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## **HYGIEIA GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1650)**

### **INSIDE INFORMATION KEY FINDINGS OF INDEPENDENT INVESTIGATION**

This announcement is made by Hygieia Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements (the “**Announcements**”) of the Company dated 18 and 31 March 2021; 1, 9 and 22 April 2021; 12 May 2021; 30 June 2021; 30 September 2021; 31 December 2021 and 31 March 2022 in relation to, among others, (i) the delay in publication of audited annual results announcement for the year ended 31 December 2020; (ii) the suspension of trading of shares of the Company with effect from 9:00 a.m. on 1 April 2021; (iii) the Resumption Guidance received from the Stock Exchange; (iv) the appointment of independent professional advisor; and (v) quarterly updates on suspension of trading. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

### **BACKGROUND**

On 22 April 2021, the Company received a letter from the Stock Exchange setting out the following guidance (the “**Resumption Guidance**”) for the resumption of trading in the Shares to, among others: (i) conduct an independent investigation (the “**Investigation**”) into the matters that the previous auditor of the Company considers as significant outstanding matters for the audit for the year ended 31 December 2020 (the “**Audit Issues**”); (ii) assess the impact on the Company’s business operation and financial position; and (iii) announce the findings and take appropriate remedial actions.

On 10 May 2021, the Board and the Audit Committee resolved to appoint So, Lung & Associates, Solicitors (“**SLA**”), an independent professional law firm in Hong Kong, as the independent professional advisor to conduct an Investigation into the Audit Issues. Such appointment was made further to the requests received from the Stock Exchange in the Resumption Guidance and the Company’s current auditor, HLB Hodgson Impey Cheng Limited (“**HLB**”).

SLA issued the report of the Investigation dated 29 April 2022 (the “**Investigation Report**”).

### **Scope of the Investigation**

The scope of the Investigation, as agreed between SLA, HLB and the Audit Committee is as follows:

- (i) with regard to the discretionary investment management agreement dated 6 July 2020 (the “**Discretionary Investment Management Agreement**”) entered into between Eng Leng Contractors Pte Ltd (“**Eng Leng**”) (as client) and Leo Asset Management Limited (“**Leo Asset Management**”) (as manager), SLA conducted a fact-finding exercise on:
  - a. the commercial substance and business rationale for entering into the Discretionary Investment Management Agreement;
  - b. the reasons for engaging Leo Asset Management as investment manager and whether it had anything to do with involvement of Excellent Success in the listing of the shares on the Main Board of the Stock Exchange on 3 July 2020 (the “**Listing**”);
  - c. details of the Group’s due diligence, internal control and approval procedures conducted and materials considered to support its decision of entering into the Discretionary Investment Management Agreement; and
  - d. the Group’s management involvement in the investments made by Leo Asset Management;
- (ii) with regard to the Company’s investment in the investee company that engages in the trading of antique jewellery (the “**Investee Company**”), SLA conducted a fact-finding exercise on:
  - a. details of the background of the Investee Company including its shareholders, directors, relationship with Leo Asset Management, Excellent Success and the Group; and
  - b. reasons for the discrepancy in respect of Eng Leng’s shareholding in the Investee Company as between the investment statement provided by Leo and the statutory return filed with the Companies Registry of Hong Kong;

- (iii) with regard to the Company’s investment in the interest-bearing investment (the “**Interest-bearing Investment**”), SLA conducted a fact-finding exercise on:
  - a. details of the nature, terms, guarantors and securities (if any) of the Interest-bearing Investment; and
  - b. details of the background of the issuer of the Interest-bearing Investment including its business operations, its shareholders, directors, relationship with Leo Asset Management, Excellent Success and the Group; and
- (iv) with regard to professional and consultancy service fees charged by various service providers (the “**Professional Consultancy Firms**”), SLA conducted a fact-finding exercise on the commercial rationale of engaging these Professional Consultancy Firms.

### **Additional Investigation Procedure**

In around September 2021, HLB requested to conduct the additional investigation procedure on the market rates of Leo and the Professional Consultancy Firms. On 3 November 2021, the Audit Committee resolved to engage Honestum International limited (“**Honestum**”), a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), to issue the independent investigation reports on the market rates.

