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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

- (1) MAJOR AND CONNECTED TRANSACTION;**
- (2) CONTINUING CONNECTED TRANSACTION AND
CONNECTED TRANSACTION;**
- (3) MAJOR TRANSACTION;**
- (4) DISCLOSEABLE AND CONNECTED TRANSACTIONS; AND**
- (5) DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES ON
PROVISION OF FINANCIAL ASSISTANCE AND
ADVANCES TO ENTITIES**

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the Announcement, in relation to, among others, the making of the Santai Advances. Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Announcement. The Board would like to provide supplemental information in relation to, among others, the making of the Santai Advances, the continuing connected transaction, the connected transaction, the major transaction and the discloseable and connected transactions as set out in this supplemental announcement.

(1) MAJOR AND CONNECTED TRANSACTION

SANTAI ADVANCES

In relation to the Santai Advances as disclosed in the Announcement, the Board would like to supplement that the Santai Advances were (i) advances made by the Group to Santai and/or JPO; and (ii) payments made by the Group on behalf of JPO in the following tranches, details of which are as follows:

Date	Receiving party/ payments made on behalf of	Amount in US\$	Approximate equivalent amount in HK\$
15 December 2022	Santai	500,000	3,900,000
19 December 2022	Santai	500,000	3,900,000
26 January 2023	Santai	750,000	5,850,000
14 March 2023	Santai	300,000	2,340,000
24 May 2023	Santai	250,000	1,950,000
9 June 2023	Santai	300,000	2,340,000
14 June 2023	Santai	50,000	390,000
14 July 2023	Santai	250,000	1,950,000
2 August 2023	Santai	250,000	1,950,000
4 August 2023	Santai	50,000	390,000
31 August 2023	JPO	250,000	1,950,000
15 September 2023	JPO	200,000	1,560,000
26 September 2023 ^{Note 2}	JPO	7,191	56,090
28 September 2023	JPO	250,000	1,950,000
3 October 2023 ^{Note 2}	JPO	33,475	261,105
17 October 2023 ^{Note 2}	JPO	22,145	172,731
27 October 2023	JPO	250,000	1,950,000
Total		4,212,811	32,859,926

Notes:

1. As at the date of this announcement, Santai legally and beneficially owns approximately 88.33% of the issued share capital of JPO.
2. These were payments made by the Group at the request of and on behalf of JPO for settlement of JPO's NASDAQ listing-related expenses, including accountant, legal and other consultant fees, which are essentially similar in nature to the other advances made to JPO.

As at the date of this announcement, the Santai Advances in the aggregate amount of US\$4,212,811 (equivalent to HK\$32,859,926) are still outstanding.

To comply with Rule 14A.34 of the Listing Rules, as at the date of this announcement, the Company is in discussion with Santai to finalise the key terms of the Loan Agreement to set out the terms of the Santai Advances in the aggregate sum of US\$4,212,811 (equivalent to approximately HK\$32,859,926), including the interest rates and the collateral available to ensure the due performance by Santai of its obligations under the Loan Agreement. Further announcement(s) in relation to the entering into of the Loan Agreement will be made by the Company as and when appropriate.

REASONS FOR AND BENEFITS OF MAKING SANTAI ADVANCES

The executive Board had approved the Santai Advances when it was first granted. In addition to the reasons for making the Santai Advances as disclosed in the Announcement, the Company would like to supplement that credit risk assessment in various aspects including but not limited to, the general market and industry analysis, review of JPO's business and financial performance, management team of JPO and initial public offering of JPO was performed by the executive Board at the material time before each tranche of advance was granted or the payment on behalf of JPO was made. The planned initial public offering of JPO was reviewed as an indicator of its growth potential and ability to generate funds. Identity checks to verify the ownership of Santai and JPO, financial background checks and most importantly prior payment history, in particular, Santai having made two payments for and on behalf of JPO in the total amount of US\$3,500,000 (equivalent to HK\$27,300,000) to the Company to pay down the Company's receivable from JPO, were relied upon by the chief financial officer of the Company and discussed with the executive Directors before each tranche of advance was released or the payment on behalf of JPO was made. The fact that Santai had previously made two payments totaling HK\$27.3 million on behalf of JPO to the Company was seen as a positive indicator of their ability and willingness to repay the advances. With respect to the credit risk assessment on Santai, the executive Board considered various factors in performing the credit assessment of Santai, including but not limited to, the nature of its business, if it is an operating business or an investment holding company, its controlling shareholders, their financial strength and if there is a record of their failure to meet financial obligations.

