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FEG Holdings Corporation Limited

鑄帝控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1413)

RESULTS OF THE INTERNAL CONTROL REVIEW

This announcement is made by FEG Holdings Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”). References are made to the announcement of annual results for the year ended 31 March 2024 and resumption of trading of the Company dated 11 July 2024 and the 2023/24 annual report of the Company dated 25 July 2024 (the “**Annual Report**”). Unless otherwise defined, herein, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

The Board has engaged GRC Chamber Limited (the “**IC Consultant**”) to conduct an independent internal control review of the Group (the “**IC Review**”) and provide corresponding recommendations for improving the internal control of the Company. This announcement sets out the key findings of the IC Review.

SCOPE OF THE IC REVIEW

The IC Review was conducted in December 2024 to review the governance and process-levels areas of the Group for the period from 1 April 2024 to 30 September 2024 (the “**Review Period**”), with a focus on entities directly involved in governance and process-level areas. The IC Consultant also considered matters related to the qualified opinions issued by the Company’s former auditor in the Annual Report, in particular the construction agreement by Shenzhen Guanglianxing and Customer Z and the payment and subsequent full refund of the deposits paid to the Supply Chain Management Company (the “**Incident**”). As part of a follow-up assessment, the IC Consultant also reviewed the Company’s progress as of 31 December 2024. The IC Consultant noted improvements in some specific areas but certain enhancements to the internal control system as a whole have not yet been achieved.

KEY FINDINGS OF THE IC REVIEW

The Board is pleased to announce that it has taken actions to address the findings and implement or will implement the recommendations made by the IC Consultants. The key findings of the IC Review for the Review Period with risk level categorized as high-risk findings, the corresponding recommendations for rectification (the “**Rectification Recommendations**”), the Company’s responses and the remediation status are summarised as follows:

Summary of Key Findings	Rectification Recommendation	Company’s responses and remediation status
<i>Matters Reserved for the Board</i>		
The Group did not have any documented policy that clearly defines the authority and procedures for delegation.	The Group should establish a “Matters reserved for the Board” policy and approve the policy at the board level.	The management concurs with the observation and has committed to designing and implementing new and revised controls in alignment with the recommendation such as adopting a “Matters reserved for the Board” policy by 31 March 2025. Additionally, the Board and the Audit Committee acknowledges the importance of this matter and will actively monitor the progress of these enhancements to ensure timely and effective implementation.

Summary of Key Findings	Rectification Recommendation	Company's responses and remediation status
<i>Monthly Management Report</i>		
<p>The management of the Group did not provide monthly updates of the Group's performance to the Board</p>	<p>The Group should implement a structured and consistent approach to monthly management update procedures including provision of management accounts, budgets and any material updates requiring the Board's attention.</p>	<p>The management concurs with the observation and has committed to designing the implementing new and revised controls in alignment with the recommendations such as implementing a monthly management update procedures by 31 March 2025. Additionally, the Board and the Audit Committee acknowledges the importance of this matter and will actively monitor the progress of these enhancements to ensure timely and effective implementation.</p>
<i>Managing Directorship at Subsidiary Level</i>		
<p>Kwong Luen Information Technology Limited ("KLIT") only had one director and there was a concentration of decision-making under a sole directorship.</p>	<p>The Group should appoint an additional director to KLIT and include controls to define roles and responsibilities, regular reporting to the Group's Board, require approval for significant decisions and conduct ongoing evaluation of governance effectiveness.</p>	<p>The management concurs with the observation and note that an additional director to KLIT was appointed in January 2025. The management is committed to designing and implementing new and revised controls in alignment with the recommendations such as adopting controls to regulate approval for significant decisions by 31 March 2025. Additionally, the Board and the Audit Committee acknowledges the importance of this matter and will actively monitor the progress of these enhancements to ensure timely and effective implementation.</p>

Summary of Key Findings	Rectification Recommendation	Company's responses and remediation status
<i>Segregating Payment Signing Rights at Subsidiary Level</i>		
KLIT did not have segregating payment signing rights.	The Group should reset signing rights, implement dual-approval mechanism (i.e. transaction exceeding a reasonable threshold require approval from two directors) and limit finance personnel signing authority.	The management concurs with the observation and note that an additional director to KLIT was appointed in January 2025. The management is committed to designing and implementing new and revised controls in alignment with the recommendations such as resetting signing rights, implement dual-approval mechanisms and limit finance personnel authority by 31 March 2025. Additionally, the Board and the Audit Committee acknowledges the importance of this matter and will actively monitor the progress of these enhancements to ensure timely and effective implementation.

