to perform high quality audits, and is also satisfied that Rongcheng has sufficient and appropriate manpower, expertise, time and resources to perform high quality audits for the Company. In assessing Rongcheng’s audit proposal, in addition to the proposed audit fees and proposed audit engagement team (as mentioned in the sections headed “**AUDIT FEE OF RONGCHENG**” and “**ALLOCATION OF STAFF RESOURCES OF RONGCHENG**” above respectively), the Audit Committee specifically evaluated the followings:

(a) Governance and leadership

The Audit Committee reviewed Rongcheng’s governance structure and leadership arrangements to confirm its dedication to upholding audit quality and acting in the public interest.

Rongcheng’s governance arrangements are aligned with the public interest, ensuring that its audit function places priority on accuracy, transparency, and integrity. The Audit Committee evaluated the accountability of the engagement director and senior management in upholding audit quality. The engagement director possesses appropriate authority and experience to supervise the audit engagement and ensure compliance with relevant quality standards. Rongcheng has strong leadership figures, clear reporting lines and delegation of authority, as well as responsibility and accountability arrangements, which safeguard the public interest in the performance of its audit function.

Rongcheng has shown a strong commitment to audit quality, with its leadership prioritizing the delivery of high standard audit services. Its organizational structure supports effective oversight, accountability, and appropriate resource allocation to maintain the high audit standards. The Audit Committee also reviewed the qualifications and internal resources of Rongcheng, which maintain an adequate number of managers and senior level staff with necessary audit competence; and many of them are professional qualified accountants with experience at Big Four international accounting firms and expertise in conducting annual audits of listed companies in Hong Kong.

The Audit Committee is satisfied that Rongcheng's governance structure and leadership arrangements provide adequate support for the delivery of high-quality audit services.

(b) Compliance with relevant ethical requirements

The Audit Committee discussed with the proposed engagement director and noted Rongcheng's compliance with the Code of Ethics for Professional Accountants published by the HKICPA, including the independence provisions. The communication covered the fact that there were neither any proposed non-audit services, financial and business relationships between the Company and Rongcheng nor any other relationships (whether financial, employment, family relationships or otherwise) between the proposed audit engagement team members (and their respective immediate family members) and the Company, which may impair the independence of Rongcheng in performing audit for the Company.

(c) Engagement team and technical competence

The Audit Committee reviewed and is satisfied with the profile and the composition of the proposed engagement team of Rongcheng, as mentioned in the section headed "ALLOCATION OF STAFF RESOURCES OF RONGCHENG" above. The core team members possess extensive experience in professional services gained from Big Four accounting firms and other reputable firms; and have provided annual audit services to listed groups and multinational conglomerates in a wide range of industries.

The Engagement Director will be actively involved in risk assessment, audit planning and engagement review; while the Engagement Manager will be responsible for controlling the engagement on a day-to-day basis. Further, the audit team possesses audit experience relating to manufacturing and trading businesses. Audit Committee is of the view that the proposed engagement team is experienced with adequate professional knowledge and qualifications.

(d) Engagement performance and industry knowledge

The Audit Committee reviewed Rongcheng's client portfolio and industry experience. Rongcheng is a registered Public Interest Entity ("PIE") auditor (registration number: M0298) and currently acts as auditors for more than 55 listed companies on the Stock Exchange. The Audit Committee is satisfied with Rongcheng's industry expertise.

Further, Rongcheng has extensive experience in auditing listed issuers on the Stock Exchange with operations in Hong Kong and Mainland China, including those operating in business segments similar or related to the Group's businesses. This experience will support the completion of a high-quality audit within the required timeline.

(e) Communications and interaction with the Audit Committee

Rongcheng's audit objectives will ensure it will:

- (i) deliver audit services with a focus on quality, risks, integrity, objectivity and independence;
- (ii) identify efficiencies and enhancements to the audit plan; and
- (iii) provide open and frequent communications with the management and the Audit Committee, which shall cover timing of key milestones, scope of the audit engagement, and key issues and significant areas of the audit.

