

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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)

## CONTINUING CONNECTED TRANSACTIONS

### FRAMEWORK AGREEMENTS

On 24 June 2021, the Company (for itself and on behalf of its subsidiaries) entered into the Framework Agreements with Jangho Co. (for itself and on behalf of its subsidiaries, but excluding members of the Group) and Jangho Chuangxin (for itself and on behalf of its subsidiaries), respectively, pursuant to which the Company agreed to provide or procure any of its subsidiaries to provide, interior design services and interior decorating and furnishing services to Jangho Co., Jangho Chuangxin, and/or their respective subsidiaries.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Jangho Co. was held, *inter alios*, as to 25.07% by Mr. Liu and 27.35% by Jiangheyuan, which in turn, was held as to 85% by Mr. Liu and 15% by Mr. Liu's spouse, Ms. Fu Haixia, both being controlling shareholders of the Company. Jangho Co., by virtue of being a 30%-controlled company of Mr. Liu, is an associate of Mr. Liu, and hence a connected person of the Company, in accordance with Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Jangho Chuangxin was held as to 30% by Mr. Liu and 70% by Jiangheyuan, which in turn, was held as to 85% by Mr. Liu and 15% by Mr. Liu's spouse, Ms. Fu Haixia, both being controlling shareholders of the Company. Jangho Chuangxin, by virtue of being a 30%-controlled company of Mr. Liu, is an associate of Mr. Liu, and hence a connected person of the Company, in accordance with Chapter 14A of the Listing Rules.

Therefore, the transactions contemplated under each of the Jangho Co. Framework Agreement and the Jangho Chuangxin Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in relation to the annual caps for each of the Jangho Co. Framework Agreement and the Jangho Chuangxin Framework Agreement is more than 0.1% but less than 5%, the continuing connected transactions under each of the Jangho Co. Framework Agreement and the Jangho Chuangxin Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Framework Agreements relate to the provision of interior design services and interior decorating and furnishing services by the Group to Mr. Liu's associates and are entered into within a 12-month period, the Company has aggregated the continuing connected transactions under the Jangho Co. Framework Agreement and the Jangho Chuangxin Framework Agreement and treat them as if they were one transaction.

As one or more of the applicable percentage ratios in relation to the annual caps for the Jangho Co. Framework Agreement and the Jangho Chuangxin Framework Agreement on an aggregated basis, exceed(s) 5%, but is/are less than 25% and the aggregated annual caps for the continuing connected transactions under the Framework Agreements exceed HK\$10,000,000, the same transactions are subject to the reporting, annual review, announcement, circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **EGM**

The Company will convene the EGM for the purposes of, among other things, seeking the Independent Shareholders' approval of the Framework Agreements and the transactions contemplated thereunder. Mr. Liu, being a controlling shareholder of the Company, and his associates will abstain from voting on the aforesaid resolutions at the EGM. At the EGM, votes will be taken by poll.

### **ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee has been established to give recommendations to the Independent Shareholders in respect of the Framework Agreements and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) details of the Framework Agreements; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 23 July 2021.

On 24 June 2021, the Company (for itself and on behalf of its subsidiaries) entered into the Framework Agreements with Jangho Co. (for itself and on behalf of its subsidiaries, but excluding members of the Group) and Jangho Chuangxin (for itself and on behalf of its subsidiaries), respectively, pursuant to which the Company agreed to provide or procure any of its subsidiaries to provide, interior design services and interior decorating and furnishing services to Jangho Co., Jangho Chuangxin, and/or their respective subsidiaries.

Set out below is a summary of the principal terms of the Framework Agreements:

### **Jangho Co. Framework Agreement**

Date: 24 June 2021

Parties: (1) the Company (for itself and on behalf of its subsidiaries)  
(2) Jangho Co. (for itself and on behalf of its subsidiaries, but excluding members of the Group)

Duration: Effective upon the date of obtaining the Independent Shareholders' approval and up to 31 December 2023

Subject matter: The Company has agreed to provide or procure any of its subsidiaries to provide, the interior design services and interior decorating and furnishing services to Jangho Co. and/or its subsidiaries, which shall be effected and governed by the individual contracts to be entered into between Jangho Co. or any of its subsidiaries and the Company or any of its subsidiaries in accordance with the terms of the Jangho Co. Framework Agreement. If there is any conflict between the terms of such contract and the Jangho Co. Framework Agreement, the latter agreement shall prevail.