Despite identity checks were completed prior to granting the Santai Advances, the Company had failed to identify Mr. Choi as a connected person of the Company, given that (i) Mr. Choi was a former non-executive director of the Company who resigned on 23 March 2022; (ii) Mr. Choi had sold all his Shares in July 2021 and had no shareholding interest of the Company at the material time; and (iii) the Company failed to comprehend that a person who was a director of the listed issuer or any of its subsidiaries in the last 12 months but had ceased to be a shareholder more than 12 months ago constitutes a connected person under the Listing Rules and Mr. Choi would constitute a connected person of the Company under the Listing Rules given his previous directorship in the Company.

The Santai Advances provided by the Company were made with one ultimate objective in mind, and that was to offer assistance to JPO's business and ultimately in its efforts to recapitalize its business via a listing on Nasdaq so that JPO would succeed in its growth strategy of brand acquisitions. JPO filed its first public SEC Form S-1 for an initial public offering of its shares on the Nasdaq on 21 April 2023 and is planning to file a renewed SEC Form S-1 application in the first half of 2025 subject to the financial qualifications of JPO being assessed further and not adversely affected by the Loan Agreement, the Agreement and the Second Agreement to be entered into.

The Santai Advances were financed by the Group's internal resources. The Company confirmed that the Group has not obtained any bank loans for the purposes of granting the Santai Advances or to provide financing to Santai or JPO in any manner.

The annual sales of the Group attributable to JPO and/or Santai amounted to approximately HK\$37,539,000, HK\$23,984,000 and HK\$18,127,000 for the financial years ended 31 March 2021, 31 March 2022 and 31 March 2023, respectively, representing approximately 10%, 5% and 3% of the total revenue of the Group, respectively.

The Group has made a general expected credit loss (“ECL”) provision on the other receivables of Santai and JPO for approximately HK\$12.2 million. When assessing the ECL provision of Santai, the management considered the default rate by referencing to Moody’s Global Default Rate Study. Moody’s Global Default Rate Study is an annual report published by Moody’s Investors Service, a leading provider of credit ratings, research, and risk analysis. The report provides an analysis of global corporate default rates, which are the percentage of companies that fail to meet their debt obligations within a given period. The study examines default rates across various industries, regions, and rating categories, and provides insights into the key drivers of defaults. The report uses a comprehensive database of corporate defaults, which includes over 20,000 rated corporate issuers from around the world. In view of the debtors of the Group who were widely spread across different industries, the Group believed that the use of Moody’s default rates was representative and could reflect the debtors’, including Santai’s, credit risk in overall. When making the ECL provision assessment and based on the Moody’s default rates, C grade was rated to JPO which indicates the rated entity was highly speculative and had a high likelihood of default.

LISTING RULES IMPLICATIONS

As the aggregate amount of the Santai Advances made within a 12-month period exceeds 8% under the assets ratio defined under Rule 14.07(1) of the Listing Rules, the making of the Santai Advances is subject to the general disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregate amount of the Santai Advances made within a 12-month period in the amount of US\$4,212,811 (equivalent to approximately HK\$32,859,926) exceeds 25%, the making of the Santai Advances constituted and the entering of the Loan Agreement would constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregate amount of the Santai Advances (when aggregated with the Financial Assistance and the Second Financial Assistance) exceeds 25%, the entering into of the Loan Agreement, the Agreement and the Second Agreement would constitute a major transaction of the Company and would be subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Santai is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holdings. It is wholly-owned by Ever Peace Asia Limited who acquired the entire share capital of Santai from Lo Yuk Lam, who is a third party independent of the Group, on 1 September 2022. Ever Peace Asia Limited is owned as to 50% by Mr. Choi and 50% by Ms. Cheung Shui Lin (the spouse of Mr. Choi).