### **Major procedures of the Investigation**

The major investigation procedures conducted by SLA included, but not limited to, the following:

- (i) obtaining and reviewing relevant documents relating to the outstanding audit issues raised by PricewaterhouseCoopers (“**PwC**”), the Discretionary Investment Management Agreement, the Investee Company and the engagement of the Professional Consultancy Firms;
- (ii) reviewing the policies and procedures manual of the Group; and
- (iii) conducting interviews with relevant personnel of the Group, Leo Asset Management, Excellent Success and the Professional Consultancy Firms.

## SUMMARY OF THE KEY FINDINGS OF THE INDEPENDENT INVESTIGATION

### Background

#### *The Discretionary Investment Management Agreement*

1. Eng Leng and Leo Asset Management entered into the Discretionary Investment Management Agreement dated 6 July 2020, pursuant to which Eng Leng provided HK\$16,500,000 to Leo Asset Management as the assets under management (“AUM”).
2. On 6 July 2020, Eng Leng remitted HK\$16,500,000 to Excellent Success’s bank account.
3. As at 31 December 2020, the summary of Eng Leng’s discretionary account was as follows: –
  - (1) HK\$5,325 had been placed in Excellent Success as cash in custodian;
  - (2) HK\$6,500,000 had been invested in the Interest-bearing Investment with a cumulative interest of HK\$44,876.71;
  - (3) HK\$8,407,800 had been invested in the Investee Company;
  - (4) HK\$11,875 had been used to settle the bank and custodian fee;
  - (5) HK\$218,478.08 had been used to settle the management fee of Leo Asset Management; and
  - (6) HK\$1,356,521.92 had been used to settle the prepaid management fee of Leo Asset Management.

#### *The Professional Consultancy Firms*

4. The Group had paid HK\$9,775,000 in total for professional and consultancy services fees to four Professional Consultancy Firms as at 31 December 2020.
5. Among the HK\$9,775,000 paid to the four Professional Consultancy Firms:
  - (1) HK\$5,675,000 was paid to one of the Professional Consultancy Firms (“**Professional Consultancy Firm A**”);
  - (2) HK\$2,000,000 was paid to one of the Professional Consultancy Firms (“**Professional Consultancy Firm B**”);

- (3) HK\$1,200,000 was paid to one of the Professional Consultancy Firms (“**Professional Consultancy Firm C**”); and
  - (4) HK\$900,000 was paid to one of the Professional Consultancy Firms (“**Professional Consultancy Firm D**”).
6. The engagement of the Professional Consultancy Firms is summarized below:
- (1) Professional Consultancy Firm A was engaged by the Company to provide business advisory services for a service fee of HK\$3,000,000 and financial advisory services to the Company for the same period for a service fee of HK\$2,675,000 for the period from 7 July 2020 to 7 July 2021;
  - (2) Professional Consultancy Firm B was engaged by the Company to provide pre-IPO public relations services to the Company from around 9 or 10 June 2020 to one week after completion of the Listing of the Company for a service fee of HK\$2,000,000;
  - (3) Professional Consultancy Firm C was engaged by the Company for sponsoring a weekly column on a traditional Chinese newspaper in Hong Kong for approximately 3 months at a service fee of HK\$1,200,000; and
  - (4) Professional Consultancy Firm D was engaged to provide investor relations advisory services for 3 months from the date of the listing of the Company on, specifically the investor relationship with Singapore, Malaysia, Taiwan, Mainland China, and Hong Kong at a service fee of HK\$900,000.

## **Findings of SLA**

Based on the major investigative procedures as set out in the section headed “Major procedures of the Investigation” above, SLA has the following key findings:

### ***The Discretionary Investment Management Agreement***

7. There is reasonable likelihood that the AUM may be sourced from the surplus of cash held by Eng Leng (the “**Idle Cash**”). According to the evidence available to SLA, it appears that there may not be evidence to show that the Company used the Listing proceeds for the AUM.
8. The investment objective of Eng Leng and/or the Company was to utilize the Idle Cash to increase the rate of return and profits of Eng Leng and/or the Company. The Company engaged Leo Asset Management to handle the investment and Excellent Success as the custodian agent for the Discretionary Investment Management Agreement separately since Leo Asset Management’s SFC licence was subject to the condition that it could not hold clients’ fund.