Annual cap: RMB18,000,000 (equivalent to approximately HK\$22,000,000) for each of the three years ending 31 December 2023

## Jangho Chuangxin Framework Agreement

Date:	24 June 2021
Parties:	(1) the Company (for itself and on behalf of its subsidiaries)  (2) Jangho Chuangxin (for itself and on behalf of its subsidiaries)
Duration:	Effective upon the date of obtaining the Independent Shareholders' approval and up to 31 December 2023
Subject matter:	The Company has agreed to provide or procure any of its subsidiaries to provide, the interior design services and interior decorating and furnishing services to Jangho Chuangxin and/or its subsidiaries, which shall be effected and governed by the individual contracts to be entered into between Jangho Chuangxin or its subsidiaries and the Company or any of its subsidiaries in accordance with the terms of the Jangho Chuangxin Framework Agreement. If there is any conflict between the terms of such contract and the Jangho Chuangxin Framework Agreement, the latter agreement shall prevail.
Annual cap:	RMB14,000,000 (equivalent to approximately HK\$17,000,000) for each of the three years ending 31 December 2023

### PRICING BASIS

The fees under the individual contracts as per the Framework Agreements shall be determined in accordance with:

- (1) the pricing standard prescribed by the relevant state and/or regional price administration authorities (the "**Prescribed Price**");

- (2) if the Prescribed Price is not available, the price should be determined on an arm's length basis between Jangho Co. or Jangho Chuangxin and the Company and be on terms similar to, or more favourable (in terms of the interests of the Group) to the Group than those agreed between the Group and its Independent Third Party clients, with reference to the following:
- (a) the prevailing market price for the provision of services of comparable nature and scale (if available). For the avoidance of doubt, the Company would solicit at least two quotations, if possible;
  - (b) the costs incurred or to be incurred in relation to the provision of the relevant interior design services and/or interior decorating and furnishing services, subject to a reasonable profit margin requirement;
  - (c) in relation to the fee for the provision of interior design services, such fee shall be determined based on the reference unit price formulated by the Group, adjusted by factors such as the general discounts given to its long-term strategic clients or any other discount that is in the interest of the Group. Such discount would normally be within the range of 5% to 10% of the total fee;
  - (d) in relation to the fee for the provision of interior decorating and furnishing services which may consist of the fee for concept design and detail design and the fee for procurement, supply, installation and/or setting up of furniture, fittings and accessories,
    - (i) the fee for concept design and detail design shall be determined based on the reference unit price formulated by the Group, adjusted by factors such as the general discounts given to its long-term strategic clients or any other discount that is in the interest of the Group. Such discount would normally be within the range of 5% to 10% of the total fee;
    - (ii) the fee for the procurement, supply, installation and/or setting up of furniture, fittings and accessories shall be determined based on the reference price for the provision of similar services at comparable location formulated by the Group with its Independent Third Party clients; and
    - (iii) for the avoidance of doubt, a discount of up to approximately 50% of the fee for concept design and detail design as part of the provision of interior decorating and furnishing services may be granted if the Group is engaged to provide full interior decorating and furnishing services (i.e. concept design, detail design and procurement, supply, installation and/or setting up of furniture, fittings and accessories).

## **PAYMENT TERMS**

The payment terms are as stated in the Framework Agreements, unless otherwise agreed between the parties to the individual contracts, whereby such agreed payment terms must be fair, reasonable and normal commercial terms (or terms more favourable to the Group than those stipulated in the Framework Agreements). The payment terms as stated in the Framework Agreements are as follows:

### **Interior design services**

- (1) 20% of the fee shall be paid within seven business days after the date of signing of the relevant contract;
- (2) 10% of the fee shall be paid within seven business days after submission of the concept design;
- (3) 10% of the fee shall be paid within seven business days after confirmation of the concept design;
- (4) 15% of the fee shall be paid within seven business days after submission of the detail design;
- (5) 15% of the fee shall be paid within seven business days after confirmation of the detail design;
- (6) 10% of the fee shall be paid within seven business days after submission of the tender drawings;
- (7) 10% of the fee shall be paid within seven business days after approval of the tender drawings; and
- (8) the remaining 10% of the fee shall be paid within seven business days after inspection and acceptance of the work.