Mr. Choi was a former non-executive director of the Company who resigned on 23 March 2022 and had sold his entire shareholding of the Company in July 2021. Santai was an associate of Mr. Choi at the material time when the Santai Advances were made. As such, the four advances made to Santai (i.e. advances made on 15 December 2022, 19 December 2022, 26 January 2023 and 14 March 2023) in the total amount of US\$2,050,000 (equivalent to approximately HK\$15,990,000) constituted connected transactions of the Company under Chapter 14A of the Listing Rules given that Mr. Choi was a director of the Company in the last 12 months. The Loan Agreement to be entered into will cover all tranches of the Santai Advances made which remained outstanding as at the date of this announcement in order to rectify the Santai Advances and for the purpose of compliance with the requirements under the Listing Rules and would be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The advances made to Santai were connected only because of the interest of Mr. Choi, being a former non-executive director of the Company who resigned in the last 12 months. As at the date of this announcement, Santai legally and beneficially owns approximately 88.33% of the issued share capital of JPO.

(2) CONTINUING CONNECTED TRANSACTION AND CONNECTED TRANSACTION

SAL executed the First Letter of Support dated 18 November 2022 in favour of JPO, pursuant to which SAL agreed (i) to continue to supply Inventories to JPO; and (ii) not to enforce its right to collect from JPO any trade payable for Inventories supplied until the earlier of 1 Jan 2024 or JPO receives its initial public offering proceeds (the “**Financial Assistance**”).

The actual sale of Inventories supplied to JPO during the Supply Term was approximately HK\$6,000,000 and hence, the Sales Cap of the supply of Inventories is set in the amount of HK\$6,000,000 for the purpose of Rule 14.53 of the Listing Rules.

To comply with Rule 14A.34 of the Listing Rules, as at the date of this announcement, the Company is in discussion with Santai and JPO to finalise the key terms of the Agreement to terminate the First Letter of Support and to set out the terms and conditions of (i) supply of Inventories; and (ii) provision of Financial Assistance, including the interest rates and the collateral available to ensure the due performance by Santai and JPO of its obligations under the Agreement. Further announcement(s) in relation to the entering into of the Agreement will be made by the Company as and when appropriate.

The execution of the First Letter of Support was not disclosed in the Announcement because the executive Board mistakenly believed that the execution of the First Letter of Support was business in nature and had no transaction implications under the Listing Rules. The executive Board had approved the First Letter of Support when it was executed. The execution of the First Letter of Support was to serve as an acknowledgment of the positive feedback of JPO, leading to increased trust and more opportunities for business growth of JPO and more collaborative business relationship between JPO and SAL.

Subsequent to the Announcement, the execution of the First Letter of Support was made known to the full Board during the compilation of the fact-finding report by the internal control consultant and the Board was advised to disclose the First Letter of Support by this supplemental announcement.

LISTING RULES IMPLICATIONS

SAL is a wholly-owned subsidiary of the Company and is principally engaged in trading of apparel products.

JPO is mainly engaged in the business of direct to consumer multi-channel apparel retailing mainly in 2 brands, J. Peterman and Territory Ahead. To the best knowledge, information and belief of the Directors, as at the date of this announcement, JPO is beneficially owned as to 88.33% by Santai, 6.67% by Ms. Wong (who is an executive Director) and 5% by Mr. Siu (who is an executive Director). Ms. Wong and Mr. Siu respectively acquired 6.67% and 5% of the entire issued shares of JPO from Santai on 19 October 2023. As at the date of this announcement, save as Ms. Wong, Mr. Siu and Mr. Chung Sam Kwok Wai, who is the director of JPO and an executive Director, each of Santai, JPO and their ultimate beneficial owners are third parties independent of the Company.