9. According to the negotiation between Eng Leng and Leo Asset Management, the pre-paid management fees arrangement was due to the fact that, inter alia, 6-month management fee discount was given and Eng Leng agreed to pre-pay 4-year management fees. The pre-paid management fees in the sum of HK\$1,172,219.18 were returned to Eng Leng from Leo Asset Management.
10. Eng Leng granted wide investment discretion to Leo Asset Management. Leo Asset Management did not seek approval from Eng Leng before making the investment in the Investee Company. The investment in the Investee Company and the Interest-bearing Investment had been redeemed with a gain. SLA did not come across with any document and/or information given to SLA showing that the investment in the Investee Company was fake or ingenuine.
11. Based on the documents and information available to SLA, SLA did not see any factor showing that the engagement with Leo Asset Management was not genuine. It appears from the additional investigation conducted by Honestum that the fees charged by Leo Asset Management falls within the current market rate for similar services.

### *The Investee Company*

12. The Investee Company is a private company incorporated on 28 November 2019 with share capital of HK\$10,000 and an individual (“**Mr. A**”) as the founding member, the sole director and was the sole owner at the time of incorporation.
13. The Investee Company was principally engaged in the trading of antique jewelry and Mr. A is an antique jewelry trader.
14. According to the interviewee from Leo Asset Management, Leo Asset Management did not have any business relationship with the Investee Company and/or Mr. A. The Investee Company was introduced to Leo Asset Management through a business partner of Roma Group Limited (“**Roma**”), the holding company of Leo Asset Management and Excellent Success.
15. According to the interviewees from the Group, The Group did not intervene in the investment decisions made by Leo Asset Management and was not aware of or informed of or had consulted of the investment in the Investee Company at the time Leo Asset Management made such investment.
16. The discrepancy in respect of Eng Leng’s shareholdings in the Investee Company as shown on the investment statement provided by Leo Asset Management and the statutory return filed with the Company Registry may be due to the inadvertent mistake of the company secretary of the Investee Company.

### *The Interest-bearing Investment*

17. The Interest-bearing Investment was a promissory note signed with the Investee Company for the sum of HK\$6,500,000 with the interest of 1.5% per annum and an extra 2% interest upon maturity of 12-month.

## *The Professional Consultancy Firms*

18. The Professional Consultancy Firms and the Company confirmed with SLA that HK\$9,775,000 in total was paid to various service providers to settle their engagement fees.
19. The Company engaged the Professional Consultancy Firms after considering inter alia their respective experience and qualifications, quotations, and/or scope of services.
20. Save and except for the Professional Consultancy Firm A, the Company and the Professional Consultancy Firms confirmed that they had completed delivering their services. Professional Consultancy Firm A represented that it would extend its service that it has not finished due to the coronavirus epidemic without any additional charge.
21. The commercial rationale for engagement of the Professional Consultancy Firms were represented by the interviewees from the relevant Professional Consultancy Firms and the Company to be as follows:
  - (1) Professional Consultancy Firm A
    - (a) As regards the business advisory service, the Company had an ambition to expand the business scope in Hong Kong, PRC and other Asian markets. Professional Consultancy Firm A had established an extensive web of connections across the Asian Pacific region. Since the Company was based in Singapore, the management of the Company was not acquainted with the Hong Kong and PRC business environment. The business analysis offered by Professional Consultancy Firm A was therefore essential for the Company to shape its long-term development plan and to enhance its existing corporate model. Without such business analysis, it would be too risky for the Company to enter into the foreign markets.
    - (b) As regards the financial advisory service, it was a must for the management of the Company to understand and compile the compliance requirements of Hong Kong listing companies. Although the Company had performed and/or sought consultation on internal control matters prior to listing, as a newly listed company, would like to revisit its internal control every now and then to cope with any possible loopholes to fulfil its on-going compliance duty. The Company would like to have Professional Consultancy Firm A as another gatekeeper to ensure that there was no breach of the Listing Rules, etc.
    - (c) Professional Consultancy Firm A was an experienced advisory company in the industry and had issued tens of reports for listed companies. It acquired solid experience in conducting research and giving advice in the relevant areas.

