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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)

UPDATE ON MATTERS 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 and the supplemental announcement of the Company dated 14 July 2021 (the “**Supplemental Announcement**”) (referred to collectively as the “**Announcements**”) in relation to the resignation of the auditor of the Company. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

With the aim to maintain the highest standard of corporate governance and promote high level of transparency of the Company, the Board and the Independent Board Committee have made their best efforts to investigate into the Allegations.

The Board wishes to provide the shareholders and stakeholders of the Company with an update on the findings and the opinion of the Independent Board Committee and the Board as regards the Allegations.

ACTIONS TAKEN BY THE BOARD AND THE INDEPENDENT BOARD COMMITTEE

The following is a summary of the actions taken by the Board and the Independent Board Committee in response to the Allegations:

- I. the Board has established the Independent Board Committee, which has appointed Mazars Risk Advisory Services Limited (“**Mazars RAS**”) as an independent professional party to conduct an internal control review into the Allegations (the “**Internal Control Review**”) and to produce a report (the “**Internal Control Report**”);

2. the Independent Board Committee has conducted regular meetings to monitor the investigations and evaluate the findings on the Allegations;
3. the Independent Board Committee and the Board have made enquiries with and requested for provision of further information about the Allegations from relevant parties, including Deloitte, the investment/portfolio managers of the funds (the “**Fund Manager(s)**”) under the Subscriptions and the Alleged Director;
4. the Independent Board Committee and the Board have carefully reviewed all relevant documentation and procedures in relation to the Subscriptions, including the Resolutions and due diligence reports; and
5. the Independent Board Committee and the Board have obtained confirmations from (i) all the Directors, which show that they are independent from the directors and shareholders of the ultimate holding company of each of the funds under the Subscriptions; and from (ii) the Alleged Director that he has not requested for and has not received any rebate in whatever form in relation to the Subscriptions.

Thorough due diligence taken by the Board and the Investment Committee

The Board and the Investment Committee had conducted thorough due diligence prior to approving each of the Subscriptions, including:

1. reviewing the profiles of the directors and shareholders of the ultimate holding company of each of the funds under the Subscriptions provided during the due diligence process and/or in the marketing materials, which include their education background and professional experiences;
2. obtaining a general understanding of the fund formation, qualification of the fund house and Fund Managers, including obtaining and perusing the Certificate of Incumbency, the Certificate of Incorporation, the Articles of Association, related licenses issued by the Securities and Futures Commission and other corporate documents;
3. assessing the financial performance, investment portfolio and respective risk levels of each of the funds, such as obtaining and analysing their audited financial statements, marketing materials and other subscription related documents; interviewing the authorised representatives of the Fund Managers and/or directors of the fund; and
4. assessing the background and past investment performance of each of the Fund Managers and the relevant experience of the key professional staff.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the directors and shareholders of the ultimate holding company of each of the funds under the Subscriptions has/have no relationship with any of the Directors or the controlling shareholders of the Company or their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited). Each of the Subscriptions involved direct subscription by SLDL, hence, there were no vendors as such.

Based on its due diligence results, the Board considers that the Subscriptions pose a relatively low investment risk for the following reasons:

1. *Each of the funds provides stable income*

Each of the funds under the Subscriptions is primarily engaged in a range of relatively low risk and conservative investments consisting of fixed income securities which generate stable income, such as bonds, convertible bonds, notes and other fixed or floating rate securities/bonds issued by governments or companies with a credit rating generally of BB grade or better with strong financial performance.

As opposed to investment in equities and derivative products, investment in fixed income securities are much less sensitive to market fluctuation and carry lower investment risks.

Accordingly, the Board is of the view that the Subscriptions can generate stable return for the Group.

2. *Experienced personnel provide stable financial management*

The Fund Manager of FUTEC Special Growth Fund SP — FUTEC International Bond Fund is HeungKong Securities Limited, which is licensed by the Securities and Futures Commission (“SFC”) to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management).

The Fund Manager of Cithara Global Multi-Strategy SPC — Cithara Series One Fund SP is Cithara Investment International Limited, which is licensed by SFC to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

The Fund Manager of Sino Opulence Multi-Value Strategy Fund SPC — Stable Growth Fund SP is Sino Opulence Securities Limited, which is licensed by SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Each of the Fund Managers has an investment team (the “**Investment Teams**”) with professional expertise and generally over 10 years of experience in the finance market, with comprehensive understanding and knowledge in investment management and the provision of investment consulting services. The lead members of each of the Investment Teams had held leadership roles in various securities firms and major investment banks, while holding SFC Type 4 (advising on securities) and Type 9 (asset management) licenses issued by SFC.

Based on the understanding of the Directors, the Fund Managers follow the investment strategy which focuses on a range of relatively low risk and conservative investments which generate stable income.

Taking into account the aforementioned background and professional experience of the Fund Managers and their respective Investment Teams, the Board is of the view that each of the funds under the Subscriptions is managed by experienced and reputable Fund Managers which provide stable financial management and bring stable returns to the Group.

3. *High liquidity and redeemability*

The investment under each of the Subscriptions has a short lock-up period and is redeemable within a relatively short period, thus providing higher liquidity. The Company expects to redeem such investments within this year as planned.

4. *Risk diversification via split investment*

The Company has put in two layers of risk diversification in order to minimize the investment risks associated with the Subscriptions:

- (a) instead of using all the idle funds for one single investment, the Company has deliberately split the idle funds for investments in three separate funds to minimize any concentration risk; and
- (b) each of the funds has adopted a diversified investment strategy by investing in a wide range of fixed income securities instead of concentrating on a particular investment product so as to spread and reduce the investment risk.

Adequate and effective internal control system adopted by the Group

As stated in the Supplemental Announcement, the Independent Board Committee has on 7 July 2021 engaged Mazars RAS as an independent professional party to conduct the Internal Control Review and produce the Internal Control Report.

The Internal Control Review is a review on the internal control mechanism of the Group in relation to its investment management and treasury management (the “**Internal Control Mechanism**”) for the period from 1 January 2020 to 30 June 2021.

The purpose of the Internal Control Review is to, address the Allegations, identify internal control deficiencies (if any) of the Group and provide corresponding recommendations (if any) for the improvement of the Internal Control Mechanism.

Based on the Internal Control Review, Mazars RAS (i) has issued the Internal Control Report on 26 July 2021; (ii) is of the view that, as of 30 June 2021, the Internal Control Mechanism were adequate and effective; and (iii) has no recommendations for the improvement of the Internal Control Mechanism.

OPINION OF THE INDEPENDENT BOARD COMMITTEE AND THE BOARD

Having reviewed and considered the conclusion of the Internal Control Report, and having taken into account all the findings and results of their investigation, the Independent Board Committee and the Board (i) agree with the above opinion of Mazars RAS; and (ii) fail to see any substance in any of the Allegations.

As such, the Independent Board Committee and the Board are of the opinion that the Allegations (i) are totally unfounded, without any basis or justification and are completely devoid of merits; and (ii) have absolutely no impact on the business operations and financial performance and positions of the Company and/or the Group.

As the Allegations contain serious errors of facts and unfounded accusations against the Company and its management, the Board believes that the Allegations could have been a deliberate ploy to undermine shareholders’ and investors’ confidence in the Company and its management and damage the reputation of the Company.

The Company reserves its rights to take all appropriate actions, including commencement of legal actions against every person perpetrating any unlawful acts and claiming any consequential damages therefrom, so as to protect its legitimate interest from the unfounded Allegations made.

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, 6 August 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.