### **Interior decorating and furnishing services**

- (a) in relation to concept design and detail design only:
  - (1) 20% of the fee shall be paid within seven business days after the date of signing of the relevant contract;
  - (2) 10% of the fee shall be paid within seven business days after submission of the concept design;
  - (3) 10% of the fee shall be paid within seven business days after confirmation of the concept design;

- (4) 15% of the fee shall be paid within seven business days after submission of the detail design;
  - (5) 15% of the fee shall be paid within seven business days after confirmation of the detail design;
  - (6) 10% of the fee shall be paid within seven business days after submission of the tender drawings;
  - (7) 10% of the fee shall be paid within seven business days after approval of the tender drawings; and
  - (8) the remaining 10% of the fee shall be paid within seven business days after inspection and acceptance of the work.
- (b) in relation to the procurement, supply, installation and/or setting up of furniture, fittings and accessories only:
- (1) 50% of the fee shall be paid on the date of signing of the relevant contract; and
  - (2) the remaining 50% of the fee shall be paid within seven business days after the issue of the invoice for such fee but prior to the delivery of the furniture, fittings and accessories.

### Historical transaction amount

The table below sets out the historical transaction amounts of the fees paid to the Group by Jangho Co. and its subsidiaries but excluding members of the Group, and Jangho Chuangxin and its subsidiaries for the provision of interior design services and interior decorating and furnishing services:

	For the year ended 31 December 2018 (RMB)	For the year ended 31 December 2019 (RMB)	For the year ended 31 December 2020 (RMB)	For the five months ended 31 May 2021 (RMB)
Jangho Co. and its subsidiaries but excluding members of the Group	5,096,311	3,375,301	3,138,569	1,382,821
Jangho Chuangxin and its subsidiaries	19,400,460	6,325,056	923,458	13,207

## **PROPOSED ANNUAL CAPS FOR THE FRAMEWORK AGREEMENTS**

The proposed annual caps for the transactions contemplated under the Framework Agreements for the three years ending 31 December 2023 are RMB32,000,000, RMB32,000,000 and RMB32,000,000 respectively (equivalent to approximately HK\$39,000,000, HK\$39,000,000 and HK\$39,000,000, respectively).

The proposed annual caps for the Framework Agreements were determined based on: (i) the awarded contract sum of the relevant contracts; (ii) the contracts under bidding and/or the preliminary quotations or estimates provided to the clients of the Group for similar contracts; and (iii) the prevailing and expected market conditions as well as the input of the management based on their experience and expertise.

## **INFORMATION ABOUT THE PARTIES**

The Group is an internationally renowned and award-winning interior design services and interior decorating and furnishing services provider, which is known for undertaking residential, private residence and hospitality projects that target the high-end market in the PRC and Hong Kong.

Jangho Co. is a joint stock limited company established in the PRC, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601886). It is principally engaged in the curtain wall engineering business, the interior decoration business and the provision of healthcare services.

Jangho Chuangxin is principally engaged in property development and investment.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS**

Pursuant to the Framework Agreements, the Group is required to, among other matters, provide interior design and interior decorating and furnishing services to Jangho Co., Jangho Chuangxin and/or their respective subsidiaries. The Directors (excluding the independent non-executive Directors whose views will be rendered upon having received the advice of the Independent Financial Adviser) believe that the Framework Agreements will enable the Group to capture future business opportunities, expand interior design services and interior decorating and furnishing services of the Group and strengthen the Group's visibility in respect of such services in the PRC. It will also expand the source of income stream of the Group.

Furthermore, the terms of the Framework Agreements were determined after arm's length negotiations between the respective parties thereto.



In light of the above, the Directors (excluding the independent non-executive Directors whose views will be rendered upon having received the advice of the Independent Financial Adviser) are of the view that the transactions contemplated under the Framework Agreements are in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Jangho Co. was held, inter alios, as to 25.07% by Mr. Liu and 27.35% by Jiangheyuan, which in turn, was held as to 85% by Mr. Liu and 15% by Mr. Liu's spouse, Ms. Fu Haixia, both being controlling shareholders of the Company. Jangho Co., by virtue of being a 30%-controlled company of Mr. Liu, is an associate of Mr. Liu, and hence a connected person of the Company, in accordance with Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Jangho Chuangxin was held as to 30% by Mr. Liu and 70% by Jiangheyuan, which in turn, was held as to 85% by Mr. Liu and 15% by Mr. Liu's spouse, Ms. Fu Haixia, both being controlling shareholders of the Company. Jangho Chuangxin, by virtue of being a 30%-controlled company of Mr. Liu, is an associate of Mr. Liu, and hence a connected person of the Company, in accordance with Chapter 14A of the Listing Rules.