(2) Professional Consultancy Firm B

- (a) The Company was a Singapore-based company. The Company therefore needed a local agent company to handle media-related issues, in particular those related to the Hong Kong market. Among other public relations companies that pitched to the Company, only Professional Consultancy Firm B provided comprehensive public relations strategies and proposal for the Company to review and consider.
- (b) Professional Consultancy Firm B was a well-established public relations company in Hong Kong and offered other media-related services. Professional Consultancy Firm B was competent and suitable for the said engagement. The Company conducted searches on Professional Consultancy Firm B and was not aware of any negative issues involving Professional Consultancy Firm B.
- (c) Since the Company was going to be listed, the business image of the Company was commercially vital. Further, the engagement of the public relations company served the purpose of crisis management. It would be too late for the Company to engage a public relations company until the moment the Company encountered an issue, considering that the public relations company needed to have an in-depth understanding of the Company in order to advise and to respond to the issues within a relatively short period of time.
- (d) The Company had an ambition to expand its business in the future. Professional Consultancy Firm B could provide relevant services in the PRC and Asian market as well.

(3) Professional Consultancy Firm C

- (a) The Company would like to attract more Hong Kong investors after the Listing. The Company believed Professional Consultancy Firm C could assist the Company to draw the investors' attention.
- (b) The Company was based in Singapore and the management was not familiar with the Hong Kong market. Hence, the Company needed to engage a local marketing company to handle the local marketing.
- (c) Since the director of Professional Consultancy Firm C had rendered marketing services to at least hundreds of listed companies and was famous in the industry, the Company considered that he was a go-to candidate for the marketing service. After the searches conducted by the Company, there were no unfavourable information that had come to the knowledge of the Company.



(4) Professional Consultancy Firm D

- (a) The Company was a Singapore-based company. The management of the Company was not familiar with the local media and may not be able to handle and liaise with the local media on its own. The Company therefore needed to engage a public relations company after the Listing.
- (b) The Company saw the necessity to train the management to cope with media enquiries, with a view to ensuring that the management's response would not adversely affect the Company.
- (c) As the Company was newly listed in Hong Kong, the media would call to enquire information of the Company and to assess whether the Company was worth investing. The Company needed a public relations company to answer the media enquiries.
- (d) The listing of the Company in Hong Kong was only its first step. The Company had an ambition to expand its business in the Southeast Asian region. Given that Easy Global had relevant resources in Cambodia, Malaysia, and Macau, Easy Global also provided consultancy service and managed the media in those regions for one year.

22. Based on the Additional Investigation conducted by Honestum, it was found that the fees charged by the Professional Consultancy Firms are likely higher than the current market rate for similar services.

**Qualification/Limitation of the Investigation**

SLA have stated the following qualification/limitation (“**Qualifications**”) to their Investigation findings:

- 1. Upon SLA's request, SLA was provided with copy of certain requested documents. Save as such documents, SLA has not been provided with nor examined any other documents, records and/or correspondences. In particular, SLA requested but was not provided with the following documents:
  - (1) copies of list of directors/register of directors, and list of shareholders/register of members of all non-Hong Kong incorporated subsidiaries of Roma from 1 December 2019 to 30 April 2021;
  - (2) the custodian service agreement between Leo Asset Management and Excellent Success; and
  - (3) a copy of the promissory note constituting the Interest-bearing Investment.
- 2. SLA relied on the authenticity of the facts, information, representation, documents, records and/or correspondences provided and obtained. SLA did not conduct any forensic investigation and was only instructed to (1) conduct fact finding exercise and (2) comment on the internal control.

3. The fact findings are purely based on the facts and documents provided by the Company and the interviewees. As regards the market rates of the fees of Leo Asset Management charged under the Discretionary Investment Management Agreement and the fees charged by the Professional Consultancy Firms, Honestum was instructed to issue the independent investigation reports, for which SLA takes no liability for the methodology adopted, the investigation, and/or the findings.

## **INTERNAL CONTROL WEAKNESSES IDENTIFIED**

SLA has identified the following internal control weaknesses of the Group:

1. SLA noted that the engagements of the Professional Consultancy Firms were not in strict compliance with the internal policies or protocol of the Group. For instance, three fee quotations were not obtained which might have resulted in the engagements' fees being higher than the market ranges and not cost-effective. Further, SLA was not aware of any board resolutions regarding their respective engagements. Most of the communication, negotiations and/or discussions were verbally conducted without relevant minutes or records.
2. The engagement of three public relations firms was also redundant. Although the engagement duration and the scope of service may not be entirely identical, services provided to the Company under three separate engagements could in fact be provided by either one of the public relations firms in a single engagement in view of their skills, knowledge, qualifications and/or experience.
3. There was imbalance allocation of work and unsatisfactory information management amongst the Group. Mr. Hong Rui Sheng, executive Director, was the chief handler and communicator to the external parties (i.e. Leo Asset Management and the Professional Consultancy Firms). Most of the communications were made by way of phone calls, the finance department and other departments could solely rely on the updates provided by Mr. Hong. Although Mr. Hong might have obtained approval from and/or discussed with Mr. Toh Eng Kui and/or the management, the involvement of directors other than Mr. Hong in the selection process, engagement and supervision was inadequate. The level of selection (such as due diligence), supervision and monitoring of the Group on the engagements the Professional Consultancy Firms and Leo Asset Management were not adequate.
4. The Group should engage more manpower in the engagement, supervision and monitoring with the external parties when the consultancy fees exceed certain amount. It is further advisable for the Company to consider engaging compliance advisor situated in Singapore to ensure an adequate and sufficient supervision and monitoring system has been implemented within the Group and there was compliance with the internal policies or protocol.

