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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)**

### **RESULTS OF INTERNAL CONTROL REVIEW**

Reference is made to the announcement of COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 27 April 2021 (the “**Announcement**”) in relation to, among other things, the appointment of Internal Control Adviser to review and make recommendations to improve the Company’s internal controls and to ensure compliance with the Listing Rules.

Unless otherwise defined, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcement.

#### **INTERNAL CONTROL REVIEW**

The Internal Control Adviser has completed its review of the Company’s internal control and risk management system in respect of:

- A. Compliance with continuing disclosure requirements of Chapter 13 of the Listing Rules;
- B. Compliance with notifiable transaction requirements of Chapter 14 of the Listing Rules;

\* *For identification purpose only*

- C. Compliance with connected transaction requirements of Chapter 14A of the Listing Rules;
- D. The monitoring environment of general controls of the other Listing Rules;
- E. Supervision of general controls of the other Listing Rules; and
- F. Information and communication of general controls of the other Listing Rules.

The internal control deficiencies identified in the review and the recommendations of the Internal Control Adviser are summarised as follows:

**A Compliance with continuing disclosure requirements of Chapter 13 of the Listing Rules**

- 1. The Group must establish a compliance manual for the disclosure of inside information in accordance with the requirements of Chapter 13 of the Listing Rules (Risk level: Medium)***

*Observations*

The Company had not established relevant internal manuals and guidelines in respect of the reporting, release, maintenance of confidentiality and monitoring of inside information of the Group for the Company employees' reference.

*Recommendations*

The Group must formulate a policy and management system for disclosure of inside information in accordance with the requirements of the Listing Rules and practically implement it. The compliance manual of inside information disclosure must include, amongst other things, the reporting, disclosure, maintenance of confidentiality and monitoring of inside information.

**B Compliance with notifiable transaction requirements of Chapter 14 of the Listing Rules**

- 2. *The Group must amend the written “Transaction Approval Procedures” in accordance with the requirements of Chapter 14 of the Listing Rules (Risk level: High)***

*Observations*

The “Transaction Approval Procedures” did not specify the responsibilities of the Group directors and senior management in respect of information disclosure except for the size test calculation. In addition, the written procedures did not contain provisions addressing certain regulatory requirements, such as the aggregation requirement under Rule 14.22 and the announcement requirement under Rule 14.34.

*Recommendations*

The Group must revise the “Transaction Approval Procedures” in accordance with the requirements of the Listing Rules and practically implement it. The Group should specify clearly the responsibilities and authorities of its management and departments in the procedures.

- 3. *The Group should establish a mechanism to require the Harbin finance department to submit non-general operating transaction data to the Group finance department for vetting and review (Risk level: High)***

*Observations*

During 2017 and 2018, due to the lack of a formal reporting mechanism, the Harbin finance department did not provide information about the equity interests in a non-wholly-owned subsidiary in a timely manner to Group financial department for further vetting and review, resulting in the inability to disclose relevant announcements in a timely and appropriate manner.

*Recommendation*

The Harbin finance department shall archive the transaction data of non-general operating transactions and submit it to the Group finance department for vetting and review.

**C Compliance with connected transaction requirements of Chapter 14A of the Listing Rules**

- 4. The Group must establish a compliance manual for the disclosure of connected transactions in accordance with the requirements of Chapter 14A of the Listing Rules (Risk level: High)**

*Observations*

There were no relevant internal manuals and guidelines for identification, reporting, monitoring and disclosure of connected transactions of the Group established for the reference of the Company's employees.

*Recommendation*

The Group to establish a connected transaction compliance manual to facilitate its staff in to understand the basic listing compliance requirements and avoid any violations or potential violations. The internal code for connected transactions must include, amongst other things, the identification, reporting, approval and disclosure of connected transactions.

- 5. The Group must establish processes and procedures for updating and maintaining the list of connected person (Risk level: High)**

*Observations*

The Group did not establish processes and procedures for maintaining and updating the list of connected persons. Although the Group established and maintained a list of connected transactions for the year-end audit review purpose, the Group did not maintain records of approval of connected transaction by the board (the "**Board**") of directors of the Company (the "**Directors**").

### *Recommendation*

The Group shall establish processes and procedures for updating and maintaining the list of connected persons and collect information on connected persons on a regular basis. The relevant approval and disclosure should be carried out in accordance with established processes and procedures.

In addition, a major connected transaction with a connected person, it should be submitted to the Board for deliberation after independent directors gave their prior approval opinions. The Board should also maintains records of approval for all major connected transactions.