Therefore, the transactions contemplated under each of the Jangho Co. Framework Agreement and the Jangho Chuangxin Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in relation to the annual caps for each of the Jangho Co. Framework Agreement and the Jangho Chuangxin Framework Agreement is more than 0.1% but less than 5%, the continuing connected transactions under each of the Jangho Co. Framework Agreement and the Jangho Chuangxin Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Framework Agreements relate to the provision of interior design services and interior decorating and furnishing services by the Group to Mr. Liu's associates and are entered into within a 12-month period, the Company has aggregated the continuing connected transactions under the Jangho Co. Framework Agreement and the Jangho Chuangxin Framework Agreement and treat them as if they were one transaction.

As one or more of the applicable percentage ratios in relation to the annual caps for the Jangho Co. Framework Agreement and the Jangho Chuangxin Framework Agreement on an aggregated basis, exceed(s) 5%, but is/are less than 25% and the aggregated annual caps for the continuing connected transactions under the Framework Agreements exceed

HK\$10,000,000, the same transactions are subject to the reporting, annual review, announcement, circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EGM**

The Company will convene the EGM for the purposes of, among other things, seeking the Independent Shareholders' approval of the Framework Agreements and the transactions contemplated thereunder. Mr. Liu, being a controlling shareholder of the Company, and his associates will abstain from voting on the aforesaid resolutions at the EGM. At the EGM, votes will be taken by poll.

## **ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee has been established to give recommendations to the Independent Shareholders in respect of the Framework Agreements and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) details of the Framework Agreements; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 23 July 2021.

## **DEFINITIONS**

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

“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, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules

“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of, among other things, seeking the Independent Shareholders’ approval for (i) the Framework Agreements and (ii) the transactions contemplated thereunder
“Framework Agreements”	The Jangho Co. Framework Agreement and the Jangho Chuangxin Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors
“Independent Financial Adviser”	HeungKong Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance of Hong Kong
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Liu and his associate(s), including Eagle Vision Development Limited
“Independent Third Party(ies)”	any entity(ies) or person(s) who is/are not connected person(s) within the meaning ascribed thereto under the Listing Rules
“Jangho Chuangxin”	江河創新地產股份有限公司 (Jangho Chuangxin Real Estate Co., Ltd.*), a joint stock limited company established in the PRC, which was held as to 30% by Mr. Liu and 70% by Jiangheyuan, as at the Latest Practicable Date
“Jangho Chuangxin Framework Agreement”	the interior design services and interior decorating and furnishing services framework agreement dated 24 June 2021 and entered into between Jangho Chuangxin (for itself and on behalf of its subsidiaries) and the Company (for itself and on behalf of its subsidiaries)

“Jangho Co.”	江河創建集團股份有限公司 (Jangho Group Co., Ltd.), a joint stock limited company established in the PRC on 4 February 1999 (the A shares of which have been listed on the Shanghai Stock Exchange (stock code: 601886) since 18 August 2011), and a controlling shareholder of the Company
“Jangho Co. Framework Agreement”	the interior design services and interior decorating and furnishing services framework agreement dated 24 June 2021 and entered into between Jangho Co. (for itself and on behalf of its subsidiaries, but excluding members of the Group) and the Company (for itself and on behalf of its subsidiaries)
“Jiangheyuan”	北京江河源控股有限公司 (Beijing Jiangheyuan Holdings Co., Ltd.*), a company established in the PRC with limited liability, which was held as to 85% by Mr. Liu and 15% by Mr. Liu’s spouse, Ms. Fu Haixia, both being controlling shareholders of the Company, as at the Latest Practicable Date
“Latest Practicable Date”	22 June 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Mr. Liu”	Mr. Liu Zaiwang (劉載望), a controlling shareholder of the Company
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)” has the same meaning as ascribed to it under the Listing Rules

\* *For identification purpose only*

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, 24 June 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.*