## **OPINIONS OF THE AUDIT COMMITTEE AND THE BOARD**

The Audit Committee and the Board have reviewed the content and the findings of the Investigation in the Investigation Report. The Audit Committee and the Board are of the view that the Investigation has investigated into the matters raised by PwC and addressed the concerns raised by PwC to the extent that is practicable, having taken into account of the Qualifications as set forth above, and that the content and the findings of the Investigation in the Investigation Report are reasonable and acceptable. The Audit Committee and the Board also noted that no fraud on the part of any person had been identified in the Investigation and instead, the Investigation Report contained an extensive discussion on the internal control weaknesses of the Group identified by SLA. The Audit Committee and the Board decided that it is appropriate for the Company to focus on taking all necessary remedial actions to safeguard the interests of the Company and its shareholders in timely manner, in light of these internal control weaknesses identified.

## **IMPACT ON BUSINESS OPERATION AND FINANCIAL POSITION**

Given that: (i) the AUM under the Discretionary Investment Management Agreement was funded by Idle Cash, and (ii) the Discretionary Investment Management Agreement has been terminated and the AUM have been fully liquidated with approximately HK\$16,513,000 returned to the Company, the Board considers that the impact of the Discretionary Investment Management Agreement on the business operation and the financial position of the Group is minimal.

As regards the engagement of the Professional Consultancy Firms, considering that: (i) other than the services to be provided by Professional Consultancy Firm A, the delivery of services by other Professional Consultancy Firms have completed, (ii) the Professional Consultancy Firms were engaged for genuine commercial rationale despite SLA's comment that engaging three public relations companies may be redundant and the results of Honestum's report that the fees charged by the Professional Consultancy Firms are likely higher than the current market rate for similar services, and (iii) the total amount of fees paid to the Professional Consultancy Firms only constituted a very small portion of the cash and cash equivalents of the Group (equivalent to approximately 8.3% of the Group's cash and cash equivalents of the Group of S\$20.1 million as at 31 December 2020), the Board considers that the impact of the engagement of the Professional Consultancy Firms on the business operation and the financial position of the Group is minimal.

## **REMEDIAL ACTIONS**

In view of the incident, the Board will take the following actions:

1. to appoint a deputy chief executive officer who would take over certain responsibilities of the chief executive officer;
2. to introduce more checks and balances in the approval of signing contracts for and on behalf of the members of the Group;

3. to conduct internal control reviews to prevent recurrence of events of similar nature; and
4. to increase the financial controller's participation in the business operation and investment decision of the Group who would be required to report to the Board directly instead of to the chief executive officer.

### **CONTINUED SUSPENSION OF TRADING**

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 pending the publication of the announcement in relation to the 2020 Audited Annual Results by the Company and will remain suspended until the Company fulfils the Resumption Guidance. The Company will publish further announcement(s) to inform the shareholders of the Company of its progress in complying with the Resumption Guidance, any significant developments in respect of the publication of the 2020 Audited Annual Results and the 2021 Audited Annual Results, and the expected dates for the publication of the 2020 Audited Annual Results and the 2021 Audited Annual Results, as and when appropriate, as well as quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

**Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

By order of the Board  
**Hygieia Group Limited**  
**Toh Eng Kui**  
*Chairman*

Singapore, 29 April 2022

*As at the date of this announcement, the executive Directors are Mr. Toh Eng Kui, Mr. Hong Rui Sheng and Mr. Peh Poon Chew; and the independent non-executive Directors are Mr. Koh How Thim, Mr. Tan Wu Hao and Mr. Wong Yuk.*