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STEVE LEUNG DESIGN GROUP LIMITED

梁志天設計集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2262)

DISCLOSEABLE TRANSACTION

SUBSCRIPTION AND EXTENSION OF NOTE

After trading hours on 31 March 2020, the Subscriber, an indirect wholly-owned subsidiary of the Company, and the Issuer entered into the Supplemental Deed, pursuant to which the Subscriber and the Issuer agreed to extend the maturity date of the Note to 30 June 2020. Other terms and conditions of the Note Instrument remain unchanged.

The Subscriber and the Issuer entered into the Note Instrument on 6 January 2020, pursuant to which the Subscriber agreed to subscribe for, and the Issuer agreed to issue, the Note in the principal amount of HK\$60,000,000 at the interest rate of 6% per annum, and with a maturity date of 31 March 2020.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of each of the Subscription and the Extension exceeds 5% but is less than 25%, each of the Subscription and the Extension constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

THE SUBSCRIPTION AND THE EXTENSION

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A summary of the terms and conditions of the Note is set out below:

- Note Instrument
Date/Note Issue Date : 6 January 2020
- Issuer : Guo Yi Holdings (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability.
- For details of the Issuer, please refer to the paragraph headed “Information of the Issuer and the Guarantor” below.
- Principal Amount : HK\$60,000,000
- The Principal Amount was negotiated on an arm’s length basis among the parties to the Note Instrument, with reference to the commercial practice, the excess and the idle funds of the Group and was funded by the internal resources of the Group.
- Interest Rate : 6% per annum, payable to the Subscriber on the maturity date or within one month after the early redemption of the Note as described below.
- Maturity Date : Originally fell on 31 March 2020 pursuant to the Note Instrument and extended to 30 June 2020 pursuant to the Supplemental Deed.
- Redemption : On the maturity date, the Issuer shall either redeem the Note at the principal amount or with the Subscriber’s written consent, exchange the Note with another note or document with equal or greater equity credit than the Note.
- Early Redemption : The Subscriber shall have the right to demand the Issuer to early redeem the Note in the principal amount at any time prior to the maturity date by serving one month notice in writing to the Issuer.
- Use of proceeds by the Issuer : To enhance the working capital of two subsidiaries of the Issuer.
- Security : The Note is secured by a personal guarantee dated 6 January 2020 and executed by the Guarantor, a director and the sole shareholder of the Issuer, in favour of the Subscriber.
- For details of the Guarantor, please refer to the paragraph headed “Information of the Issuer and the Guarantor” below.

BACKGROUND OF THE SUBSCRIPTION

The Group has subscribed from time to time the notes issued by the Issuer on similar terms and conditions as the Note as part of its treasury management activities, in accordance with its established treasury policy.

The table below sets out the subscriptions of the notes issued by the Issuer on four occasions from 22 October 2018 to 2 July 2019:

Subscription date	Principal amount of the note (HK\$'000)	Interest rate (per annum)	Maturity date	Redemption date	Net gain from the subscription (after expenses and charges) (HK\$'000)	Past public disclosures
22 October 2018	30,000	6%	21 April 2019	21 April 2019	892.6	2018 Annual results announcement dated 11 March 2019 and 2018 Annual Report issued on 17 April 2019
18 December 2018	30,000	6%	Originally fell on 17 June 2019 and extended to 27 June 2019 pursuant to a supplemental agreement dated 13 June 2019	27 June 2019	941.9	2018 Annual results announcement dated 11 March 2019 and 2018 Annual Report issued on 17 April 2019
23 April 2019	30,000	6%	Originally fell on 22 October 2019 and extended to 30 December 2019 pursuant to a supplemental agreement dated 18 October 2019	30 December 2019	1,237.8	2019 Interim results announcement dated 19 August 2019, 2019 Interim Report issued on 18 September 2019 and 2019 Annual results announcement dated 30 March 2020
2 July 2019	30,000	6%	30 December 2019	30 December 2019	892.6	2019 Annual results announcement dated 30 March 2020

The above subscriptions were made prior to the amendment of Rule 14.04(1)(g) of the Listing Rules which took effect on 1 October 2019.

Given that those subscriptions were revenue in nature and made in the ordinary and usual course of business of the Group, as legitimate short-term investments for treasury management purposes, in accordance with the clearly stated and established treasury policy of the Group, they were exempted under Rule 14.04(1)(g) of the Listing Rules and the Company would not be required to comply with the requirements for notifiable transactions under Chapter 14 of the Listing Rules in relation to them, in reliance on Listing Decision 53-2 issued by the Stock Exchange in April 2006.

Since the above Rule amendment and the withdrawal of the Listing Decision 53-2 in October 2019, the revenue exemption under Rule 14.04(1)(g) of the Listing Rules no longer applies to securities transactions for treasury management purposes unless they are carried out by a member of the issuer's group that is (i) a banking company; (ii) an insurance company; or (iii) a securities house that is mainly engaged in regulated activities under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Accordingly, the Subscription and the Extension are not exempted under Rule 14.04(1)(g) of the Listing Rules and are subject to the requirements for notifiable transactions under Chapter 14 of the Listing Rules.