Mr. Choi was a former non-executive director of the Company who resigned on 23 March 2022 and JPO was an associate of Mr. Choi at the material time when the First Letter of Support was executed. As such, (i) the supply of Inventories contemplated under the First Letter of Support constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules; and (ii) the provision of Financial Assistance contemplated under the First Letter of Support constituted a connected transaction of the Company under Chapter 14A of the Listing Rules, given that Mr. Choi was a director of the Company in the last 12 months prior to the date of the First Letter of Support.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Sales Cap exceed 5% and are less than 25% and the relevant monetary amount is less than HK\$10 million, the supply of Inventories contemplated under the First Letter of Support constituted a continuing connected transaction under Chapter 14A of the Listing Rules, and is subject to the reporting, annual review, announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Financial Assistance exceed 5% and are less than 25% and the relevant monetary amount is less than HK\$10 million, the Financial Assistance contemplated under the First Letter of Support constituted a connected transaction under Chapter 14A of the Listing Rules, and is subject to the reporting, annual review, announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregate amount of the Financial Assistance (when aggregated with the Santai Advances and the Second Financial Assistance) exceeds 25%, the entering into of the Agreement, the Loan Agreement and the Second Agreement would constitute a major transaction of the Company and would be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

(3) MAJOR TRANSACTION

SAL executed the Letters of Support in favour of JPO, pursuant to which SAL agreed, among other things, not to enforce its right to collect from JPO any MT Trade Payables for the Inventories supplied until (a) the earlier of 1 January 2024 or JPO receives its initial public offering proceeds (for the Letter of Support dated 13 April 2023); and (b) JPO receives its initial public offering proceeds (for the Letters of Support dated 20 September 2023 and 28 December 2023).

As at the date of this announcement, the Company is in discussion with Santai and JPO to finalise the key terms of the Second Agreement to terminate the Letters of Support and to set out the terms and conditions of (i) supply of Inventories; and (ii) provision of Second Financial Assistance, including the interest rates and the collateral available to ensure the due performance by Santai and JPO of its obligations under the Second Agreement. Further announcement(s) in relation to the entering into of the Second Agreement will be made by the Company as and when appropriate.

The execution of the Letters of Support was not disclosed in the Announcement because the executive Board mistakenly believed that the execution of the Letter of Supports was business in nature and had no transaction implications under the Listing Rules. The executive Board had approved the Letter of Supports when they were executed. The execution of the Letters of Support was to serve a similar purpose to the First Letter of Support.

Subsequent to the Announcement, the execution of the Letters of Support was subsequently made known to the full Board during the compilation of the fact-finding report by the internal control consultant and the Board was advised to disclose the Letters of Support by this supplemental announcement.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the aggregate amount of the Second Financial Assistance exceeds 25% but is less than 100%, the Second Financial Assistance contemplated under the Letters of Support constituted a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregate amount of the Second Financial Assistance (when aggregated with the Santai Advances and the Financial Assistance) exceeds 25%, the entering into of the Second Agreement, the Loan Agreement and the Agreement would constitute a major transaction of the Company and would be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

(4) DISCLOSEABLE AND CONNECTED TRANSACTIONS

On 19 October 2023, SAL made payment of (i) US\$400,000 (equivalent to approximately HK\$3,120,000) for and on behalf of Ms. Wong to settle the consideration for the purchase of shares of JPO by Ms. Wong; and (ii) US\$300,000 (equivalent to approximately HK\$2,340,000) for and on behalf of Mr. Siu to settle the consideration for the purchase of shares of JPO by Mr. Siu. The above payments made by SAL for and on behalf of Ms. Wong and Mr. Siu constituted a financial assistance provided by SAL to Ms. Wong and Mr. Siu. Thereafter shortly on 24 and 25 October 2023, Ms. Wong and Mr. Siu repaid the relevant amount to SAL in full and the Group did not suffer any financial losses. In addition, each of Ms. Wong and Mr. Siu has paid interest of 7% per annum to compensate SAL for the financial assistance previously provided.

