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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:
SPECIFIC INTELLECTUAL PROPERTY PURCHASE AGREEMENT**

On 31 May 2019 (after trading hours), the Seller and the Buyer, an indirect wholly owned subsidiary of the Company, entered into the IP Agreement pursuant to which the Seller has agreed to sell, assign, transfer, convey and deliver to Buyer, and Buyer has agreed to purchase from Seller, the Purchased Intellectual Property at the consideration of US\$1,400,000 (approximately HK\$10,850,000) in cash.

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

As the Acquisition is subject to certain conditions being satisfied or waived, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

The Company announces that on 31 May 2019 (after trading hours), the Seller and the Buyer, an indirect wholly owned subsidiary of the Company, entered into the IP Agreement pursuant to which the Seller has agreed to sell, assign, transfer, convey and deliver to the Buyer, and the Buyer has agreed to purchase from the Seller, the Purchased Intellectual Property at the consideration of US\$1,400,000 (approximately HK\$10,850,000) in cash.

THE IP AGREEMENT

The principal terms of the IP Agreement are set out below.

Date: 31 May 2019 (after trading hours)

Parties: (1) the Seller; and

(2) the Buyer

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of the IP Agreement, each of the Seller and its ultimate beneficial owner(s) is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Nature of the transaction and assets to be acquired

Subject to the terms and conditions of the IP Agreement, Seller shall sell, assign, transfer, convey and deliver to Buyer, and the Buyer shall purchase from the Seller, free and clear of any liens, all of the Seller's right, title and interest in, to and under the following assets and rights (further details are set forth in the schedules to the IP Agreement), which relate to, or are used or held for use in connection with, the Business (collectively, the "**Purchased Intellectual Property**"):

- (1) digital files containing supplier lists and supplier files, and customer lists and customer files, and all catalogues and "customer manuals", maintained for a period of at least three (3) years prior to 1 May 2019;
- (2) trade names and trademarks;
- (3) URLs and social media handles, together with all associated passwords, log-in credentials and all other ownership rights related to such items;
- (4) digital files containing images, logos and type of the catalogues of the Seller for the twelve (12) months prior to the date of the IP Agreement;
- (5) digital files containing email addresses of customers and the total file size;
- (6) the email addresses used by the Seller that interface with customers;
- (7) all bills of materials, patterns and instructions for suppliers to cut, sew, process and package each of the Branded Products, whether available or stored in paper, electronic or other media; and
- (8) all intellectual property rights associated with the Business.

The Purchased Intellectual Property is the only intellectual property necessary or appropriate in order for the Buyer to conduct the Business and to manufacture the products marketed under the Purchased Intellectual Property brands (the “**Branded Products**”) or have the Branded Products manufactured for the Seller.

For further information about the Purchased Intellectual Property brands, please refer to the section “Information on the Purchased Intellectual Property Brand” in this announcement.

Consideration

The Buyer has deposited the Purchase Price with the Disbursing Agent on or prior to the date of the IP Agreement and shall instruct the Disbursing Agent to disburse the Purchase Price in accordance with the terms of the IP Agreement.

At the Closing, provided that all conditions set forth in the IP Agreement have been satisfied, or any such condition has been waived or modified in writing by the Buyer and/or Seller, as the case may be, the Disbursing Agent shall deliver the Purchase Price, by wire transfer of immediately available funds, in the amounts and to the bank accounts designated in writing by Seller at least three (3) Business Days prior to the Closing Date, or such later date as may be agreed to by the Buyer and the Seller.

In the event that the Closing has not occurred by 14 June 2019 (or such later date as may be agreed to in writing by the Seller and the Buyer) due to: (i) the Seller’s breach of the IP Agreement or (ii) the Seller’s failure to satisfy any of its conditions to closing, then the Disbursing Agent shall return the Purchase Price to the Buyer.

