

**STERLING GROUP HOLDINGS LTD:  
MANAGEMENT FULLY INTENDS TO TAP INVESTORS  
FOR MORE FUNDS AS SOON AS POSSIBLE**

**This Company Has Multiple Problems**

The dangers of a manufacturer, being dependent on just a handful of corporate customers, all of which have their home base in just one country to which the manufacturer's products are being sold, was driven home, once again, on scanning the Share Offer Prospectus of Sterling Group Holdings Ltd.

Sterling Group Holdings Ltd () (Code: 1825, Main Board, The Stock Exchange of Hongkong Ltd), a company with a history, dating back to 1993, is a manufacturer of apparel.

It is headquartered in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

Today, however, the Company has been caught short and, as such, it is having to pitch an **Initial Public Offering (IPO)** in order to raise some free cash from willing investors, the funds, not adding a penny to existing debt service from the Company's existing bank loans.

**The IPO Of Sterling Group Holdings Ltd**

Management of Sterling Group Holdings Ltd launched a Share Offer in the HKSAR on September 29, 2018.

The Company has Offered a total of 228 million, one-cent Shares at the Indicative Offer Price Range of between 40 cents and 44 cents.

Investors of the HKSAR (the Public Offer tranche) are Offered 22.80 million Shares, with the remaining 205.20 million Shares, being reserved for Institutional/Professional/Well-Heeled Investors via select Share Placements (the Placing Shares tranche).

Of the total number of Shares on Offer, however, 28 million Shares are those that are deemed to be beneficially owned by Mr William Choi Siu Wai (), by way of Rainbow Galaxy Ltd, a company, domiciled in the **British Virgin Islands (BVI)**, this BVI company, being ultimately wholly owned by Choi's Family Trusts, the Settlor, having been Mr William Choi Siu Wai.

Aside from these 28 million Shares, all of the other Shares on Offer are New Shares.

At Pages 284 and 285 of the Share Offer Prospectus, prospective investors are told how the net proceeds of the IPO are expected to be utilised.

At the midpoint of the Indicative Offer Price Per Share, being 42 cents, Management estimates that it would be able to net about \$HK54.40 million after retiring all costs, associated with the launching of this IPO.

On this basis, the net proceeds are intended to be allocated to the following:

- Approximately, \$HK16.30 million, that is about 30 percent, *'will be used for expanding and refurbishing our production facilities, located in Sri Lanka and the PRC'*;
- Approximately, \$HK13.60 million, that is about 25 percent, *'will be used for repayment of part of our outstanding bank borrowings, which were used for the acquisition of (i) Zhi Wei<sup>1</sup>; (ii) Chiefway (PVT)<sup>2</sup>; and (iii) the Katunayake Factory<sup>3</sup>, to improve our financial position, gearing and liquidity'*;
- Approximately, \$HK13.60 million, that is about 25 percent, *'will be used for acquisitions of production facilities'*;
- Approximately, \$HK5.40 million, that is about 10 percent, *'will be used for upgrading our*

*information technology system, lean manufacturing and productivity improvement programs’;*  
and,

- Approximately, \$HK5.50 million, that is about 10 percent, ‘*will be used for our Group’s general working capital*’.

#### **EDITOR’S NOTE**

1. Zhi Wei (Guangzhou) Garment Manufacturing Company Ltd () is a wholly foreign-owned company, established on February 5, 2007, in the PRC, proper, being separate and distinct from the HKSAR of the PRC. This company is an indirect, wholly owned subsidiary of Sterling Group Holdings Ltd. This subsidiary operates the Panyu Factory.
2. Chiefway (Private) Ltd is a company, incorporated in Sri Lanka, having been established on September 16, 2011. It is an indirect, wholly owned subsidiary of Sterling Group Holdings Ltd. This subsidiary operates the Meegoda Factory.
3. The Katunayake Factory is the production facility, operated by Chiefway Katunayake (Private) Ltd, a company, incorporated in Sri Lanka on March 31, 2017. It is an indirect, wholly owned subsidiary of Sterling Group Holdings Ltd.

#### **The Business Of Sterling Group Holdings Ltd**

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