## **D Monitoring Environment of general control of other Listing Rules**

### **6. *Directors should participate in continuous professional development (Risk level: Medium)***

#### *Observation*

The Group did not arrange appropriate training for the Directors in the 2020 financial year and the Directors participated in seminars/development activities on their own without keeping relevant attendance records.

#### *Recommendation*

The Group to regularly arrange appropriate training for the Directors and maintain the relevant records, and submit them to the Company Secretary for filing.

**7. The Group should formulate a policy to prevent conflicts of interest (Risk level: High)**

*Observation*

The Group had no policy to prevent conflicts of interest. There were no specified principles and mechanisms for the employees to follow when the interests of the Group conflict with the interests of the employees.

*Recommendation*

The Group to formulate relevant policies about conflicts of interest, and the Directors and relevant management personnel/employees shall declare any current or potential internal and external conflicts of interest regularly.

**8. The Group should formulate an employee handbook and require employees to comply with it (Risk level: High)**

*Observation*

The Group did not have any code of conduct/employee handbook.

*Recommendation*

The Group should establish a code of conduct/employee handbook as soon as possible, and notify all employees in writing so that all employees of the Group would have a clear understanding of the code of conduct and implement it practically.

## **E Supervision of general control of other Listing Rule**

### **9. The Group should re-establish an internal audit mechanism (Risk level: Medium)**

#### *Observation*

The Group did not have any staff for its internal audit function, nor had it engaged any external consulting agency to conduct internal audits on a regular basis.

#### *Recommendation*

The Group should formulate an audit and supervision system and consider establishing an internal audit department (or engaging an external consulting agency), clarify the functions of internal audit and implement various proposals and instructions of the Audit Committee of the Company (the “**Audit Committee**”). The internal audit function reports directly to the Audit Committee and accepts management’s daily guidance.

### **10. The Group should establish a whistleblowing mechanism (Risk level: Medium)**

#### *Observation*

The Group did not provide an independent channel for its employees to report and complain about violations of regulations within the Group..

#### *Recommendation*

The Group should establish a whistleblowing mechanism and delegate the function of handling reports and complaints to the Audit Committee to ensure the independence of investigations and ensure that whistleblowers are not retaliated against.

**11. The Group should formulate a set of policies and procedures to respond to changes in the Listing Rules (Risk level: Medium)**

*Observation*

The Group did not have written policies, systems and procedures for identifying and responding to changes in the Listing Rules. Regarding all compliance matters of the Group, it was mainly handled by the lawyer or the Company Secretary. The Company did not establish relevant internal manuals and guidelines for the reference of the Group's employees.

*Recommendation*

The Group should formulate a set of written policies, systems and procedures for responding to changes in the Listing Rules.

**12. The Group should formulate a set of policies and procedures to deal with management override (Risk level: Medium)**

*Observation*

The Group did not establish any policies and procedures to handle management override.

*Recommendation*

The Group shall establish policies and procedures for handling management override. If the Group Directors and senior management make any decision which deviates from the Group policy, they should first report the relevant matter to the Company Secretary, the Board and the Audit Committee.



**F Information and communication of general control of other Listing Rules**

**13. The Group must establish a policy and written system of management of information of external disclosure (Risk level: Medium)**

*Observation*

The Group had not formulated written policies for external disclosure and system of management of information in accordance with the Listing Rules.

*Recommendation*

The Group must establish a policy and management system of external disclosure of information and implement it practically

**14. The Group should establish a mechanism for regular operation and financial reporting to the Board (Risk level: High)**

*Observations*

The Group had no procedures for continuous supervision of and regular reporting by its subsidiaries.

*Recommendation*

The Group to establish and implement a monthly reporting system of operational and financial data to the Board

The Board confirms that all the above-mentioned recommendations of the Internal Control Adviser have been implemented, and that the Company has complied with all the directions of the Listing Committee set out in the Statement of Disciplinary Action published by the Stock Exchange on 29 March 2021

For the avoidance of doubt, the completion of the internal control review under the said directions of the Listing Committee does not mean that the Company has fulfilled the Resumption Guidance set out in the Company's announcement of 30 November 2020 which requires the Company to, among others, demonstrate that it has in place adequate internal controls and procedures to meet the obligations under the Listing Rules. The Company will publish further announcement for the status of its fulfilment of the Resumption Guidance.

## **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.

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

Hong Kong, 26 October 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.*