

## STATEMENT OF DISCIPLINARY ACTION

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### Exchange's Disciplinary Action against Sterling Group Holdings Limited (Stock Code: 1825) and Three Directors

#### **SANCTION AND DIRECTIONS**

The Stock Exchange of Hong Kong Limited (**Exchange**)

#### **CENSURES:**

- (1) Sterling Group Holdings Limited (**Company**);
- (2) **Ms Wong Mei Wai Alice**, executive director, chairperson and chief executive officer of the Company (**Ms Wong**);
- (3) **Mr Siu Yik Ming**, executive director of the Company (**Mr Siu**); and
- (4) **Mr Chung Sam Kwok Wai**, former executive director of the Company (**Mr Chung**);

#### **AND FURTHER DIRECTS:**

- (a) Ms Wong and Mr Chung to attend 24 hours of training on regulatory and legal topics and Listing Rule compliance, including (i) directors' duties; (ii) the Corporate Governance Code; and (iii) Chapters 13, 14 and 14A of the Listing Rules.
- (b) Mr Siu to attend 21 hours of training on regulatory and legal topics and Listing Rule compliance, including (i) directors' duties; (ii) the Corporate Governance Code; and (iii) Chapters 14 and 14A of the Listing Rules.

#### **SUMMARY OF FACTS**

The Company trades apparel products through its subsidiary, Sterling Apparel Limited (**SAL**). At the material time, Ms Wong and her son, Mr Siu were directors and Mr Chung was the chief financial officer of SAL.

JP Outfitters Inc. (**JPO**) had been a customer of the Company and its subsidiaries (**Group**) since the early 1990s. Santai Global Asset Management Limited (**Santai**) was JPO's holding company. JPO started to have liquidity issues in around 2020 when COVID-19 started. It had about US\$13 million payables to SAL as of April 2022, some of which were novated to Santai between September 2022 and October 2023.

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Considering that JPO had been a customer of the Group since the 1990s and that if JPO could not continue its operation, SAL would not receive any repayment and could only write off the receivables (representing about 65% of the Company's then current assets), Ms Wong and Mr Chung decided to provide financial support to JPO, including supporting its IPO application on the NASDAQ.

They believed that JPO's IPO application, if successful, would enable JPO to have the necessary capital to revitalise its operations and in turn enhance the recoverability of the Company's receivables from JPO and Santai. Accordingly, they procured SAL to conduct the following transactions (**Transactions**).

(a) Letters of Support

Ms Wong and Mr Chung approved and/or signed four letters of support on behalf of SAL in November 2022, April, September and December 2023, under which SAL agreed to continue supplying inventories to JPO and not to enforce its rights to collect any trade receivables from JPO until JPO succeeded in its IPO application and received the IPO proceeds.

The first three letters of support were not known to the Company's board of directors (**Board**) at the time when they were executed. The last letter of support was brought up to the Board in December 2023 after the Exchange enquired about the Group's outstanding receivables. The Board approved the last letter of support on the condition that it would not result in any further liability or commitment of the Company and would not violate the Listing Rules.

The sales of inventories to JPO between September 2022 and March 2023 constituted continuing connected transactions to the Company because the owner of the customer had been a director of the Company (**Former Director**) within 12 months before the relevant Transactions (Note 1). The Company did not identify the Former Director as its connected person and failed to comply with the announcement requirement under the Listing Rules.

(b) Santai Advances

To support JPO, Ms Wong and Mr Chung procured SAL to advance US\$4.2 million to JPO and Santai between December 2022 and October 2023. The advances were interest-free and unsecured, and were not provided with any written agreement or fixed repayment dates. Both Ms Wong and Mr Chung did not report the advances to the Board.

About US\$2 million of the Santai Advances were made between December 2022 and March 2023 when the Former Director was a connected person to the Company. These payments constituted connected transactions, subject to the written agreement, reporting, announcement and independent shareholders' approval requirements under Chapter 14A. However, the Company failed to comply with these requirements.

(c) Director Advances

To support JPO's intended IPO, Ms Wong, Mr Siu and Mr Chung caused and/or allowed SAL to pay US\$400,000 and US\$300,000 to Santai in October 2023 for subscribing JPO's shares in the names of Ms Wong and Mr Siu respectively. Around a week later, Ms Wong and Mr Siu fully repaid the respective sums to SAL, together with a 7% p.a. interest.

Mr Chung approved the Company's provision of this financial assistance to Ms Wong and Mr Siu, having considered that Ms Wong and Mr Siu were not in Hong Kong and the payments made on their behalf were administrative in nature. The financial assistance was provided without any written agreement.

The Director Advances were provided without the Board's approval or knowledge.

In the end, JPO's intended IPO did not materialise. The Company disclosed the Transactions in June 2024.

## **SETTLEMENT**

The Company and Relevant Directors did not contest their respective breaches and agreed to accept the sanctions and directions set out in this statement.

## **LISTING COMMITTEE'S FINDINGS**

The Listing Committee found as follows:

### Company

The Company breached Rules 13.13, 14.34, 14.38A, 14.40, 14A.34, 14A.35, 14A.36, 14A.46, 14A.49, 14A.55, 14A.56 and 14A.71(6) (Notes 2 to 4).