In the event the Closing has not occurred by 14 June 2019 (or such later date as may be agreed to in writing by the Seller and the Buyer) due to: (i) the Buyer’s breach of the IP Agreement or (ii) the Buyer’s failure to satisfy any of its conditions to closing, then the Disbursing Agent shall disburse the Purchase Price to entities designated by the Seller in accordance with the terms of the IP Agreement.

The Purchase Price was determined after arm’s length negotiations between the Buyer and the Seller on normal commercial terms with reference to (i) the reputation and history of the Brand; (ii) the amount of Royalty Payment pursuant to the License Agreement with an annual minimum amount of US\$120,000 (approximately HK\$930,000); and (iii) the opportunity for business development of the Brand in areas outside the Territories, such as in Asia and Europe.

The Purchase Price will be financed by external financing and internal resources of the Group.

The Closing and the conditions

The Closing shall take place no later than two (2) Business Days after the seventh (7) calendar day after execution of the IP Agreement (the “**Closing Date**”), unless the Buyer shall determine in its discretion to waive the seven day period, but shall remain subject to the satisfaction of the conditions to closing as set out in the IP Agreement.

The obligations of the Buyer under the IP Agreement are subject to the fulfillment, prior to or at the Closing, of the following conditions, any one or more of which may be waived in writing by the Buyer in its sole discretion:

- (i) the Seller shall have executed and delivered to the Buyer the documents and items specified in the IP Agreement;
- (ii) each of the representations and warranties by the Seller contained in the IP Agreement or in any exhibit, schedule or document delivered pursuant thereto shall be true and correct in all material respects at and as of the Closing Date with the same force and effect as though made at and as of the Closing Date;
- (iii) the Seller shall have performed and complied in all material respects with all the covenants, agreements, obligations and conditions required by the IP Agreement to be performed or complied with by Seller at or prior to the Closing Date;
- (iv) all consents of other third parties that may reasonably be required in connection with the execution of the IP Agreement or the effectuation of the transaction contemplated therein shall have been duly obtained and shall be in full force and effect on the Closing Date;
- (v) no temporary restraining order, preliminary or permanent injunction, or cease and desist order, issued by any court or Governmental Authority preventing the consummation of the transaction contemplated under the IP Agreement shall be in effect at the Closing Date, and no proceeding by any court or Governmental Authority seeking to restrict or prohibit the transfer and exchange contemplated under the IP Agreement or the consummation of the Closing shall be pending or threatened on the Closing Date; and
- (vi) The execution and delivery of all documents related to and the closing of the surrender and asset sale agreement dated 30 May 2019.

The obligations of the Seller under the IP Agreement are subject to the fulfillment, prior to or at the Closing, of the following conditions, any one or more of which may be waived in writing by the Seller in its sole discretion:

- (i) the Buyer shall have executed and delivered to the Seller the documents and items specified in the IP Agreement (including the executed License Agreement);

- (ii) each of the representations and warranties by the Buyer contained in the IP Agreement shall be true and correct in all material respects at and as of the Closing Date with the same force and effect as though made at and as of the Closing Date;
- (iii) the Buyer shall have performed and complied in all material respects with all the covenants, agreements, obligations and conditions required by the IP Agreement to be performed or complied with by it at or prior to the Closing Date;
- (iv) all permits, authorizations, approvals and consents of any Governmental Authority, and all consents of other third parties that may reasonably be required in connection with the execution of the IP Agreement or the effectuation of the transaction contemplated under the IP Agreement shall have been duly obtained and shall be in full force and effect on the Closing Date; and
- (v) no temporary restraining order, preliminary or permanent injunction, or cease and desist order, issued by any court or Governmental Authority preventing the consummation of the transaction contemplated under the IP Agreement shall be in effect at the Closing Date, and no proceeding by any court or Governmental Authority seeking to restrict or prohibit the transfer and exchange contemplated under the IP Agreement or the consummation of the Closing shall be pending or threatened on the Closing Date.