(f) Audit methodology and audit plan

Rongcheng's audit methodology was assessed and found to be fully aligned with applicable professional standards, including the HKSA and the Hong Kong Standard on Quality Management (HKSQM) 1. The methodology promotes the application of professional skepticism and professional judgment.

Rongcheng has committed to delegate adequate human resources to the engagement for the 2026 Audit of the Company. With the Engagement Director and the Engagement Manager leading the audit engagement team, a thorough understanding and risk assessment will be conducted to identify risk of material misstatements on the financial statements. The audit methodology and the audit plan of Rongcheng setting out the scope, direction and timetable of the audit are detailed below:

Audit scope

Rongcheng will determine the audit scope and audit procedures with reference to materiality. Also, implementation of necessary audit procedures for opening balances of financial statements will be performed. Rongcheng will design and perform testing procedures, which include a combination of inspecting documents, observing processes, seeking independent confirmations and performing analytical reviews to obtain sufficient and appropriate evidence about the financial statements.

Regarding the work of the Component Auditor, Rongcheng will perform works including assessment of the competence and independence of the Component Auditor; and communications with the Component Auditor during the audit. The communications shall include the audit scope of the Component Auditor, the identified audit risks and the necessary audit procedures on key risk areas. Rongcheng shall require the Component Auditor to provide an audit clearance to ensure the sufficiency of the audit procedures of the Component Auditor on the component's financial information for the purpose of the Group's consolidated financial statements. Rongcheng shall review the audit documentation of the Component Auditor, particularly on significant risk areas, under HKSA 600 (Revised) "Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)", in order to ensure consistent audit quality and performance of the Component Auditor.

Audit direction

The audit fieldwork focuses intensely on the high-risk areas, including potential management override of controls and revenue recognition. The Engagement Director will supervise the entire audit process to ensure sufficient evidence has been obtained for forming the audit opinion. The Engagement Quality Reviewer will be involved independently from the planning stage, and will review the key audit matters and scrutinize the findings before an audit report is issued. Rongcheng will communicate with the Audit Committee during the whole audit process.

Audit timetable

The proposed audit timetable of Rongcheng is as follows:

Audit planning and audit on opening balances	April 2026
Communication with the Audit Committee – Planning	April 2026
Audit field work	April 2026 – June 2026
Communication with the management and the Audit Committee on the draft audited report	June 2026
Publishment of results announcement	Late June 2026
Publishment of annual report	Late July 2026

Audit Committee's view

The Audit Committee is confident that Rongcheng's audit scope, audit direction, audit timetable, and the resources allocated are reasonable and will ensure a high-quality audit that meets all applicable standards. The Audit Committee also considered the importance of leadership in setting the right tone, ethical behavior, and commitment to audit quality when assessing Rongcheng, and is satisfied that the agreed fee would not compromise audit quality.

In assessing whether audit quality would be maintained notwithstanding the lower agreed fee, the Audit Committee considered, among other things, Rongcheng's competence, independence, resource commitment, proposed audit plan and the continuing oversight to be exercised by the Audit Committee throughout the audit process. The Audit Committee considered the audit fee agreed with Rongcheng to be appropriate, having taken into account the size and structure of the Group, the nature and complexity of its business, Rongcheng's proposed audit approach, the seniority and number of staff to be assigned, and the expected time commitment for the engagement.

The Audit Committee considers the proposed audit timetable to be reasonable and sufficient for Rongcheng to complete all necessary audit procedures without compromising audit quality, and that Rongcheng's committed resources are adequate to achieve the proposed timetable, with reference to the proposed allocation of staff resources and the audit engagement team structure of Rongcheng as described in the section headed "ALLOCATION OF STAFF RESOURCES OF RONGCHENG" above.

In reaching this view, the Audit Committee took into account, among other matters, that the Group's principal activities are the manufacturing and trading of apparel products, the Group does not have a complicated group structure, the principal operating businesses are carried out through two main operating subsidiaries and the Group's business scale has been diminished.

The Audit Committee also took into account that the Company's previous auditor historically commenced fieldwork in around April each year, without dedicated pre-audit planning work, and was still able to meet the relevant reporting deadlines; although Rongcheng, as an incoming auditor, would be required to devote additional time to understand the Group's business model and internal controls and to carry out first-year audit procedures.

