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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO RESIGNATION OF AUDITOR

This announcement is made by STEVE LEUNG DESIGN GROUP LIMITED 梁志天設計集團有限公司 (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

Reference is made to the announcement of the Company dated 30 June 2021 in relation to the resignation of its auditor (the “**Announcement**”).

Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

DETAILS OF AND THE BOARD’S POSITION ON THE ALLEGATIONS

As disclosed in the Announcement, the Audit Committee has on 28 June 2021 received a letter (the “**Letter**”) issued by Deloitte, the former auditor of the Company, bringing its attention to an anonymous allegation report Deloitte received regarding the Allegations.

The Board wishes to provide the shareholders and stakeholders of the Company with additional information regarding the Allegations and the Board’s current position on the Allegations.

The key points of the Allegations as set out in the Letter are as follows:

It was alleged in the Letter that the Group's subscriptions for some financial products after the financial year ended 31 December 2020 had not passed the Board's resolutions. The subscriptions were subscribed through a company of the alleged director's ("**Alleged Director's**") friend. The subscriptions are very high risk and the underlying company is a start-up BVI company which has no employee. There was a rebate to the Alleged Director after such subscriptions.

The Board's positions on such points are as follows:

- (1) Based on the Letter, the Board has no clue as to which specific subscriptions of financial products are referred to in the Allegations. Subsequent to the financial year ended 31 December 2020, the Company has subscribed for three different investment funds (the "**Subscriptions**"). The Subscriptions have been disclosed in the "Event after the Reporting Period" section of the 2020 Annual Report of the Company.
- (2) Particulars of the Subscriptions are as follows:
 - (a) Cithara Global Multi-Strategy SPC — Cithara Series One Fund SP with a subscription amount of HK\$30 million, which Steve Leung Designers Limited ("**SLDL**"), an indirect wholly-owned subsidiary of the Company, subscribed on 8 January 2021;
 - (b) FUTEC Special Growth Fund SPC — FUTEC International Bond Fund with a subscription amount of USD2.5 million, which SLDL subscribed on 28 January 2021;
 - (c) Sino Opulence Multi-Value Strategy Fund SPC — Stable Growth Fund SP with a subscription amount of USD4 million, which SLDL subscribed on 19 February 2021; and
 - (d) the Subscriptions are for the purpose of making use of the Group's idle funds efficiently. The Board believes that the Subscriptions can expand and diversify the Group's investment portfolio, enhance the Group's capital usage efficiency and increase the investment returns of the Group.
- (3) Notwithstanding that it is unclear as to which subscription(s) is/are referred to in the Allegations, the Board gives its views in respect of the Subscriptions as follows:
 - (a) The Board and the investment committee of the Board (the "**Investment Committee**") have duly passed the necessary resolutions approving the Subscriptions (the "**Resolutions**").

- (b) To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the investment funds, the fund managers and their respective ultimate beneficial owner(s) in relation to each of the Subscriptions are independent third parties to the Group. The Alleged Director has confirmed to the Board that the Alleged Director does not have a personal relationship with any of those parties. The Board and the Investment Committee also noted that all Directors had duly disclosed their respective interests, if any, in relation to the Resolutions in accordance with the articles of association of the Company and that no Director was prohibited from approving the Resolutions.
- (c) The Board and the Investment Committee had carried out due diligence exercise and examined the due diligence reports on the Subscriptions carefully prior to their passing the Resolutions. Based on the due diligence results, the Board and the Investment Committee consider that the Subscriptions are of low risk, fair and reasonable and in the interests of the Company and its shareholders as a whole.
- (d) The Board has obtained confirmation from the Alleged Director that the Alleged Director has not requested for and has not received any rebate in whatever form in relation to the Subscriptions.

Based on the Letter, it is unclear as to which specific subscription(s) of financial products is/are referred to in the Allegations and what evidence, if any, the Allegations are based on. The Allegations appear to be without basis or justification.

The Board has made enquiries of the Allegations with the Alleged Director and requested for information on the Allegations, but the Board has yet to see any substance in any of the Allegations.

In the absence of contrary evidence, based on the preliminary findings so far, the Board currently is of the view that the Allegations are unfounded, without basis or justification and have no impact on the Company and the Group.

ACTIONS TO BE TAKEN BY THE BOARD REGARDING THE ALLEGATIONS

The Board is committed to maintain the highest corporate governance standard and recognise that good corporate governance is essential in enabling it to discharge its duties towards the shareholders and stakeholders of the Company. Based on such commitment and recognition, the Board has decided and proceeded to establish an independent board committee (the “**Independent Board Committee**”) on 2 July 2021, comprising of all the independent non-executive directors of the Company, with one of them, Mr. Tsang Ho Ka, Eugene, as the Chairman of the Independent Board Committee, to evaluate the Allegations.

The Independent Board Committee has on 7 July 2021 engaged Mazars Risk Advisory Services Limited as an independent professional party to conduct an internal control review into the Allegations and produce a report of findings (with internal control review on investment management and treasury management cycle and recommendations) to it.

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, 14 July 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.