The financial assistance provided by SAL to Ms. Wong and Mr. Siu was for the purpose to allow Ms. Wong and Mr. Siu to purchase the 6.67% and 5% of the total issued shares of JPO, respectively, in order to offer assistance to JPO in its efforts to recapitalise its business via a listing on NASDAQ and with an ultimate goal to enhance the recoverability of the Company's receivable from JPO and Santai. The executive Board at the material time approved the temporary financial assistance provided by SAL to Ms. Wong and Mr. Siu since Ms. Wong and Mr. Siu were not in Hong Kong at that time and the payments made by SAL on their behalf were purely administrative and procedural. In fact, all the relevant amounts under the financial assistance provided were returned to SAL by way of cheques dated 19 October 2023 the following day after making the financial assistance. However, due to processing delays, the cheques from Ms. Wong and Mr. Siu were deposited in the following week and became cleared on 24 and 25 October 2023.

Taking into account (i) the interest income; (ii) the prompt repayments of Ms. Wong and Mr. Siu and that the Company suffered no financial losses, the Directors are of the view that the financial assistance to each of Ms. Wong and Mr. Siu was on normal commercial terms, fair and reasonable and was in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of each of the above financial assistance provided to Ms. Wong and Mr. Siu exceeds 5% but is less than 25%, the transactions contemplated thereunder constituted discloseable transactions for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As each of Ms. Wong and Mr. Siu is a connected person of the Company by virtue of being an executive Director, each of the above financial assistance provided to Ms. Wong and Mr. Siu constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of each of the above financial assistance provided to Ms. Wong and Mr. Siu exceeds 5% but is less than 25%, and each of the above financial assistance provided to Ms. Wong and Mr. Siu is less than HK\$10 million, each of the above financial assistance provided to Ms. Wong and Mr. Siu is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to the Listing Rules.

In accordance with Rule 14A.34 of the Listing Rules, each of Ms. Wong and Mr. Siu entered into the Confirmations with SAL on 30 May 2024 to confirm the abovementioned arrangement in relation to each of the above financial assistance provided to Ms. Wong and Mr. Siu.

(5) NOVATION AGREEMENTS

First Novation Agreement

On 28 September 2022, Santai, JPO and SAL entered into the First Novation Agreement, pursuant to which an aggregate total amount of USD3,050,000 which consisted of (i) the debit notes issued by SAL to JPO in the ordinary and usual course of business of SAL in the amount of USD2,430,000; and (ii) advances to JPO in the amount of USD620,000 made on 31 March 2020 (which amounted to financial assistance but was fully exempt under the Listing Rules) were novated from JPO to Santai and SAL agreed to the substitution of Santai in the place of JPO and to the release of JPO in relation to the said debit notes and advances. The Company confirmed that the advances to JPO in the amount of USD620,000 were made in 2020 prior to the grant of the Santai Advances and are not related to the Santai Advances.

Second Novation Agreement

On 29 November 2022, Santai, JPO and SAL entered into the Second Novation Agreement, pursuant to which the trade payable due to SAL by JPO in the amount of USD5,500,000 was novated from JPO to Santai and SAL agreed to the substitution of Santai in the place of JPO and to the release of JPO in relation to the said amount.

Third Novation Agreement

On 30 June 2023, Santai, JPO and SAL entered into the Third Novation Agreement, pursuant to which the trade payable due to SAL by JPO in the amount of USD6,000,000 was novated from JPO to Santai and SAL agreed to the substitution of Santai in the place of JPO and to the release of JPO in relation to the said amount.

Fourth Novation Agreement

On 1 October 2023, Santai, JPO and SAL entered into the Fourth Novation Agreement, pursuant to which the trade payable due to SAL by JPO in the amount of USD500,000 was novated from JPO to Santai and SAL agreed to the substitution of Santai in the place of JPO and to the release of JPO in relation to the said amount.

As at 29 February 2024, (i) the account receivables (before ECL provision) and other receivables (before ECL provision) owed by JPO to the Group amounted to approximately USD2.3 million (equivalent to approximately HK\$18.0 million) and approximately USD950,000 (equivalent to approximately HK\$7.4 million), respectively; and (ii) the account receivables (before ECL provision) and other receivables (before ECL provision) owed by Santai to the Group amounted to approximately USD13.8 million (equivalent to approximately HK\$107.4 million) and approximately USD4.5 million (equivalent to approximately HK\$35.0 million), respectively.