INFORMATION OF THE GROUP

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The principal business activities of the Group are the provision of interior design services, interior decorating and furnishing services and product design services in Hong Kong, PRC and overseas.

INFORMATION OF THE ISSUER AND THE GUARANTOR

The Issuer is an investment holding company incorporated in the British Virgin Islands with limited liability.

The Guarantor is an individual who is a director and the sole shareholder of the Issuer.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, (i) the subsidiaries of the Issuer are principally engaged in the provision of securities trading and other financial services; (ii) the Issuer is owned as to 100% by the Guarantor, who is a businessman; and (iii) each of the Issuer and the Guarantor is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE EXTENSION

It is the Group's treasury policy to invest its surplus cash reserves in fixed deposits or products with a low-risk profile and a term of less than one year which provides liquidity and reasonable gain. The Subscription was a short-term and low-risk investment of the Group for treasury management purposes.

Prior to the Subscription, the Group has previously subscribed for other notes issued by the Issuer on similar terms and conditions as mentioned in the paragraph headed “Background of the Subscription” above. Given that (i) the Note is a fixed rate instrument with a maturity period of less than three months which bears a relatively high interest rate of 6% per annum comparing with other low-risk profile investment products with similar terms available in the market; and (ii) the Issuer has been redeeming the notes and paying interest thereof punctually in the Group’s previous subscriptions, the Directors considered that it was in the interests of the Group to subscribe for the Note for a stable return.

Shortly before the original maturity date of the Note, the Directors considered that the Company was at a position with excess and idle funds and decided to extend the maturity date of the Note which originally fell on 31 March 2020 to 30 June 2020 to effectively utilise surplus funds to generate additional interest income.

The terms of the Subscription were negotiated on an arm’s length basis among the parties to the Note Instrument, with reference to the commercial practice and principal amount of the Note.

Taking into account of the above factors, the Directors are of the view that the terms and conditions of the Subscription and the Extension are normal commercial terms, fair and reasonable and each of the Subscription and the Extension is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of each of the Subscription and the Extension exceeds 5% but is less than 25%, each of the Subscription and the Extension constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

At the time when the Subscription was made on 6 January 2020, the Board genuinely believed that in line with its treatment of the previous note subscriptions described in the paragraph headed “Background of the Subscription” above, the Subscription was still exempted under Rule 14.04(1)(g) of the Listing Rules. As such, the announcement of the Subscription as a discloseable transaction of the Company regrettably was not made as promptly as it should. In this respect, in addition to the issue of this announcement, as a remedial measure, the Board will establish an Investment Committee to focus on and regulate all the future investment activities of the Group, including its treasury management activities. Such Investment Committee, amongst other things, will (i) establish a formal process to manage the Group’s investment strategy; (ii) develop and formulate the investment objectives and the corporate policies on the investments of the Group; and (iii) supervise the legal and compliance aspects of the Group’s investment activities.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	STEVE LEUNG DESIGN GROUP LIMITED 梁志天設計集團有限公司, an exempted company with limited liability incorporated in the Cayman Islands on 9 December 2016, the shares of which are listed on the Stock Exchange (stock code: 2262)
“Directors”	the directors of the Company
“Extension”	the extension of the maturity date of the Note pursuant to the Supplemental Deed
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Chan Siu Yeung
“HK\$”	the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not a connected person of the Company as far as the Directors are aware, having made all reasonable enquiries
“Issuer”	Guo Yi Holdings (BVI) Limited 國義控股(英屬維爾京群島)有限公司, a company incorporated in the British Virgin Islands with limited liability
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Note”	the Note in the principal amount of HK\$60,000,000 issued by the Issuer pursuant to the Note Instrument
“Note Instrument”	the note instrument dated 6 January 2020 and entered into between the Subscriber and the Issuer in relation to the Subscription
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	Steve Leung Designers Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Note by the Subscriber pursuant to the Note Instrument
“Supplemental Deed”	the supplemental deed to the Note Instrument dated 31 March 2020 and entered into between the Subscriber and the Issuer in relation to the Extension on 31 March 2020
“%”	per cent

By Order of the Board
Steve Leung Design Group Limited
 梁志天設計集團有限公司
Xu Xingli
 Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Siu Man Hei (Chief Executive Officer), Mr. Yip Kwok Hung Kevin (Chief Financial Officer), Mr. Ding Chunya and Ms. Kau Wai Fun, the non-executive Directors are Mr. Xu Xingli (Chairman) and Mr. Huang Jianhong, and the independent non-executive Directors are Mr. Liu Yi, Mr. Sun Yansheng and Mr. Tsang Ho Ka Eugene.