Rongcheng proposed a structured audit plan together with increased manpower and broader resource commitment across multiple grades of staff. Rongcheng committed three to four experienced staff for on-site audit work, whereas only around two staff were allocated on-site by Baker Tilly during audit work in the previous year. On that basis, the Audit Committee considered Rongcheng's committed resources to be adequate to achieve the proposed timetable. The Audit Committee is satisfied that the audit fee proposed by Rongcheng is not at a level that compromises audit quality by inadequate resource allocation or insufficient audit procedures.

(g) The monitoring process

The Audit Committee reviewed the Rongcheng's monitoring processes to ensure its continuous improvement and compliance with quality standards. Rongcheng has consistently demonstrated adherence to auditing and ethical requirements.

Rongcheng maintains a system for monitoring audit quality. The design, implementation and operation of the quality management system enable consistent performance of quality engagements and provide Rongcheng with reasonable assurance that the quality objectives of the system are achieved. Its processes for updating audit methodology in response to inspection findings and regulatory developments are effective. The Audit Committee considers that Rongcheng's monitoring processes sustain consistently high-quality audit performance.

The Audit Committee noted that Rongcheng complies with the requirements of HKSQM 1 & 2 and conducts annual monitoring. The monitoring covers evaluation of the quality management system, which includes the review of quality management manual, annual quality risk assessment and a review of compliance with relevant standards such as HKSQM 1 & 2.

(h) Audit inspection results and regulatory outcomes

The AFRC issued a press release on 6 January 2026 (the "**Press Release**"), which states that, among others, a public reprimand was issued to Rongcheng regarding its contraventions of certain registration and notification requirements under the Accounting and Financial Reporting Council Ordinance (the "**AFRCO**") in 2022 and 2023. The Press Release further states that there was no finding of intentional, dishonest or deliberate misconduct by the parties involved, including Rongcheng. The Company understands from Rongcheng that the above contraventions relate solely to administrative and compliance matters, and do not pertain to any specific audit quality issues at the engagement level.

In this regard, as advised by Rongcheng, Rongcheng has taken remedial actions and implemented enhanced quality management and compliance monitoring mechanisms to ensure strict compliance with the requirements under the AFRCO, which include maintenance of a director register and arranging trainings for directors on regulatory obligations. The relevant contraventions were rectified.

The Audit Committee considered relevant public regulatory information concerning Rongcheng in its assessment of Rongcheng's suitability. In doing so, the Audit Committee considered the nature of the matters concerned, including that the relevant findings related to registration and administrative contraventions rather than any finding of dishonest or deliberate misconduct, Rongcheng's cooperation with the regulator, and the remedial actions and internal control enhancements implemented by Rongcheng.

Further, the Company checked:

- the PIE auditor license (registration number: M0298) of Rongcheng and noted that the license was renewed and shall be valid until 31 December 2026;
- the registers on the AFRC's website to access up-to-date registration details, including details of registered responsible persons, such as engagement partner and engagement quality reviewer, of Rongcheng; and
- that the proposed Engagement Director and Engagement Quality Reviewer for the Company's 2026 Audit are properly registered and qualified; and there are no conditions imposed on them and/or Rongcheng.

The Audit Committee considers that the Rongcheng's contraventions have been rectified, and the Company's checking results are in line with the information advised by Rongcheng.

In view of the above, the Company, including the Audit Committee, considers that the above-mentioned contraventions are not related to the independence, competence and/or capability of Rongcheng to perform audit for the Company; and remains satisfied that Rongcheng is independent, competent and capable of acting as the auditor for the 2026 Audit of the Company.

Save as disclosed above, all other information contained in the Announcement remains unchanged. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

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, 11 June 2026

As at the date of this announcement, Ms. Wong Mei Wai Alice is the executive Director and Chairperson, Ms. Zhang Man is the executive Director, and Ms. Chen Jie and Ms. Wu Jing are the independent non-executive Directors.

* *For identification purposes only*