INFORMATION ON THE PURCHASED INTELLECTUAL PROPERTY BRAND

The Branded Products are marketed under the American premium lifestyle apparel brand “J. Peterman” (the “**Brand**”). The Brand was founded in 1988. The range of products under the Brand cover shirts, pants and shorts, suits and blazers, outerwear, sweaters, vests, sleepwear, 1903 collection, hats, footwear, luggage and bags.

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 THE SELLER

The Seller is a Delaware, U.S. limited liability company 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 the Brand. The business was founded by John Peterman in 1988.

REASONS AND BENEFITS OF THE ACQUISITION

The reasons and benefits of the Acquisition are as follows:

1. The product offerings under the Brand are mostly unique traditional classic apparels and accessories in the mid to high price segment of the market which is consistent with the Group's market positioning;
2. J. Peterman is an U.S. brand with about 30 years of history and has good name recognition. The Acquisition provides an avenue for growth of the Group's apparel manufacturing business by paving the way for the Group's entry into OBM (Own Brand Manufacturer) business by developing the Group's own customer base;
3. Taking into account (i) the Purchase Price of the Acquisition in the amount of US\$1,400,000 (approximately HK\$10,850,000) and (ii) the minimum annual Royalty Payment to be received by the Group pursuant to the License Agreement in the amount of US\$120,000 (approximately HK\$930,000) from the Territories alone, the Acquisition is a low-cost and low-risk opportunity for entry into brand ownership;
4. There are potentially a number of other opportunities for the Group to monetize the Brand's value in Asia or Europe, such as licensing the Brand to apparel distributors/retailers in other markets, or even for other non-apparel products; and
5. Pursuant to the License Agreement, the Buyer shall be the exclusive manufacturer and/or sourcing agent for all Products sold by the Seller. This offers an opportunity for the Group to expand the range of products from Asia sources that the Group may be able to supply to the Seller.

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

THE LICENSE AGREEMENT

In accordance with the terms and conditions of the IP Agreement, on 31 May 2019 (after trading hours), the Buyer (as licensor) and the Seller (as licensee) entered into the License Agreement pursuant to which the Buyer grants to the Seller, and the Seller accepts, a non-transferable license, without the right to sublicense (except to the Seller's manufacturers and/or sublicensees pre-authorized in writing by the Buyer and that are in direct privity with the Seller and subject to strict compliance with the terms of the License Agreement) to utilize the Licensed Intellectual Property of the Buyer in the manufacturing, marketing, sale, and distribution of Products solely within the Territory.

During the Term of the License Agreement, subject to the Seller's continued compliance with the terms and conditions of the License Agreement, the Buyer agrees that, except as expressly provided in the License Agreement, the rights set forth in the above paragraph with respect to sales and marketing shall be exclusive to the Seller solely within the Territory and solely with respect to the Products, and the Buyer will not license or sublicense to any other person the right to use the Licensed Intellectual Property for any of the Products within the Territory.

Pursuant to the License Agreement, the Seller shall pay to the Buyer a royalty (each such payment a "**Royalty Payment**") in an amount equal to (the "**Calculation**") (i) 0.4% of all Gross Sales for the first US\$40,000,000 of Products bearing or utilizing any of the Licensed Intellectual Property in any cumulative rolling trailing twelve (12) months period after the date of the License Agreement, and (ii) once Gross Sales in any cumulative rolling trailing twelve (12) months period after the date of the License Agreement exceed US\$40,000,000 (the "**\$40 Million Date**") 1% of Gross Sales on all Gross Sales commencing on and continuing after the \$40 Million Date through the remainder of the Term. Starting with the 2020 calendar year, the minimum amount of the Royalty Payment for each calendar year during the Term shall be US\$120,000, even if the amount of the Royalty Payment calculated pursuant to the Calculation is less than US\$120,000. For the last partial calendar year during the Term, the minimum Royalty Payment amount shall be equal to the product of: (i) US\$120,000, and (ii) the number of days the License Agreement was enforce during the last year, divided by 365.

