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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)

CONTINUING CONNECTED TRANSACTION

On 1 February 2024 (after trading hours), the Board announces that two new tenancy agreements were entered into between each of Win 18 and Win 19 as landlord, and SAL, a wholly owned subsidiary of the Company, as tenant in respect of the leasing of the Win 18 Premises and Win 19 Premises respectively. The term of each of the New Tenancy Agreements is one year commencing from 1 February 2024 to 31 January 2025, both days inclusive, with a rental of HK\$130,000 per calendar month (equivalent to HK\$1,560,000 per annum for each of Win 18 Premises and Win 19 Premises), exclusive of management fee, rates, government rent, utilities charges and all other outgoing charges.

LISTING RULES REQUIREMENTS

As at the date of this announcement, Win 18 and Win 19 are companies incorporated in Hong Kong and both of which are wholly owned by Winfield. Winfield is wholly owned by Ms. Wong Mei Wai, Alice. Ms. Wong Mei Wai, Alice is an executive Director of the Company. As such, Win 18 and Win 19 are connected persons of the Group as defined under Chapter 14A of the Listing Rules.

As each of the New Tenancy Agreements is for a term of one year, it would not result in the recognition of any asset representing the right to use the leased asset by the Company under HKFRS 16. Accordingly, the transactions contemplated under the New Tenancy Agreements constitute continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the aggregate amount of rentals payable by the tenant under the New Tenancy Agreements are, on an annual basis, less than 25%, and the fact that the aggregate annual consideration for the New Tenancy Agreements is less than HK\$10,000,000, the transactions contemplated under the New Tenancy Agreements are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcements of the Company dated 1 February 2023 in relation to the renewal of the Original Tenancy Agreements.

On 8 February 2018, SAL as the tenant, and Win 18 and Win 19 each of which as the landlord, had entered into the respective Original Tenancy Agreements in relation to the leasing of the Win 18 Premises and Win 19 Premises, respectively from 8 February 2018 to 31 January 2021 (both days inclusive). Then each of the Win 18 Tenancy Agreement and Win 19 Tenancy Agreement was renewed for another term of one year on 29 January 2021, 13 January 2022 and 1 February 2023 respectively.

The Original Tenancy Agreements have expired on 31 January 2024. As such, SAL and each of Win 18 and Win 19 entered into the New Win 18 Tenancy Agreement and New Win 19 Tenancy Agreement on 1 February 2024 in respect of the lease of the Win 18 Premises and Win 19 Premises respectively for a term of one (1) year commencing from 1 February 2024 to 31 January 2025 (both days inclusive) at a monthly rental of HK\$130,000 for each of Win 18 Premises and Win 19 Premises.

NEW TENANCY AGREEMENTS

The principal terms of each of the New Tenancy Agreements are set out below:

New Win 18 Tenancy Agreement

Date: 1 February 2024

Parties: (1) SAL, an indirect wholly-owned subsidiary of the Company, as tenant
(2) Win 18, as landlord

Premises: 18th Floor, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong and the car parking space nos. P310 and P311 on the 3rd Floor of Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong

Term: One (1) year commencing on 1 February 2024 and ending on 31 January 2025

Rentals: HK\$130,000, being the monthly rental for the Win 18 Premises, exclusive of management fees, rates, government rent, utilities charges and all other outgoing charges

New Win 19 Tenancy Agreement

Date: 1 February 2024

Parties: (1) SAL, an indirect wholly-owned subsidiary of the Company, as tenant
(2) Win 19, as landlord

Premises: 19th Floor, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong and the car parking space nos. P312 and P313 on the 3rd Floor of Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong

Term: One (1) year commencing on 1 February 2024 and ending on 31 January 2025

Rentals: HK\$130,000, being the monthly rental for the Win 19 Premises, exclusive of management fees, rates, government rent, utilities charges and all other outgoing charges

HISTORICAL TRANSACTION AMOUNTS

The table below sets forth the historical transaction amounts of transactions under the Original Tenancy Agreement for the past three years:

	For the period from 1 February 2023 to 31 January 2024 HK\$'000	For the period from 1 February 2022 to 31 January 2023 HK\$'000	For the period from 1 February 2021 to 31 January 2022 HK\$'000
Rental for leasing of Win 18 Premises	1,560	1,500	1,500
Rental for leasing of Win 19 Premises	1,560	1,500	1,500
Total rental paid for leasing of the Win 18 Premises and Win 19 Premises	<u>3,120</u>	<u>3,000</u>	<u>3,000</u>

ANNUAL CAPS

Based on the monthly rentals payable under the New Tenancy Agreements, the annual caps for the aggregate rentals of the Win 18 Premises and Win 19 Premises payable are shown as follows:

