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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:
THE ENTERING INTO OF THE CONVERTIBLE PROMISSORY NOTE**

THE CONVERTIBLE PROMISSORY NOTE

The Company announces that on 12 July 2019 (after trading hours), Asiamax, an indirect wholly owned subsidiary of the Company, and JPO entered into the Convertible Promissory Note pursuant to which, subject to receipt of a US\$500,000 (approximately HK\$3,875,000) loan from the Payee on or before 19 July 2019, JPO promises to pay to the order of Holder, the principal sum of US\$500,000, together with cash interest of 6% per annum on the outstanding principal balance from the date the Payee funds the Principal until the Convertible Promissory Note has been indefeasibly paid in full.

LISTING RULES IMPLICATION

As disclosed in the Announcement, the entering into of the IP Agreement constitutes a discloseable transaction on the part of the Company under Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transactions under the Convertible Promissory Note and the IP Agreement in aggregate is more than 5% but less than 25%, the entering into of the Convertible Promissory Note constitutes a discloseable transaction of the Company and is subject to the reporting and the announcement requirements under Chapter 14 of the Listing Rules.

According to Rule 14.75(1) of the Listing Rules, on the grant of the Option to the Holder pursuant to the terms of the Convertible Promissory Note (the exercise of which is at the discretion of the Holder), only the premium will be taken into consideration for calculating the percentage ratios. As no premium is payable on the grant of the Option, such grant will not constitute a notifiable transaction of the Company.

BACKGROUND

Reference is made to the announcement of the Company dated 31 May 2019 in relation to the IP Agreement and the License Agreement. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company announces that on 12 July 2019 (after trading hours), Asiamax, an indirect wholly owned subsidiary of the Company, and JPO entered into the Convertible Promissory Note pursuant to which, subject to receipt of a US\$500,000 (approximately HK\$3,875,000) loan from the Payee on or before 19 July 2019, JPO promises to pay to the order of Holder, the principal sum of US\$500,000, together with cash interest of 6% per annum on the outstanding principal balance from the date the Payee funds the Principal until the Convertible Promissory Note has been indefeasibly paid in full.

THE CONVERTIBLE PROMISSORY NOTE

The principal terms of the Convertible Promissory Note are set out below.

Date: 12 July 2019 (after trading hours)

Parties: (1) Asiamax; and

(2) JPO

As disclosed in the Announcement, JPO is a party to each of the IP Agreement and the License Agreement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of the Convertible Promissory Note, each of JPO and its 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.

Pursuant to the Convertible Promissory Note, JPO is desirous of pursuing a license agreement with Guideboat Acquisition LLC ("**Guideboat**"), a Delaware, U.S. limited liability company, to manufacture and sell its products, and Asiamax and JPO intend that the sales of Guideboat shall be included in the definition of "Gross Sales" in the License Agreement.

Principal amount, interest and due date

Pursuant to the Convertible Promissory Note, subject to receipt of a US\$500,000 (approximately HK\$3,875,000) loan from the Payee on or before 19 July 2019, JPO promises to pay to the order of Holder, the principal sum of US\$500,000, together with cash interest of 6% per annum on the outstanding principal balance from the date the Payee funds the Principal until the Convertible Promissory Note has been indefeasibly paid in full.

Interest will be computed on the basis of a 360-day year and actual days elapsed. Interest shall begin to accrue 90 days from the receipt of the above referenced loan and then shall be paid quarterly on the first business day of each quarter for interest earned in the previous quarter. The outstanding principal shall be due in full on 30 June 2021.

The Group intends to fund the loan amount of US\$500,000 by external financing and internal resources of the Group.

Prepayment

JPO shall not prepay the Convertible Promissory Note without the prior written consent of the Holder.

Conversion

In the event that (i) JPO has not achieved a net profit of at least US\$200,000, calculated in accordance with U.S. Generally Accepted Accounting Principles, by 31 December 2019; and in every six months thereafter through the end of 31 March 2021 (individually and each a “**Net Profit Default**”), or (ii) JPO defaults under the terms of the Convertible Promissory Note (“**CN Default**”), or (iii) JPO has any uncured defaults after fourteen calendar days of having been served written notice of default under the License Agreement (“**Trade Default**”), and such Net Profit Default, CN Default or Trade Default (individually a “**Default**” or collectively “**Defaults**”) occurs on or before the Final Conversion Date, or (iv) JPO and the Holder otherwise mutually agree in writing, then the Holder shall have the option to convert the Principal of the Convertible Promissory Note into 51% of the membership interests of JPO on a fully diluted basis.

Such option may be exercised at any time prior to the Final Conversion Date even though one or more Defaults may have occurred at any time prior to the Final Conversion Date. The occurrence of one or more Defaults shall not be subject to being remedied by actions that occur after any such Default occurs. The failure of the Holder to exercise the option to convert prior to 29 June 2021 after one or more Defaults occur shall not constitute an estoppel or constitute a waiver which would prevent the Holder from later exercising the option to convert.

Assignment

The Holder may assign the Convertible Promissory Note to any direct or indirect subsidiary of the Holder or any affiliate of the Holder.

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. and certain European countries such as the U.K. 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

JPO is a Delaware, U.S. limited liability company incorporated on 2 May 2019 and engaged in, among other things, the business of direct-to-consumer multi-channel retailing, providing a broad range of products to consumers and small businesses marketed under different brands.

