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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)

**CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF 20% EQUITY INTERESTS
IN LEXEL BATTERY (SHENZHEN) COMPANY LIMITED***

The Board announces that, on 16 September 2019, the Purchaser (an indirect non-wholly owned subsidiary of the Company) entered into the Agreement with the Vendor, pursuant to which the Purchaser had agreed to acquire, and the Vendor had agreed to sell, 20% equity interests in Lexel Battery (Shenzhen) at the Consideration of RMB6 million.

LISTING RULES IMPLICATIONS

Since the Vendor is a company owned as to 91.66% by Mr. Song Yang (being the son of Mr. Song Dian Quan (the controlling Shareholder, executive Director and chairman of the Company)), the Vendor is a connected person of the Company. As the applicable percentage ratios in respect of the Acquisition exceeds 0.1% and is less than 5%, the Acquisition constituted a connected transaction of the Company subject to the reporting and announcement requirements only, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

* *For identification purpose only*

As such, the failure by the Company to timely comply with the reporting and announcement requirements in respect of the Acquisition constituted non-compliance with Chapter 14A of the Listing Rules. To the best of the Company's knowledge and belief, such delay in disclosure and other compliance matters under Chapter 14 of the Listing Rules was due to the Company's inadvertent oversight regarding the size of the Acquisition taking into account the amount of Consideration of only RMB6 million. Nevertheless, the Directors reiterated that they have no intention for such non-compliance which was solely due to the reason as stated above.

The Company and the Board apologise for any inconvenience caused to investors due to the non-compliance issues. Going forward, the Company will closely monitor the effectiveness and efficiency of its compliance system and the relevant corporate governance measures, particularly in the areas of, among other things, connected transactions, so as to prevent the future occurrence of any similar incidents. Further remediation actions are detailed in the section headed "Further remedial actions taken and to be taken" of this announcement.

AGREEMENT

Date

16 September 2019

Parties

- (i) Harbin Coslight Power, a joint stock limited company established in the PRC, is principally engaged in the manufacture and sales of lithium-ion batteries and its accessories. It is an indirect 89.92%-owned subsidiary of the Company, as the Purchaser; and
- (ii) Harbin Coslight Group, a limited liability company established in the PRC, is principally engaged in investment holding and is owned as to 91.66% by Mr. Song Yang (the son of Mr. Song Dian Quan (the controlling shareholder, executive Director and chairman of the Company)), 1.17% by Ms. Luo Ming Hua, 1.03% by Mr. Li Ke Xue, 1.03% by Mr. Xing Kai and 1.03% by Mr. Liu Xing Quan, all of whom are executive Directors, and 1.26% by Ms. Rong Xiang Lan, 0.67% by Mr. Zhu Yan Chun, 1.03% by Mr. Zhang Xiang Chen, 0.56% by Mr. Tang Yu Xing, and 0.56% by Mr. Wang Lian Dong, as the Vendor.

Assets to be disposed of

The 20% equity interests of Lexel Battery (Shenzhen) held by the Vendor, which had been transferred to the Purchaser on 25 September 2019.

Consideration and payment

The Consideration of RMB6 million was arrived at after arm's length negotiations between the parties to the Agreement with reference to the registered capital of the Lexel Battery (Shenzhen) of RMB30 million and shall be payable by the Purchaser to the Vendor within 180 days from the date of the Agreement. It is expected that the Consideration will be paid to the Vendor in or around March 2020 which will be financed by the Group's internal resources.

INFORMATION ON LEXEL BATTERY (SHENZHEN)

Lexel Battery (Shenzhen), a limited liability company established under the laws of the PRC, is principally engaged in the manufacture and sale of nickel batteries.

Lexel Battery (Shenzhen) is an indirect non-wholly owned subsidiary of the Company and was originally set up and owned as to (i) 70% by Harbin Coslight Storage Battery (an indirect non-wholly owned subsidiary of the Company); (ii) 20% by the Vendor; and (iii) 10% by Gao Xue Feng in October 1997, with a registered capital of RMB30 million and a paid up capital of RMB10 million.

To facilitate the Group's reorganization for the purpose of the proposed disposal of the VSD Target under the VSD Agreements, on 25 September 2019, the Purchaser completed the purchase of 70%, 20% and 10% equity interests in Lexel Battery (Shenzhen) from each of Harbin Coslight Storage Battery (an indirect non-wholly owned subsidiary of the Company), the Vendor and Gao Xue Feng, respectively. Further, on 27 November 2019, the Purchaser subsequently transferred the entire interests of Lexel Battery (Shenzhen) to the VSD Target.

Set out below is the unaudited financial information of Lexel Battery (Shenzhen) for the two financial years ended 31 December 2018:

	For the year ended	
	31 December	
	2017	2018
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
	<i>approximate</i>	<i>approximate</i>
Revenue	127.7	118.5
Net profit before taxation	5.2	0.5
Net profit after taxation	4.5	4.3

The unaudited total assets and net assets of Lexel Battery (Shenzhen) as at 30 June 2019 were approximately RMB137.8 million and approximately RMB50.3 million, respectively. The registered capital, paid up capital and unaudited net asset value attributable to the 20% equity interests in Lexel Battery (Shenzhen) is RMB6 million, RMB2 million and approximately RMB10.1 million, respectively.

