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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)

DISCLOSEABLE TRANSACTION

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Reference is made to the 2023 Annual Report. As disclosed in the 2023 Annual Report, as at 31 March 2023, the other receivables of the Group amounted to approximately HK\$30.5 million, which included, among others, the advances made by the Group to Santai of approximately HK\$15.99 million before making ECL adjustments.

From 15 December 2022 to 27 October 2023, the Santai Advances made by the Group amounted to approximately HK\$32.37 million in aggregate. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Santai Advances were interest free, uncollateralised, had no fixed repayment date and are payable on demand.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the aggregate amount of the Santai Advances made within a 12-month period is more than 5% but less than 25%, the grant of the Santai Advances constituted a discloseable transaction on the part of the Company and is subject to the reporting and the announcement requirements under Chapter 14 of the Listing Rules.

Due to an inadvertent oversight, the grant of the Santai Advances was not timely disclosed by the Company in accordance with the requirements under the Listing Rules, and the Company unintentionally and inadvertently breached the requirements under Chapter 14 of the Listing Rules. This announcement is made by the Company so as to re-comply with the Listing Rules requirements.

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The Santai Advances were made in the following tranches, details of which are as follows:

Date	US\$	Equivalent to HK\$
15 December 2022	500,000	3,900,000
19 December 2022	500,000	3,900,000
26 January 2023	750,000	5,850,000
14 March 2023	300,000	2,340,000
24 May 2023	250,000	1,950,000
9 June 2023	300,000	2,340,000
14 June 2023	50,000	390,000
14 July 2023	250,000	1,950,000
2 August 2023	250,000	1,950,000
4 August 2023	50,000	390,000
31 August 2023	250,000	1,950,000
15 September 2023	200,000	1,560,000
28 September 2023	250,000	1,950,000
27 October 2023	250,000	1,950,000
Total	<u>4,150,000</u>	<u>32,370,000</u>

INFORMATION ON THE GROUP

The Group is an apparel manufacturer headquartered in Hong Kong providing a one-stop apparel manufacturing solution for its customers. The Group manufactures a wide range of apparel products such as outerwear, bottoms, tops and other products. The majority of the customers are international apparel brands that are headquartered in the U.S. with their products sold around the world. In particular, the Group has established a long standing relationship with its largest customer who is an international apparel brand headquartered in the U.S. since the 1990s. In recent years, the Group has actively diversified its customer base and product portfolio.

INFORMATION ON JPO AND SANTAI

JPO is a Delaware, U.S. registered company and is mainly engaged in the business of direct to consumer multi-channel apparel retailing mainly in 2 brands J. Peterman and Territory Ahead. JPO is an important customer to the Company as the Company has been the key vendor to the J. Peterman brand since the early 1990's.

Santai is a company incorporated in Hong Kong with limited liability, wholly owned by Mr. Choi Siu Wai William and mainly engaged in investment holdings. JPO has become a wholly owned subsidiary of Santai since 1 January 2023.

To the best of the Directors' knowledge, each of JPO, Santai and their ultimate beneficial owner(s) is a third party independent of the Company and any connected persons (as defined in the Listing Rules) of the Company.

REASONS OF GRANTING SANTAI ADVANCES

The Santai Advances were made at the request of Santai and for the purpose of maintaining good business relationship between the Company, Santai and JPO.

JPO's business strategy is a roll up model, pursuing growth via acquisitions of orphan apparel brands stripping their overhead costs and earning a contribution margin from each new acquisition, such as the brand Territory Ahead it acquired in early 2020 just before COVID-19 buffeted the US economy. There are many large and small apparel brand owners in the US market, but very few of them are affiliated directly with a garment manufacturer such as Sterling Apparel. By being supportive of JPO, the Company strives to be the go to source or otherwise earn the first refusal of all apparel products for JPO as it grows and adds additional brands to its business. So being a trusted source of garment products to JPO would achieve our long term strategy of reducing our reliance on our dominant customer, which accounts for about 70% of the Company's total sales revenue.

JPO started to have financial difficulties by 2020, when COVID-19 started. The Company offered advances and provided longer credit terms to Santai in turn to support JPO so that JPO can turnaround from its financial difficulties. In addition, Santai as an investment holding company with stronger finances, and having demonstrated good payment history with the Company, may enhance recoverability of the other receivables from JPO.

The Directors are of the view that the grant of the Santai Advances is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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In order to prevent the occurrence of similar non-compliance incident in the future and to comply with the requirements under the Listing Rules, the Company has taken or will take the following remedial actions:

- (i) the Company had reviewed other advances made by the Company and checked whether it is necessary for the Company to comply with any requirements under the Listing Rules. Save as disclosed in this announcement, the Company did not discover other transaction which would be required to comply with the requirements under the Listing Rules;
- (ii) the Company has published this announcement in relation to the Santai Advances to re-comply with the Listing Rules requirements;
- (iii) the Company will engage internal control consultant to conduct an internal control review particularly in relation to the advances to be made by the Group and the procedures of notifiable transaction of the Company and implement the necessary measures to enhance the internal control of the Company; and
- (iv) the relevant personnel(s) of the Group involved in the Santai Advances will attend a training in relation to the requirements under Chapters 13, 14 and 14A of the Listing Rules to get himself/herself familiar with the requirements under the Listing Rules and to ensure that he/she will procure the Company to comply with the requirements under the Listing Rules in the future.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“2023 Annual Report”	the annual report of the Company for the financial year ended 31 March 2023
“Board”	the board of Directors
“Company”	Sterling Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“ECL”	expected credit loss
“Group”	the Company and its subsidiaries
“JPO”	JP Outfitters Inc, a company incorporated in Delaware, the United States of America and is wholly-owned by Santai

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Santai”	Santai Global Asset Management Ltd, a company incorporated in Hong Kong with limited liability
“Santai Advances”	the advances made by the Group to Santai from 15 December 2022 to 27 October 2023 in the aggregate sum of US\$4,150,000 (equivalent to approximately HK\$32,370,000)
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 24 November 2023

As at the date of this announcement, Ms. Wong Mei Wai Alice is the executive Director and Chairperson, Mr. Siu Yik Ming and Mr. Chung Sam Kwok Wai are the executive Directors, and Mr. Tsang Ho Yin, Ms. Zhang Lingling and Mr. Choi Wai Hin are the independent non-executive Directors.

For the purpose of this announcement, all amounts denominated in US\$ has been translated (for information only) into HK\$ using the exchange rate of US\$1.00: HK\$7.8. Such translation shall not be construed as a representation that amounts of US\$ were or may have been converted.

* For identification purpose only