As at 10 June 2019, based on the unaudited management accounts of JPO, the total asset value and net asset value of JPO were US\$4,346,643 (approximately HK\$33,686,483) and US\$0 respectively. Based on the unaudited financial statements of JPO, JPO did not record any revenue for the period from its date of incorporation till 30 June 2019 and recorded net loss of approximately US\$288,922 (approximately HK\$2,239,146) from its date of incorporation till 30 June 2019.

As disclosed in the Announcement, JPO is a party to each of the IP Agreement and the License Agreement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of the Convertible Promissory Note, each of JPO and its 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 AND BENEFITS OF THE ENTERING INTO OF THE CONVERTIBLE PROMISSORY NOTE

The terms of the Convertible Promissory Note were determined after arm's length negotiations between the Group and JPO with reference to, among other things, (i) the prospect of enhancing the Group's royalty income from JPO and further developing the Group's manufacturing business and (ii) that the coupon rate of the Convertible Promissory Note is greater than the interest rate of fixed deposits offered by well-recognised financial institutions in Hong Kong and below the cost of money for the Company.

As disclosed in the Announcement, pursuant to the License Agreement, among others, (i) Asiamax shall be the exclusive manufacturer and/or sourcing agent for all Products sold by JPO and (ii) JPO shall pay to Asiamax a royalty based on the Gross Sales.

Since JPO is desirous of pursuing a license agreement with Guideboat to manufacture and sell its products and the Company understands that it is in an advanced stage of negotiation, it is expected that the Group will become the manufacturer of the woven apparels of Guideboat and thus the Group's manufacturing business will be enhanced. Given the established operation platform of JPO and the similar customer base between JPO and Guideboat, the catalog of Guideboat and its online business are expected to expand and grow.

Asiamax and JPO intend that the sales of Guideboat shall be included in the definition of "Gross Sales" in the License Agreement, and have entered into a supplemental agreement to the License Agreement for this matter. As such, the Royalty Payment to be received by the Group from JPO will increase and the Gross Sales will accelerate reaching US\$40,000,000 (in cumulative rolling trailing twelve (12) months period) sooner, at which point the royalty rate will increase to 1% from the current rate of 0.4% with a minimum amount of US\$120,000 per year.

The Directors are of the view that the terms of the Convertible Promissory Note are fair and reasonable and the entering into of the Convertible Promissory Note is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As disclosed in the Announcement, the entering into of the IP Agreement constitutes a discloseable transaction on the part of the Company under Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transactions under the Convertible Promissory Note and the IP Agreement in aggregate is more than 5% but less than 25%, the entering into of the Convertible Promissory Note constitutes a discloseable transaction of the Company and is subject to the reporting and the announcement requirements under Chapter 14 of the Listing Rules.

According to Rule 14.75(1) of the Listing Rules, on the grant of the Option to the Holder pursuant to the terms of the Convertible Promissory Note (the exercise of which is at the discretion of the Holder), only the premium will be taken into consideration for calculating the percentage ratios. As no premium is payable on the grant of the Option, such grant will not constitute a notifiable transaction of the Company.

DEFINITIONS

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

"Announcement"	the announcement of the Company dated 31 May 2019 in relation to, among others, the IP Agreement and the License Agreement
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“Asiamax”	AsiaMax Holdings Limited, a company incorporated in Hong Kong and an indirectly wholly owned subsidiary of the Company
“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
“Convertible Promissory Note”	the promissory note in the principal sum of US\$500,000 at interest rate of 6% per annum and with the Option, dated 12 July 2019 and entered into between Asiamax and JPO. Please refer to the section headed “The Convertible Promissory Note” of this announcement for details of its terms
“Director(s)”	the director(s) of the Company
“Final Conversion Date”	29 June 2021
“Group”	the Company and its subsidiaries
“Holder”	the Payee and any subsequent holder(s) of the Convertible Promissory Note
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IP Agreement”	the specific intellectual property purchase agreement dated 31 May 2019 and entered into between Asiamax (as buyer) and JPO (as seller) in relation to the acquisition of certain intellectual property by Asiamax, details of which are disclosed in the Announcement
“JPO”	JP Outfitters, LLC, a Delaware, U.S. limited liability company
“License Agreement”	the license agreement dated 31 May 2019 and entered into between Asiamax (as licensor) and JPO (as licensee) in relation to, among others, the grant of non-transferable license by Asiamax to JPO to utilize certain intellectual property, details of which are disclosed in the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Option”	the option of the Holder to convert the Principal into 51% of the membership interests of JPO on a fully diluted basis, pursuant to the terms of the Convertible Promissory Note
“Payee”	Asiamax or one of its affiliates
“PRC”	the People’s Republic of China
“Principal”	the principal sum of US\$500,000 to be paid by JPO to the Holder pursuant to the terms of the Convertible Promissory Note
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.K.”	The United Kingdom of Great Britain and the Northern Ireland
“U.S.”	The United States of America
“US\$”	U.S. dollars, the lawful currency of the U.S.
“%”	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, 14 July 2019

As at the date of this announcement, Ms. Wong Mei Wai Alice, Mr. Siu Yik Ming and Mr. Chung Sam Kwok Wai are the executive Directors, Mr. Choi Siu Wai William is the non-executive Director, and Mr. Chan Kee Huen Michael, Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward are the independent non-executive Directors.

* For identification purpose only