REASON FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group are the research and development, manufacture and sales of battery products and related accessories and the operation, research and development of online games. As a leading cell and battery manufacturer in the PRC, the primary product of the Group is battery, which is classified into three major categories: SLA batteries, lithium-ion batteries and nickel batteries.

As disclosed in the announcement of the Company dated 20 December 2019 in relation to a very substantial disposal of the VSD Target, pursuant to the VSD Agreements, the Purchaser (being the vendor of the said disposal) has undertaken to procure a series of reorganisation steps, including but not limited to, the transfer of the entire equity interests of Lexel Battery (Shenzhen) to the VSD Target. The Directors consider that the Acquisition facilitates the Group to effect such reorganisation as contemplated under the VSD Agreements.

Taking into account the above, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable and are on normal commercial terms, and the Acquisition is in the best interests of the Company and the Shareholders as a whole.

GENERAL

Since the Vendor is a company owned as to 91.66% by Mr. Song Yang (being the son of Mr. Song Dian Quan (the controlling Shareholder, executive Director and chairman of the Company)), the Vendor is a connected person of the Company. As the applicable percentage ratios in respect of the Acquisition exceeds 0.1% and is less than 5%, the Acquisition constituted a connected transaction of the Company subject to the reporting and announcement requirements only, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Song Dian Quan has abstained from voting at the relevant Board meeting for the approval of the Agreement and the transactions contemplated thereunder due to his relationship with Mr. Song Yang. In addition, Ms. Luo Ming Hua, Mr. Li Ke Xue, Mr. Xing Kai and Mr. Liu Xing Quan have also abstained from voting for the approval of the Agreement and the transactions contemplated thereunder at the said Board meeting as they are shareholders of the Vendor as disclosed above. Save as aforementioned, no Directors have any material interest in the Agreement and the transactions contemplated thereunder.

The failure by the Company to timely comply with the reporting and announcement requirements in respect of the Acquisition constituted non-compliance with Chapter 14A of the Listing Rules. To the best of the Company's knowledge and belief, such delay in disclosure and other compliance matters under Chapter 14 of the Listing Rules was due to the Company's inadvertent oversight regarding the size of the Acquisition taking into account the amount of Consideration of only RMB6 million. Nevertheless, the Directors reiterated that they have no intention for such non-compliance which was solely due to the reason as stated above.

The Company and the Board apologise for any inconvenience caused to investors due to the non-compliance issues. Going forward, the Company will closely monitor the effectiveness and efficiency of its compliance system and the relevant corporate governance measures, particularly in the areas of, among other things, connected transactions, so as to prevent the future occurrence of any similar incidents.

FURTHER REMEDIAL ACTIONS TAKEN AND TO BE TAKEN

In order to avoid recurrence of the incidents mentioned above and to ensure proper compliance with the Listing Rules in the future, the following remedial measures have been or will be taken by the Group:

1. further training will be provided to the relevant handling staff (including the legal representatives and directors of all PRC subsidiaries) in relation to the requirements under the Listing Rules, particularly those concerning connected transactions;
2. the Company will review, strengthen and continue to monitor the relevant internal measures of the Group, including but not limited to contract reporting and signing procedures, to ensure that current and future transactions will be conducted in compliance with the applicable requirements under the Listing Rules (particularly those concerning connected transactions) and the relevant rules and regulations; and
3. the Company has sought, and will seek legal advice from time to time as and when necessary.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the meanings as set out below:

“Acquisition”	the acquisition of 20% equity interests in Lexel Battery (Shenzhen) from the Vendor pursuant to the Agreement by the Purchaser
“Agreement”	the equity transfer agreement dated 16 September 2019 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Board”	the board of the Directors
“Company”	Coslight Technology International Group Company Limited (光宇國際集團科技有限公司*), a limited company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange

“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of RMB6 million for the Acquisition as contemplated under the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“Harbin Coslight Storage Battery”	哈爾濱光宇蓄電池股份有限公司 (Harbin Coslight Storage Battery Company Limited*), a joint stock limited company established under the laws of the PRC and an indirect 97.35%-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lexel Battery (Shenzhen)”	深圳市力可興電池有限公司 (Lexel Battery (Shenzhen) Company Limited*), a limited liability company established under the laws of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser” or “Harbin Coslight Power”	哈爾濱光宇電源股份有限公司 (Harbin Coslight Power Company Limited*), a joint stock limited company established in the PRC and an indirect non-wholly owned subsidiary of the Company, being the purchaser under the Agreement
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it in the Listing Rules
“Vendor” or “Harbin Coslight Group”	哈爾濱光宇集團股份有限公司 (Harbin Coslight Group Company Limited*), a limited liability company established under the laws of the PRC and a company owned as to 91.66% by Mr. Song Yang (the son of Mr. Song Dian Quan (the controlling Shareholder, executive Director and chairman of the Company)), being the vendor under the Agreement
“VSD Agreements”	the investment agreement and supplemental agreement dated 20 December 2019 entered into by the Purchaser (as the vendor) in relation to, inter alia, the disposal of the entire equity interests in the VSD Target, details of which are set out in the announcement of the Company dated 20 December 2019
“VSD Target”	東營昆宇電源科技有限公司 (Dongying Kunyu Energy Technology Company Limited*), a limited liability company established under the laws of the PRC and a direct wholly-owned subsidiary of the Purchaser

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

Hong Kong, 17 January 2020

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