Out of the total amount of receivables as at 29 February 2024 from Santai and JPO in the amount of approximately USD21.55 million (equivalent to approximately HK\$167.8 million), the Loan Agreement, the Agreement and the Second Agreement would collectively cover HK\$63.1 million receivables owed by JPO and Santai to the Group. The receivables of HK\$104.7 million that would not be covered by the Loan Agreement, the Agreement and the Second Agreement were trade receivables accrued in the usual and ordinary course of business of the Group. The table below sets forth the period in which the trade receivables of HK\$104.7 million were incurred:

For the year ended 31 March	Amount <i>(HK\$ million)</i>
2020	22.0
2021	43.6
2022	25.0
2023	14.1 ^(Note)
	<hr/>
Total	104.7
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Note: Out of the trade receivables of HK\$104.7 million, HK\$16,000 were accrued during the period fallen outside 12 months after Mr. Choi's resignation from the Board (i.e. during 22 March 2023 to 31 March 2023).

LISTING RULES IMPLICATIONS

As at the date of the First Novation Agreement and the Second Novation Agreement, each of JPO and Santai was a connected person of the Company by virtue of being controlled by Mr. Choi who was an executive Director in the Company in the last 12 months. The execution of the First Novation Agreement and the Second Novation Agreement (and hence the Third Novation Agreement and the Fourth Novation Agreement all being a series of novation arrangements made among the same parties) therefore constituted a connected transaction on the part of the Company but did not have any implications under Chapter 14A of the Listing Rules given the nature, amount and terms of the receivables of the Company remained unchanged after the novations and the novations were only made by JPO to Santai being its holding company.

REASONS FOR AND BENEFITS OF THE NOVATION AGREEMENTS

To the best knowledge, information and belief of the Directors, JPO is wholly and beneficially owned by Santai. The novation of the debts from JPO to Santai contemplated under the Novation Agreements was made with one ultimate objective in mind, and that was to offer assistance to JPO in its efforts to recapitalise its business via a listing on NASDAQ so that JPO would succeed in its growth strategy of brand acquisitions. By offering its assistance to JPO, the Company expects to have the first refusal on the supply of apparels to all JPO's brands and the strategic value of maintaining good relationship with counterparty. It is also expected that the Company will be able to secure the first refusal right on the supply of apparels to all JPO's brands (which is expected to be one of the conditions precedent under the Loan Agreement). Not only will this growing OEM garment manufacturing and sourcing business for the Company allow it to achieve its revenue diversification strategy, a recapitalised and growing JPO will enhance the recoverability of the Company's receivable from JPO and Santai. The Directors considered that the entering into of the Novation Agreements will not have any impact on the financial position of the Group.

OTHERS

Further announcement(s) in relation to the entering into of the Loan Agreement, the Agreement and the Second Agreement will be made by the Company as and when appropriate.

REMEDIAL ACTIONS

Due to inadvertent oversight of the executive Board at the material time (being (i) the failure to consider the consideration ratio at the time of calculating the size test for the grant of the Santai Advances; (ii) mistaken belief of the executive Board at the material time that the First Letter of Support and Letters of Support were business in nature and had no transaction implications under the Listing Rules; and (iii) misconception of the executive Board at the material time that the payments made by SAL for and on behalf of Ms. Wong and Mr. Siu had no transaction implications under the Listing Rules because the payments were intended to be purely administrative and procedural and were immediately repaid), of which the independent non-executive directors of the Company have no prior knowledge and/or being notified with, the grant of the Santai Advances, the execution of the First Letter of Support, the Letters of Support and the financial assistance provided by SAL to Ms. Wong and Mr. Siu were not timely disclosed by the Company in accordance with the requirements under the Listing Rules, and the executive Board at the material time unintentionally and inadvertently breached the requirements under the Listing Rules.

The payments made by the Group on behalf of JPO, the execution of the First Letter of Support and the Letters of Support and the financial assistance provided by SAL to Ms. Wong and Mr. Siu were made known to the full Board during the compilation of the fact-finding report by the internal control consultant and were therefore not disclosed in the Announcement.

