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COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

光宇國際集團科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1043)

KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION

This announcement is made by the board (the “**Board**”) of directors of COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

We refer to:

- (a) the Company’s announcements dated 07 May 2020, 15 May 2020, 29 June 2020, 29 July 2020, 27 August 2020 and 01 September 2020 under which it was announced that:
 - (i) the publication of the 2019 Annual Results has been delayed until further notice;
 - (ii) the publication of the 2020 Annual Results has been delayed until further notice;
and
 - (iii) the trading in the shares of the Company on Stock Exchange suspended with effect from 9:00 a.m. on 1 September 2020;

* For identification purpose only

- (b) the Company's announcement dated 25 September 2020 in relation to, among other things, certain updates on the delay of announcement of the Company's 2019 Annual Results, delay of publication of 2019 Annual Report and the delay of announcement of 2020 interim results;
- (c) the Company's announcement dated 30 November 2020 in relation to the Resumption Guidance;
- (d) the Company's announcement dated 21 January 2021 in relation to the proposed appointment of auditor;
- (e) the Company's announcement dated 19 February 2021 in relation to the formal appointment of the new auditor of the Company;
- (f) the Company's announcement dated 27 April 2021 in relation to its appointment of the Internal Control Adviser and Compliance Adviser;
- (g) the Company's announcement dated 25 May 2021 in relation to quarterly update on the resumption progress
- (h) the Company's announcement dated 15 June 2021 in relation to fulfillment of Directors' training hours requirement

(together, the "**Previous Announcements**").

Unless otherwise defined, capitalised terms in this announcement have the meanings used in the Previous Announcements.

BACKGROUND

Trading of the Company's shares has been suspended since 1 September 2020 pending release of its annual results for the financial year ended 31 December 2019. The delay was due to the additional time required for the Company to address the allegations ("**Allegations**") received by HKEX against the Circular of the Company in relation to the Very Substantial Disposal dated on 27 February 2020, which includes

1. The transferor, Harbin Coslight Power Co., Ltd. (“**Harbin Coslight**”) had already transferred or granted the Rights of operation of the target Company, Dongying Kunyu Energy Technology Company, Ltd. (“**Kunyu Energy**”) for free in December 2019, but the transfer isn’t approved by the Board or the audit committee of the Company and doesn’t disclose in the circular;
2. There are major flaws in the Company’s internal control, especially in terms of fund management and potential fraudulent actions by the management of the mainland subsidiary, for example, the proceeds of the Very Substantial Disposal is RMB860 million but the amount actually received is RMB600 million; and
3. Mainland subsidiaries of the Company used employees’ personal accounts for fund receipts and payments and the amounts involved was significant

Further, the Company had engaged RSM Hong Kong (the “**Forensic Accountant**”) as the Company’s forensic accountant to conduct a forensic investigation into the matters of the Allegations (the “**Forensic Investigation**”).

THE OBJECTIVE OF THE FORENSIC INVESTIGATION

In accordance with the Resumption Condition (iii) of HKEX as stated on the announcements dated on 26 February 2021, Independent Forensic Accountant has been engaged to perform independent forensic review on the allegations including but not limited to the matters of operation assignment of Kunyu Energy

THE SCOPE OF THE FORENSIC INVESTIGATION

The Forensic Accountant has conducted an independent forensic investigation to assess the allegations and the Forensic Investigation involves the following procedures including but not limited to:

- (i) Reviewed the relevant documents of disposal of Kunyu Energy’s equity and assignment agreement of operation with Kunyu Energy, including relevant contracts, financial data, Company’s internal assessment and approval documents, original bank transfer documents, discussion records with Assignee and documents provided by the Assignee;

- (ii) Analyzed and reviewed the reasons why the Purchaser didn't pay the consideration of equity in accordance with the equity transfer agreement and the reasons why both parties failed to register the change of equity in accordance with the conditions specified in the equity transfer agreement;
- (iii) Identified and reviewed the procedures and documents related to parts of the collection of consideration and internal assessment and approval procedures and documents of equity changes of disposal of Kunyu Energy, as well as the reason of the Company's failure to make an announcement on and seek for approval from the general meeting of shareholders for this;
- (iv) Reviewed and analyzed the bank deposit general ledgers of all mainland subsidiaries of the Company for the period from 1 January, 2019 to 30 November, 2020, and reconcile them with the bank statements of the relevant period to identify whether there is any omission;
- (v) Conducted background check to obtain information and data of relevant companies and personnels;
- (vi) Conducted interviews with relevant personnels, including personnels involved in the suspicious fund transactions; and
- (vii) Reviewed, analysed and assess the information and documents obtained, and conducted supplementary interviews.

KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION

As disclosed in the Company's announcement dated 26 February 2021, one of the requirements under the Resumption Guidance is that the Company has to conduct an appropriate independent investigation into the various concerns raised by the Former Auditor in the Auditor Letter, disclose the findings and take appropriate remedial actions.

The Company understands that:

- (i) the Forensic Accountant submitted the forensic report on 10 August 2021 to the Board (the “**Forensic Report**”); and
- (ii) the Board had reviewed and approved the Forensic Review Report on the same day.