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 Acquisition is more than 5% but less than 25%, the entering into of the IP Agreement by the Buyer constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Acquisition is subject to certain conditions being satisfied or waived, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Purchased Intellectual Property by the Buyer from the Seller pursuant to the IP Agreement
“Board”	the board of Directors
“Brand”	has the meaning ascribed to it under the section “Information on the Purchased Intellectual Property Brand” of this announcement
“Branded Products”	has the meaning ascribed to it under the section “Nature of the transaction and assets to be acquired” of this announcement
“Business”	the business of direct-to-consumer multi-channel retailing, providing a broad range of products marketed under the Purchased Intellectual Property brands to consumers and small businesses
“Business Days”	any day excluding Saturday, Sunday and any day which is a legal holiday under the Laws of the State of Ohio, U.S. or is a day on which banking institutions located in the State of Ohio, U.S. are authorized or required by law or other governmental action to close
“Buyer”	Asiamax Holdings Limited, a company incorporated in Hong Kong and an indirectly wholly owned subsidiary of the Company
“Calculation”	has the meaning ascribed to it under the section “The License Agreement” of this announcement
“Closing”	the closing of the transactions contemplated by the IP Agreement
“Closing Date”	has the meaning ascribed to it under the section “The Closing and the conditions” of this announcement
“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

“Directors”	directors of the Company
“Disbursing Agent”	the legal counsel to the Buyer in respect of the IP Agreement
“Governmental Authority”	any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any federal, state, local or foreign government or any subdivision, agency, instrumentality, authority (including any regulatory, administrative, and self-regulatory authority), department, commission, board or bureau thereof or any federal, state, local or foreign court, arbitrator or tribunal
“Gross Sales”	all gross sale generated or earned by the Seller in connection with the manufacturing, marketing, sale and/or distribution of the Products utilizing Licensed Intellectual Property, less (i) sales taxes, and (ii) shipping expenses, but without any deductions for financing, taxes, uncollectible accounts, or manufacturing, distributions, advertising, marketing or promotion expenses of any kind
“Group”	the Company and its subsidiaries
“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 the Buyer and the Seller in relation to the Acquisition
“License Agreement”	the license agreement dated 31 May 2019 and entered into between the Buyer (as licensor) and the Seller (as licensee) in relation to, among others, the grant of non-transferable license by the Buyer to the Seller to utilize the Licensed Intellectual Property
“Licensed Intellectual Property”	the intellectual property of the Buyers as listed in the License Agreement
“PRC”	the People’s Republic of China
“Products”	apparel products and fashion accessories sold by the Seller into the Territory bearing, incorporating or using any of the Licensed Intellectual Property

“Purchase Price”	the total consideration in the sum of US\$1,400,000 (approximately HK\$10,850,000) payable by the Buyer to the Seller in accordance with the terms of the IP Agreement
“Purchased Intellectual Property”	has the meaning ascribed to it under the section “Nature of the transaction and assets to be acquired” of this announcement
“Royalty Payment”	has the meaning ascribed to it under the section “The License Agreement” of this announcement
“Seller”	JP Outfitters, LLC, a Delaware, U.S. limited liability company
“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
“Term”	twenty (20) year period from the date of the License Agreement through the close of business in the State of Delaware, U.S., on 31 May 2039, subject to the terms of the License Agreement. Thereafter, the Term shall automatically continue for successive ten (10) year periods, unless either the Seller or the Buyer delivers written notice of termination to the other party no more than 180 days, and no less than 90 days, before the expiration of the then current Term
“Territory”	continental North America, South America, Central America and the Caribbean and online sales to customers on a worldwide basis
“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.

“\$40 Million Date”

has the meaning ascribed to it under the section “The License Agreement” of this announcement

“%”

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, 31 May 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*