Ratifying Expenses exceeding the Pre-set Approval Limit of HK\$500,000 thresholds

The policy has not been adhered to uniformly. Certain non-revenue related payments exceeding the HK\$500,000 threshold have been approved by individual directors instead of being escalated to the Board as required.	The Group should prepare a comprehensive list of all non-revenue-related expenses and payments, especially those exceeding the HK\$500,000. The Group should establish clear and detailed guidelines specific to capital expenditures and other non-revenue-related expenses. The Group should conduct a periodic review of the HK\$500,000 threshold to assess whether it remains appropriate given the current operational, financial and market context.	The management concurs with the observation and has committed to designing the implementing new and revised controls in alignment with the recommendations such as adopting guidelines regarding capital expenditures and other non-revenue-related expenses and conduct a review of the HK\$500,000 threshold by 31 March 2025. Additionally, the Board and the Audit Committee acknowledges the importance of this matter and will actively monitor the progress of these enhancements to ensure timely and effective implementation.
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Summary of Key Findings	Rectification Recommendation	Company's responses and remediation status
<i>Establishing Formal Due Diligence & Follow-Up Procedures for Advancement and Non-Routine Expenses</i>		
The Group did not have a formal policy and procedure to govern due diligence and follow-up processes for advancements and non-routine expenses.	The Group should conduct a thorough review of all advancements and non-routine transactions by 31 March 2025 and develop and implement comprehensive policies for due diligence and follow-up procedures.	The management concurs with the observation and has committed to designing the implementing new and revised controls in alignment with the recommendations such as implementing comprehensive policies for due diligence and follow-up procedures by 31 March 2025. Additionally, the Board and the Audit Committee acknowledges the importance of this matter and will actively monitor the progress of these enhancements to ensure timely and effective implementation.

OTHERS

In addition to the Rectification Recommendations, the Company is committed to improve its internal control regarding the Incident, including adopting a formal policy requiring documentation on communication between the management and any customer from the PRC and requiring formalised documentation regarding new customer acceptance with customer from the PRC. Prior to entering the PRC construction market, the Company will build up a list of approved suppliers or supply chain companies to widen its choice of selection and set up a more stringent supplier or supplier chain company selection process that involve multiple quotations for comparison for each work. The Board has set a timeline to design and implement the revised measures with a target to substantially complete these enhancements by 31 March 2025.

VIEW OF THE AUDIT COMMITTEE AND THE BOARD

Having considered the findings of the IC Review, the Audit Committee and the Board are committed to improve the internal control environment according to the rectification recommendations of the IC Consultant. The Board has set a timeline to design and implement the revised measures with a target to substantially complete these enhancements by 31 March 2025. The Audit Committee will evaluate the Company's progress and determine appropriate next steps to advise the Board. The Board is of the view that the Company will have in place an adequate and effective internal control system to comply with its obligations under the Listing Rules after complying with the findings in the IC Review.

The Company will make further announcement subsequent to 31 March 2025 to provide updates on its adoption of the rectification recommendations and improvement to its internal control system.

By order of the Board
FEG Holdings Corporation Limited
Cheung Tung Tsun Billy
Chairman

Hong Kong, 20 January 2025

As at the date of this announcement, the executive Directors are Mr. Cheung Tung Tsun Billy, Mr. Yip Kwong Cheung, Ms. Luo Tingting, Ms. Huang Jiayi, Mr. Yang Zhenwei and Mr. Xie Rong; and the independent non-executive Directors are Ms. Lai Pik Chi Peggy, Mr. Wong Kwok On and Mr. Tang Man Joe.