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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)

FURTHER CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

References are made to (i) the prospectus of STEVE LEUNG DESIGN GROUP LIMITED (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 22 June 2018 (the “**Prospectus**”) in relation to the global offering (the “**Global Offering**”) and the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”); and (ii) the announcement of the Company dated 6 June 2019 in relation to, *inter alia*, the change in use of proceeds from the Global Offering (the “**2019 Announcement**”).

CHANGE IN USE OF PROCEEDS AS DISCLOSED IN THE 2019 ANNOUNCEMENT

The original intended use of the net proceeds from the Global Offering (the “**Net Proceeds**”), which amounted to approximately HK\$195 million after deducting underwriting fees and commissions and all related expenses in relation to the Global Offering, was disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As disclosed in the 2019 Announcement, the board (the “**Board**”) of directors (the “**Directors**”) of the Company resolved to change and reallocate the use of the Net Proceeds which remained unutilised as at 6 June 2019 (the “**First Reallocation**”) amounting to approximately HK\$98.9 million.

As at the date of this announcement, the Group has utilised approximately HK\$152.6 million of the Net Proceeds and the unutilised Net Proceeds amounted to approximately HK\$42.4 million (the “**Unutilised Net Proceeds**”).

FURTHER CHANGE IN USE OF PROCEEDS

For the reasons set out in the paragraph headed “Reasons for and Benefits of the Further Change in Use of Proceeds” of this announcement, the Board has resolved to further change the intended use and allocation of the Unutilised Net Proceeds (the “**Second Reallocation**”).

The table below sets out the original allocation of the Net Proceeds, the First Reallocation, the utilised Net Proceeds as at the date of this announcement, the allocation of the Unutilised Net Proceeds, the Second Reallocation and the allocation of the Unutilised Net Proceeds after the Second Reallocation:

	Original Allocation of Net Proceeds <i>HK\$ million</i>	First Reallocation <i>HK\$ million</i>	Utilised Net Proceeds (as at the date of this announcement) <i>HK\$ million</i>	Unutilised Net Proceeds (as at the date of this announcement) <i>HK\$ million</i>	Second Reallocation <i>HK\$ million</i>	Unutilised Net Proceeds after the Second Reallocation <i>HK\$ million</i>
Strengthening our Interior Design Services and developing specialisation	67.0	(28.1)	(38.9)	—	—	—
Further developing our Interior Decorating and Furnishing Services	31.1	7.2	(37.0)	1.3	—	1.3
Pursuing growth through selective mergers and acquisitions	28.4	11.6	—	40.0	(40.0)	—
Improving our information technology systems	22.1	(5.7)	(16.4)	—	—	—
Repaying existing bank borrowings	19.0	—	(19.0)	—	—	—
Enhancing our brand recognition	11.0	—	(9.9)	1.1	—	1.1
Further developing our Product Design Services	3.1	—	(3.1)	—	—	—
Working capital and other general corporate purposes	13.3	—	(13.3)	—	40.0	40.0
Developing a new brand and teams for middle-end and specialised interior design services market	—	15.0	(15.0)	—	—	—
Total	195.0	—	(152.6)	42.4	—	42.4

The Unutilised Net Proceeds are expected to be fully utilised in accordance with the Second Reallocation by the end of 2022.

Save for the First Reallocation and the Second Reallocation, there is no other change in use of the Net Proceeds.

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

As disclosed in the 2019 Announcement, the Company planned to use HK\$40.0 million of the Net Proceeds to pursue growth through mergers and acquisitions.

Since the Listing, the Company has been exploring business opportunities for co-operation with or acquisition of high potential interior design companies, of which the business, interest and philosophy are in line with those of the Group. However, as of the date of this announcement, the Company has yet to identify any such suitable interior design companies as acquisition target for a consideration which is fair and reasonable and in the best interests of the Group.

While, like many other businesses, the Group encountered challenges in 2020 as a number of its projects in China were either suspended or partially postponed due to the outbreak of the Coronavirus disease (the “**COVID-19**”) and successive lockdowns in various cities in China. The deteriorating economic conditions, as a result of the COVID-19, had led to decrease in consumption and investment appetite. Despite the fact that the performance of the Group has rebounded steadily in the first half of 2021, the COVID-19 pandemic is still evolving rapidly, hence there remains uncertainties over the severity and duration of the impacts of the COVID-19, as well as the negative impacts of the global economic recovery.

In 2021, real estate enterprises in China continued to be prudent in view of the introduction of long-term mechanisms ensuring “Houses are for living in, not for speculation” and “Stable land prices, housing prices and expectation” by enhancing enforcement of the “Three Red Lines” policy and a series of measures to further rectify the order in the real estate market (the “**Housing Measures**”). As a result, real estate developers have faced gearing and funding restrictions, the volume of real estate enterprises’ financing declined and growth decelerated. Coupled with the Chinese government’s pursuit of “common prosperity” and “reduced inequality”, the real estate industry is expected to experience a further slowdown.

In view of the global and China economic climate, instead of pursuing uncertain growth through mergers and acquisitions, the Board considers that the Group should devote its resources to its existing interior design and interior decorating and furnishing business and strengthen its market position by continuing to explore potential clients’ relationships, enhance existing clients’ relationships, and focus on completing existing and potential projects.

Having considered the Group’s business strategies, the impacts of the COVID-19 pandemic, the Housing Measures and the market uncertainty in the future, the Board has resolved to change and reallocate part of the Unutilised Net Proceeds of HK\$40.0 million for “working capital and other general corporate purposes” so as to maintain more working capital and budget to support its existing business development.

The Board is of the view that such further change in use of the Net Proceeds is fair and reasonable as it would allow the Group to deploy its financial resources more effectively to enhance the profitability and stability of the Group, and is therefore in the best interests of the Group and the shareholders of the Company as a whole.

The Board will evaluate the Group's business strategies regularly and may change or modify plans against the changing market conditions to ensure the business growth of the Group. The Board will also continue to take a cautious approach when considering the allocation of the Unutilised Net Proceeds, and closely monitor changes in market conditions from time to time.

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, 16 November 2021

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. Ding Jingyong and the independent non-executive Directors are Mr. Liu Yi, Mr. Sun Yansheng and Mr. Tsang Ho Ka Eugene.