The executive Board at the material time regretfully acknowledges its lack of in-depth knowledge and understanding of the Listing Rules, and therefore, failed to comprehend that (i) a person who was a director of the listed issuer or any of its subsidiaries in the last 12 months constitutes a connected person under the Listing Rules and Mr. Choi would constitute a connected person of the Company under the Listing Rules given his previous directorship in the Company, even though he is no longer a shareholder of the Company more than 12 months ago; (ii) the definition of transaction and the listing rules implications under Chapter 14 of the Listing Rules and the definition of connected transactions and the listing rules implications under Chapter 14A of the Listing Rules; (iii) each of the making of the relevant Santai Advances and the supply of Inventories and the provision of Financial Assistance contemplated under the First Letter of Support constituted a connected transaction and required the entering into of a written agreement as required under the Listing Rules; and (iv) the short-term payments made on behalf of Ms. Wong and Mr. Siu (who promptly repaid the Company afterwards) constituted a discloseable and connected transaction, and hence failed to observe the requirements under the Listing Rules.

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 independent non-executive Directors took the initiative to request the Company to set up and the Company has set up a compliance committee (which consists of all independent non-executive directors of the Company) so as to oversee the Company's policies and practices on compliance with all relevant rules and regulations (including the Listing Rules) in the future and the compliance committee will also monitor the Company's implementation of these remedial actions in a timely manner;
- (ii) the Company has published the Announcement (as supplemented by this announcement) to re-comply with the Listing Rules requirements;
- (iii) a two hours training in relation to the requirements under Chapters 13, 14 and 14A of the Listing Rules has already been conducted for the board of directors and senior management of the Company 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;
- (iv) the independent non-executive Directors took the initiative to request the Company to engage and the Company has engaged an internal control consultant to (i) prepare a fact-finding report in relation to the incident relating to the Santai Advances, the First Letter of Support, the Letters of Support, the Novation Agreements and the financial assistance provided by SAL to Ms. Wong and Mr. Siu; and (ii) conduct an internal control review particularly in relation to the advances to be made by the Group and

make recommendations to the Company on implementation of the necessary measures to enhance the internal control of the Company. As at the date of this announcement, the internal control consultant is in the course of finalising the fact-finding report, and documenting management remedial plan that is subject to approval by the compliance committee and the Board, and the report is expected to be issued in or around mid-June 2024. The Company will update its shareholders and potential investors the key findings of the report and internal control review as and when appropriate;

- (v) the Loan Agreement, the Agreement and the Confirmations will be entered into to comply with Rule 14A.34 of the Listing Rules;
- (vi) the Company will issue a circular containing, among other things, (i) further details in relation to the Loan Agreement, the Second Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) other information required under the Listing Rules to re-comply with the Listing Rules requirements;
- (vii) the Company will convene the EGM for the Independent Shareholders to, among other things, consider, approve and ratify the Loan Agreement, the Agreement and the Second Agreement and the transaction contemplated thereunder;
- (viii) the Company will request Santai for immediate repayment of the principal amount and accrued interest (if any) of the Santai Advances in the event of default of the Loan Agreement to be entered into; and
- (ix) the Company will request JPO for immediate repayment of the outstanding Trade Payables and/or MT Trade Payables and accrued interest (if any) in the event of default of the Agreement and/or the Second Agreement to be entered into.

The Company has always been complying with the requirements under the Listing Rules and maintaining good corporate governance practices. The making of advances to Santai, the execution of the Letters of Support and the financial assistance provided by SAL to Ms. Wong and Mr. Siu without complying with the requirements under the Listing Rules was unintentional and inadvertent. In light of the above, the Company undertakes to use its best efforts to re-comply with the Listing Rules requirements and implement the above remedial actions as soon as possible.