The Company would hereby disclose the key findings of the forensic investigation report and set out its response as follows:

1. The allegation of assignment agreement of operation

Background

On 18 September, 2020, the Hong Kong Stock Exchange received allegations against the Company including Harbin Coslight’s free transfer or grant to Dongying Kunyu New Energy Technology Co., Ltd. (“**Kunyu New Energy**”) of the operation rights of the Target Company Kunyu Energy in December 2019, but the transfer of operation rights has not yet been approved by the Board or the audit committee and the Company has not disclosed such matters in the 27 February 2020 Circular.

Summary of the Forensic Accountant’s findings

The assignment of operation of Kunyu Energy is a transitional arrangement negotiated between the Purchaser, Kunyu New Energy and Companys’ managements to continue financing for the Purchaser and facilitate the early completion of the transaction. The documents and explanations provided by the Company, as well as Forensic Accountants’ interviews with all members of the Board, including independent non-executive directors, all directors admitted that they were aware of this matter, and they had held board meetings and audit committee meetings to approve the Assignment Agreement of operation of Kunyu Energy. Therefore, all directors of the Company believe that the allegations that operating rights are transferred or granted free of charge without the approval of the Board or the audit committee of the Company are untrue.

Regarding the allegations that the free transfer or grant of operating rights was not disclosed in the circular, the directors of the Company admitted that and further stated that they did not deliberately conceal it. In particular, the executive directors of the Company believed that the assignment of operation rights of Kunyu Energy did not involve any amounts paid or asset disposed and it was only required to be approved by the resolution of the Board. At the same time, no rule basis for the requirement of disclosure in the announcement or circular was found. The management further explained that the agreement was only signed for facilitating the Purchaser to obtain financing while the management of the relevant subsidiaries (including directors and legal representatives) had not changed, so the Company's control over these subsidiaries had not actually been changed.

2. Payment of the equity consideration of the target Company

Background

According to the disclosure in the circular of the Company dated on 27 February 2020, Harbin Coslight, as the Vendor, and Kunyu New Energy signed an investment agreement and multiple supplementary agreements on 20 December 2019 and 24 February 2020 respectively. The consideration to dispose 100% of Kunyu Energy's equity is RMB860million, but only RMB600 million was actually received. Management of the Company is alleged involving potential fraudulent acts.

Summary of the Forensic Accountant's findings

The allegations states that the proceeds of Very Substantial Disposal should be RMB860 million but only RMB600 million was actually received, it is possibly doubted that it may involve potential fraudulent acts by the management. All directors of the Company considered that it is a false accusation. According to the documents and explanation provided by the Company, as of 8 March 2021, Kunyu New Energy, the Acquirer, paid a total of RMB794,660,000 as consideration of the equity transfer to Harbin Coslight, of which the cash payment was RMB592,660,000 while Kunyu New Energy's guarantee for Harbin Coslight's debt to a third party of RMB202,000,000 was treated as part settlement of consideration. As at 09 August 2021, Kunyu New Energy has not yet paid the remaining consideration RMB65,340,000 to Harbin Coslight as equity transfer.

3. Review investigation of personal accounts receipts and payments

Background

There are allegations that the Company's mainland subsidiaries are suspected of using its' employees' personal accounts for fund receipts and payments and the amounts involved are material.

Summary of the forensic accountant's findings

Regarding the allegations that "mainland subsidiaries use employees' personal accounts for fund receipts and payments and the amounts involved are material", according to the results of forensic review, one of the subsidiaries, Harbin Coslight Storage Battery, part of the fund transactions with individuals during the period from 1 January 2019 to 31 December 2020 was not recorded in the accounts of Harbin Coslight Storage Battery. These unrecorded fund transactions with individuals involved a bank account, namely Harbin Coslight Storage Battery ICBC account 8548. The total amount of unrecorded receipts during the relevant period was RMB27,743,306.40 while the total amount of unrecorded payments was RMB20,527,262.00.

After the forensic accountant had discovered the above unrecorded fund transactions, Harbin Coslight Storage Battery made an explanation that the main reason was that the Company and Harbin Coslight Storage Battery encountered financial difficulties during the relevant period. In order to alleviate the shortage of funds, they adopted special measures such as borrowing from private individuals and selling waste materials without proper following routine recording procedures causing those transactions were not recorded in time. The Company and Harbin Coslight Storage Battery had taken remedial measures to record those transactions.

Except for the above-mentioned unrecorded fund transactions with individuals, no major abnormalities were found in the fund transactions between the Company and its employees.

OPINION OF THE BOARD ON THE FORENSIC REVIEW REPORT

The Board (including independent non-executive director) are of the view that the content and findings in the Forensic Review Report are reasonable and acceptable, and the Board is of the view that the Forensic Review Report has adequately addressed the allegations enquired by HKEX.

The Board (including independent non-executive director) is of the view that the problems identified in the Forensic Review Report do not affect the business operation of the Group. The Group's business operation continues as usual despite the suspension of trading since 1 September 2020.

CONTINUED SUSPENSION OF TRADING

Trading in shares in the Company was suspended from 9:00 a.m. on 1 September 2020 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Coslight Technology International Group Limited
SONG Dian Quan
Chairman

Hong Kong, 26 August 2021

As at the date of this announcement, the Executive Directors of the Company are Mr. SONG Dian Quan, Ms. LUO Ming Hua, Mr. LI Ke Xue, Mr. XING Kai, Mr. ZHANG Li Ming, Mr. LIU Xing Quan; and the Independent Non-executive Directors are Mr. LI Zeng Lin, Dr. GAO Yun Zhi, Ms. ZHU Yan Ling.