- (1) **Letters of Support:** The financial assistance by way of the letter of support in 2022 constituted a discloseable and connected transaction, and the financial assistance by way of the letters of support in 2023, in aggregate, constituted a major transaction to the Company. However, the Company failed to comply with the reporting, announcement, circular and shareholders' approval requirements, in breach of Rules 14.34, 14.38A, 14.40, 14A.35 and 14A.49.

The Company's sales of inventories to JPO between September 2022 and March 2023 constituted continuing connected transactions to the Company. However, the Company failed to comply with the reporting, annual review and announcement requirements (Note 5), in breach of Rules 14A.35, 14A.49, 14A.55, 14A.56 and 14A.71(6).

- (2) **Santai Advances:** The payments constituted advances to entities, and a major transaction and connected transactions to the Company. However, the Company failed to comply with the written agreement, reporting, announcement, circular and shareholders' approval requirements, in breach of Rules 13.13, 14.34, 14.38A, 14.40, 14A.34, 14A.35, 14A.36, 14A.46 and 14A.49.
- (3) **Director Advances:** The payments constituted disclosable and connected transactions to the Company. However, the Company failed to comply with the written agreement, reporting and announcement requirements, in breach of Rules 14.34, 14A.34, 14A.35 and 14A.49.

Ms Wong and Mr Chung

Ms Wong and Mr Chung breached Rules 3.08 and 3.09B(2) (Notes 6 to 7).

They failed to exercise reasonable skills, care and diligence in conducting the Transactions and failed to safeguard the Group's assets and interests. In particular,

- (1) In respect of the Letters of Support and Santai Advances:
  - (a) Ms Wong and Mr Chung were aware of JPO's liquidity issues. To recover the receivables from JPO, they mainly relied on JPO's intended IPO (the outcome of which was uncertain) and did not take other recovery actions. They procured the Company to continue supplying unpaid inventories to JPO and make the Santai Advances without charging any interest or requesting any collateral.
  - (b) Ms Wong and Mr Chung failed to seek approval from, discuss with or even inform the Board before procuring SAL to provide the Letters of Support and Santai Advances. This deprived the Board of an opportunity to properly assess the merits of the Letters of Support and the Santai Advances and the implications under the Listing Rules.
- (2) In respect of the Director Advances:
  - (a) Ms Wong and Mr Chung procured the Company to use its funds without the Board's approval or knowledge. Although the Director Advances were repaid within a week, it did not absolve Ms Wong and Mr Chung from being complicit in their misconduct.
  - (b) The Director Advances gave rise to a conflict of interest. Nonetheless, neither Ms Wong nor Mr Chung took any steps to avoid such conflict or sought the Board's approval.
- (3) The Transactions constituted notifiable transactions, connected transactions, advances to entities and/or continuing connected transactions to the Company. However, Ms Wong and Mr Chung failed to procure the Company's Rule compliance.

Mr Siu

Mr Siu breached Rules 3.08 and 3.09B(2).

He failed to exercise reasonable skills, care and diligence and safeguard the Group's assets and interests in respect of the Director Advances. He was aware that the Director Advances were intended for subscribing shares in JPO in the names of Ms Wong and himself and gave rise to a conflict of interests. However, he did not take any steps to avoid such conflict or seek the Board's approval. He also failed to procure the Company's Rule compliance.

Again, the fact that the Director Advances were repaid within a week did not absolve Mr Siu from being complicit in his misconduct.

The Listing Committee noted the parties' admissions of their respective breaches under the Listing Rules at an early stage of the Exchange's investigation.

**CONCLUSION**

The Listing Committee decided to impose the sanctions and directions set out in this Statement of Disciplinary Action.

For the avoidance of doubt, the Exchange confirms that the above sanction and directions apply only to the Company, Ms Wong, Mr Siu and Mr Chung, and not to any other past or present directors of the Company.

Hong Kong, 20 January 2026

Notes:

1. Under Rule 14A.06(8)(c), a connected person at the issuer level includes a person who was a director of the listed issuer in the last 12 months. In the present case, a non-executive director resigned in March 2022 and acquired the entire share capital of Santai and became the beneficial owners of JPO in September 2022. The former non-executive director was therefore a connected person of the Company within the 12-month period. JPO was an associate of the non-executive director and therefore a connected person of the Company at the material time.
2. Rule 13.13 requires a listed issuer to announce an advance to an entity if the assets ratio exceeds 8 per cent.
3. Rules 14.34, 14.38A and 14.40 provide that a listed issuer must publish an announcement as soon as possible after the terms of a discloseable or major transaction have been finalised. For major transactions, the listed issuer is required to send a circular to its shareholders, and the transaction must be made conditional on approval by the shareholders.
4. A connected transaction is subject to, among others, the written agreement, announcement, circular, independent shareholders' approval and reporting requirements under Rules 14A.34, 14A.35, 14A.36, 14A.46 and 14A.49. A continuing connected transaction is also subject to the annual review requirement under Rules 14A.55, 14A.56 and 14A.71(6).
5. The sales of inventories to JPO constituted a continuing connected transaction under Chapter 14A of the Listing Rules, and are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.
6. Rule 3.08 provides that the Exchange expects directors, both collectively and individually, to fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. These duties include a duty to apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the issuer. The directors must also follow up anything untoward that comes to their attention.
7. Under Rule 3.09B(2), a director has obligation to use his/her best endeavours to procure the issuer's compliance with the Listing Rules.