Save as disclosed above, all other information as set out in the Announcement remain unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

DEFINITIONS

In this announcement, unless the context otherwise requires, shall have the following meanings:

“Agreement”	the agreement to be entered into among the SAL, Santai and JPO
“Announcement”	announcement of the Company dated 24 November 2023 in relation to the making of the Santai Advances
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and/or a Sunday and/or any public holiday or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 6:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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
“Confirmations”	the confirmation letters entered into by each of Ms. Wong and Mr. Siu with SAL to confirm the arrangement in relation to the financial assistance provided by SAL to Ms. Wong and Mr. Siu in accordance with Rule 14A.34 of the Listing Rules
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to, among other things, consider and, if thought fit, approve the Loan Agreement, the Agreement, the Second Agreement and the transactions contemplated thereunder
“First Letter of Support”	the first letter of support executed by SAL in favour of JPO dated 18 November 2022, in relation to, among other things, (i) supply of Inventories to JPO; and (ii) non-enforcement of SAL’s right to collect from JPO any Trade Payables until JPO receives its initial public offering proceeds

“First Novation Agreement”	the first novation agreement entered into between Santai, JPO and SAL dated 30 June 2023
“Fourth Novation Agreement”	the fourth novation agreement entered into between Santai, JPO and SAL dated 1 October 2023
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board to be formed by the Company, which will comprise all the independent non-executive Directors, namely Mr. Tsang Ho Yin, Ms. Zhang Lingling and Mr. Chow Yun Cheung
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Shareholders and the Independent Board Committee in respect of the Loan Agreement to be entered into and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than any Shareholders or any of their respective associates with a material interest in the Loan Agreement who are required to abstain from voting at the EGM under the Listing Rules
“Inventories”	the inventories including apparel products, and such other products of SAL as shall be agreed in writing by the parties hereto from time to time
“JPO”	JP Outfitters Inc, a company incorporated in Delaware, the United States of America and is wholly and beneficially owned by Santai
“Letters of Support”	a total of three letters of support executed by SAL in favour of JPO dated 13 April 2023, 20 September 2023 and 28 December 2023, in relation to, among other things, non-enforcement of SAL’s right to collect from JPO any MT Trade Payables
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement to be entered into between the Company and Santai

“Mr. Choi”	Mr. Choi Siu Wai William
“Mr. Siu”	Mr. Siu Yik Ming, an executive Director
“Ms. Wong”	Ms. Wong Mei Wai Alice, an executive Director
“MT Term”	a period starting from 13 April 2023 and ending on the date of termination of the Letters of Support (being the date of the Second Agreement)
“MT Trade Payables”	JPO’s trade payables for Inventories supplied by SAL to JPO during the MT Term
“Novation Agreements”	Collectively, the First Novation Agreement, the Second Novation Agreement, the Third Novation Agreement and the Fourth Novation Agreement
“Purchase Order”	an order for the purchase of the Inventories given by the JPO to SAL in the manner specified in the Agreement
“Purchase Price”	the purchase price with reference to the existing prices of similar Inventories in the market in respect of each Inventory as agreed between JPO and SAL from time to time
“SAL”	Sterling Apparel Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Company
“Sales Cap”	the maximum amount of Inventories supplied by SAL to JPO during the Supply Term
“Santai”	Santai Global Asset Management Limited, a company incorporated in Hong Kong with limited liability
“Santai Advances”	the advances made by the Group to Santai or JPO and payments made by the Group on behalf of JPO from 15 December 2022 to 27 October 2023 in the aggregate sum of US\$4,212,811 (equivalent to approximately HK\$32,859,926)
“Second Agreement”	the second agreement to be entered into among the SAL, Santai and JPO
“Second Financial Assistance”	the maximum amount of outstanding MT Trade Payables during the MT Term
“Second Novation Agreement”	the second novation agreement entered into between Santai, JPO and SAL dated 29 November 2022

“Shares(s)”	ordinary Share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Term”	a period starting from 18 November 2022 and ended on 23 March 2023
“Third Novation Agreement”	the third novation agreement entered into between Santai, JPO and SAL dated 28 September 2022
“Trade Payables”	JPO’s trade payables for Inventories supplied by SAL to JPO during the Supply Term
“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
Chairperson, Executive Director and Chief Executive Officer

Hong Kong, 3 June 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, Mr. Leung Ka Wai and Mr. Ma Jian are the executive Directors, and Mr. Tsang Ho Yin, Ms. Zhang Lingling and Mr. Chow Yun Cheung 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