	Year ending 31 March 2024 HK\$'000	Year ending 31 March 2025 HK\$'000	Total HK\$'000
Rental for leasing of Win 18 Premises	1,560	1,300	2,860
Rental for leasing of Win 19 Premises	1,560	1,300	2,860
Aggregate annual caps	<u>3,120</u>	<u>2,600</u>	<u>5,720</u>

REASONS FOR ENTERING INTO NEW TENANCY AGREEMENTS

The Win 18 Premises and the Win 19 Premises rented under the New Tenancy Agreements are used as offices by the Group. The terms of the New Tenancy Agreements were negotiated on an arm's length basis between the parties with reference to the fair market rentals of the Win 18 Premises and Win 19 Premises. The Directors (including the independent non-executive Directors) consider that the New Tenancy Agreements are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms are fair and reasonable and in the interest of the Company and its shareholders as a whole. The Board (including the independent non-executive Directors) is also of the view that the annual caps are fair and reasonable.

INFORMATION OF THE GROUP, SAL AND LANDLORDS

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.

SAL is an indirect wholly-owned subsidiary of the Company and its principal business is trading of apparel products.

Win 18 and Win 19 are companies incorporated in Hong Kong which are wholly owned by Winfield. Winfield is wholly owned by Ms. Wong Mei Wai, Alice. Ms. Wong Mei Wai, Alice is an executive Director of the Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the principal business of each of Win 18 and Win 19 is property letting.

THE LISTING RULES IMPLICATIONS

As at the date of this announcement, Win 18 and Win 19 are companies incorporated in Hong Kong and both of which are wholly owned by Winfield. Winfield is wholly owned by Ms. Wong Mei Wai, Alice. Ms. Wong Mei Wai, Alice is an executive Director of the Company. As such, Win 18 and Win 19 are connected persons of the Group as defined under Chapter 14A of the Listing Rules.

As each of the New Tenancy Agreements is for a term of one year, it would not result in the recognition of any asset representing the right to use the leased asset by the Company under HKFRS 16. Accordingly, the transactions contemplated under the New Tenancy Agreements constitute continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the maximum aggregate amount of rental payable by the tenants under the New Tenancy Agreements are, on an annual basis, less than 25%, and the fact that the aggregate annual consideration for the New Tenancy Agreements is less than HK\$10,000,000, the transactions contemplated under the New Tenancy Agreements are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that Ms. Wong Mei Wai Alice, being the executive Director of the Company and also the director of Win 18 and Win 19, she had abstained from voting on the board resolution approving the New Tenancy Agreements. Save as disclosed above, to the best knowledge of the Directors having made all reasonable enquiries, no other Directors had a material interest in the New Tenancy Agreements and thus was required to abstain from voting on the board resolution approving the New Tenancy Agreements.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Sterling Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Tenancy Agreements”	New Win 18 Tenancy Agreement and New Win 19 Tenancy Agreement
“New Win 18 Tenancy Agreement”	new tenancy agreement dated 1 February 2024 entered into between SAL as tenant and Win 18 as landlord pursuant to which SAL leased the Win 18 Premises
“New Win 19 Tenancy Agreement”	new tenancy agreement dated 1 February 2024 entered into between SAL as tenant and Win 19 as landlord pursuant to which SAL leased the Win 19 Premises

“Original Tenancy Agreements”	Win 18 Tenancy Agreement and Win 19 Tenancy Agreement
“SAL”	Sterling Apparel Limited, a company incorporated in Hong Kong with limited liability on 19 June 2012 and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Win 18”	Win 18 Limited, a company incorporated in Hong Kong with limited liability on 19 May 2017 and is wholly owned by Winfield
“Win 18 Premises”	18th Floor of Win Plaza and car parking space nos. P310 and P311 on 3rd Floor of Win Plaza, Kowloon, Hong Kong
“Win 18 Tenancy Agreement”	tenancy agreement dated 8 February 2018 entered into between the SAL as tenant and Win 18 as landlord pursuant to which SAL leased the Win 18 Premises
“Win 19”	Win 19 Limited, a company incorporated in Hong Kong with limited liability on 19 May 2017 and is wholly owned by Winfield
“Win 19 Premises”	19th Floor of Win Plaza and car parking space nos. P312 and P313 on 3rd Floor of Win Plaza, Kowloon, Hong Kong
“Win 19 Tenancy Agreement”	tenancy agreement dated 8 February 2018 entered into between the SAL as tenant and Win 19 as landlord pursuant to which SAL leased the Win 19 Premises
“Winfield”	Winfield Group Limited, a company incorporated in Hong Kong with limited liability on 11 May 2017

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, 1 February 2024

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

* For identification purposes only