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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)**

## **CHANGE IN USE OF PROCEEDS**

Reference is made to (i) the prospectus issued by Sterling Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 29 September 2018 (the “**Prospectus**”); (ii) the annual report of the Company for the year ended 31 March 2019 (the “**2019 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 September 2019 (the “**2019 Interim Report**”); and (iv) the annual report of the Company for the year ended 31 March 2020 (the “**2020 Annual Report**”) in relation to, among others, the utilization of the net proceeds from the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (“**Share Offer**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus.

### **USE OF PROCEEDS**

As disclosed in the section headed “Future plans and use of proceeds” in the Prospectus, the actual net proceeds raised from the Share Offer, after deducting underwriting fees and commissions and other expenses relating to the Listing, were approximately HK\$54.4 million (the “**Net Proceeds**”) and the Company originally intended to use the Net Proceeds raised from the Listing as follows:

- approximately HK\$16.3 million, representing approximately 30% of the net proceeds will be used for expanding and refurbishing our production facilities located in Sri Lanka and the PRC;
- approximately HK\$13.6 million, representing approximately 25% of the net proceeds will be used for repayment of part of our outstanding bank borrowings, which were used for the acquisition of (i) Zhi Wei; (ii) Chiefway (PVT); and (iii) the Katunayake Factory, to improve our financial position, gearing and liquidity;

	<b>Outstanding amount as at 31 July 2018</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Usage</b>
Bank borrowings	HK\$41.7 million	HIBOR + 1.5%	30 November 2021	Consideration for the acquisition of the Three Factories

- approximately HK\$13.6 million, representing approximately 25% of the net proceeds will be used for acquisitions of production facilities;
- approximately HK\$5.4 million, representing approximately 10% of the net proceeds will be used for upgrading our information technology system, lean manufacturing and productivity improvement programs; and
- approximately HK\$5.5 million, representing approximately 10% of the net proceeds will be used for our Group’s general working capital.

## CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unused Net Proceeds amounted to approximately HK\$24.1 million (the “**Unused Net Proceeds**”). The board (the “**Board**”) of directors (the “**Directors**”) of the Company, having considered the recent business environment and development of the Group and in particular the impact of the outbreak of the novel coronavirus pandemic (COVID-19) to the global business environment, resolved to change the use of the Unused Net Proceeds. Set out below is the utilisation of the Net Proceeds up to the date of this announcement and the revised allocation of use of the Unused Net Proceeds:

	Percentage of Net Proceeds (%)	Planned use of the Net Proceeds HK\$’ million	Actual use of the Net Proceeds up to the date of this announcement HK\$’ million	Unutilised Net Proceeds as at the date of this announcement HK\$’ million	Revised allocation of the unutilized Net Proceeds HK\$’ million	Expect timeline for the intended use
Expanding and refurbishing production facilities located in Sri Lanka and the PRC	30	16.3	11.1	5.2	–	
Repayment of bank borrowings	25	13.6	13.6	–	–	
Acquisitions of production facilities	25	13.6	–	13.6	–	
Upgrading information technology system, lean manufacturing and productivity improvement program	10	5.4	0.1	5.3	–	
General working capital	10	5.5	5.5	–	24.1	before 31 December 2021
Net Proceeds		54.4	30.3	24.1	24.1	

## REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Due to the COVID-19 pandemic worldwide, the business of the Group and its customers have been adversely affected. The management believed that it is uncertain as to how long the COVID-19 pandemic may continue. Many countries or regions have either retained, reimposed or extended the quarantine measures, travel restriction and safe distancing measures to contain the COVID-19 pandemic, casting uncertainty to the Group's operating environment. In view thereof, the management believes that the Group's original plan on the use of the Net Proceeds (i.e. the expanding and refurbishing production facilities located in Sri Lanka and the PRC, upgrading information technology system, lean manufacturing and productivity improvement program, and acquisitions of production facilities) should be re-allocated as the Group's business have been adversely affected and the global business environment in the foreseeable future remains challenging.

The re-allocation of the unused Net Proceeds to supplementing working capital for operation of the Company would be more in line with the current operation needs of the Group, increase its financial flexibility to cope with the future economic uncertainty.

The Board considers that the aforesaid change in the use of Net Proceeds is in the best interest of the Company and Shareholders as a whole and it will not have any material adverse effect on the existing business and operations of the Group. The Board also confirms that there is no material change in the business nature of the Group as set out in the Prospectus.

The Board will continuously assess the impact of the COVID-19 outbreak to the operation of the Group and the plans for the use of Net Proceeds as set out in the Prospectus, and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance of the Group.

Save as disclosed in this announcement, there are no other changes on the use of Net Proceeds of the Share Offer.

By Order of the Board  
**Sterling Group Holdings Limited**  
美臻集團控股有限公司\*  
**Choi Siu Wai, William**  
*Chairman*

Hong Kong, 26 November 2020

*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 Chairman, 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 purposes only