

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **China Bright Culture Group** **煜盛文化集團\***

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1859)**

### **KEY FINDINGS OF INTERNAL CONTROL REVIEW**

This announcement is made by China Bright Culture Group (the “**Company**”, together with its subsidiaries, the “**Group**”) in accordance with Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 1 July 2024, 12 July 2024 and 30 September 2024 (the “**Announcements**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

As set out in the announcement dated 1 July 2024, the Company received further additional resumption guidance from the Stock Exchange that the Company is required conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules. In this connection, the Board has engaged Forvis Marzars Risk Advisory Services Limited (the “**Internal Control Consultant**”) to conduct an independent internal control review of the Group (the “**Internal Control Review**”) and provide corresponding recommendations for rectification to the management of the Company.

This announcement sets out the key findings of the Internal Control Review.

## **INTERNAL CONTROL REVIEW**

### **Scope of the Internal Control Review**

The Internal Control Review was conducted on the major operating subsidiaries of the Group (including its previous subsidiary Zhongguang Yusheng) for the period from 1 January 2022 to 31 December 2023 (the “**Review Period**”) and covered the following aspects and major operating cycles:

- (i) Corporate governance practice;
- (ii) Revenue and receipts cycle;
- (iii) Treasury (including cash) management cycle;
- (iv) Loan management cycle;
- (v) Financial reporting cycle;
- (vi) Purchases and payments cycle;
- (vii) Inventory management cycle;
- (viii) Fixed assets management cycle;
- (ix) Operating expenses and payments cycle;
- (x) Human resources and payroll management cycle;
- (xi) Tax reporting and payments cycle;
- (xii) Connected transactions and connected person management cycle; and
- (xiii) Insurance management cycle.

Follow-up reviews were conducted by the Internal Control Consultant. The follow-up review and testing period covered the period between 13 May 2024 and 30 June 2024 (the “**Follow-up Review Period**”).

## Key Findings of the Internal Control Review

The Board is pleased to announce that it has taken actions to address the findings and implement the recommendations made by the Internal Control Consultant. The key findings of the Internal Control Review for the Review Period with risk level reaching “Medium to High” or “High”, the corresponding recommendations for rectification (the “**Rectification Recommendations**”), the Company’s responses and the remediation status are summarised as follows:

Summary of Key Findings	Rectification Recommendations	Company’s responses and remediation status
<i>Corporate governance practice</i>		
There were deficiencies in the Group’s internal authorisation policies.	The Group should amend and officially adopt its authority management policies and set appropriate thresholds for approval authority in relation to bank financing activities of the Group.	<p>The management agreed with and accepted the recommendations. Financing amount individually exceeding RMB10 million or in aggregate exceeding RMB30 million should be approved by the Board. Financing amount not exceeding the above thresholds can be approved by the chairman of the Board or an executive Director.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p>
<i>Revenue and receipts cycle</i>		
The Group lacked written policies for the sales and collection cycle (including the accounts receivables management procedures).	<p>The Group should adopt a set of written policies for the sales and collection cycle, including but not limited to procedures for:</p> <ul style="list-style-type: none"> <li>• Sales order issuance, approval, execution and follow-up;</li> <li>• Recording sales revenue, payment collection and reconciliation with customers;</li> <li>• Entering into sales agreements;</li> <li>• Use of seals on sales agreements;</li> <li>• Customer credit control and receivables management; and</li> <li>• Bookkeeping, including recognition of sales revenue.</li> </ul>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p>

<p>The Group did not properly keep the written records of customer due diligence and credit assessment conducted.</p>	<p>The Group should adopt written policies on and duly implement customer due diligence and credit assessment, keep proper record of the results of such processes conducted, and submit the results to the designated personnel for approval prior to commencing cooperation with the relevant new customer. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p> <p>There were no new customers during the Follow-up Review Period.</p>
<p>The Group did not properly keep the written records of pre-project assessment and approval procedures.</p>	<p>The Group should establish and duly implement pre-project assessment and approval procedures, keep proper record of the assessment results, and submit the results to the designated personnel for approval prior to commencing any new project. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p> <p>There were no new projects during the Follow-up Review Period.</p>
<p>The Group did not properly keep the written records of the procedures conducted in relation to the drafting, review, and signing of sales agreements and use of seal.</p>	<p>The Group should adopt written policies for and duly implement the procedures leading up to the signing of sales agreements, including but not limited to drafting the agreement, communicating with customers on the terms, checking and reviewing the draft agreement, and the final signing and use of seal. Written records should be kept for the relevant review and approval processes conducted. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p> <p>The Group did not enter into any sales agreement during the Follow-up Review Period.</p>

<p>The Group did not properly keep the written records of procedures conducted in relation to the follow-up and monitoring, and final inspection and acceptance of projects.</p>	<p>The Group should adopt written policies for and duly implement the procedures for periodically following up on and monitoring the progress and the acceptance of sales projects, including but not limited to checking whether the project is progressing in accordance with the project timeline, and whether the costs incurred and revenue generated at the relevant stages are in line with previous estimates and sales projects are properly accepted. Written records should be kept for such procedures conducted. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p> <p>There were no projects which required following up and final inspection during the Follow-up Review Period.</p>
<p>There was a lack of supporting documents for sales revenue recognition.</p>	<p>The Group should adopt written policies for the procedures for recognising revenue in accordance with the relevant accounting standards in relation to revenue recognition.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p> <p>There was no sales revenue recognition during the Follow-up Review Period.</p>

<p>The Group did not properly keep the written records of procedures conducted in relation to reconciliation with customers and receivables management, monitoring and collection.</p>	<p>The Group should adopt written policies for and duly implement the procedures for periodically collecting outstanding receivables. For receivables overdue for a short period of time, phone calls should be made to the relevant customer to request payment. For long overdue receivables, the Group's business personnel should issue payment collection notice to the relevant customer or conduct on-site visit to collect payment. Written records should be kept for all payment collection procedures conducted so that management can keep track of the collection progress. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p> <p>With effect from 14 August 2024, Zhongguang Yusheng has ceased to be accounted for as a subsidiary of the Group, and hence the long overdue receivables of Zhongguang Yusheng are no longer accounted for as receivables of the Group.</p>
<p>There were deficiencies in the Group's bad debt provision policy.</p>	<p>The Group should adopt written policies for the basis of calculating bad debt provision. Business units should periodically (e.g. every quarter) calculate bad debt provision and submit to the finance department and the Board for review and approval. Written records should be kept for all such approval process conducted.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p>
<p>There was a lack of written application and approval on the amendment of account receivables' accounting records.</p>	<p>The Group should implement written policies to safeguard the amendment of records within the accounting system. Any changes to accounting records should be restricted and require prior approval.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p>
<p>There were deficiencies in the Group's written policies regarding sales approval authority.</p>	<p>The Group should establish clear sales procedures and define roles and responsibilities for employees. Additionally, written approval records should be properly maintained. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p>

<i>Treasury (including cash) management cycle</i>		
<p>There were deficiencies in the Group's seal management and seal usage policies.</p>	<p>The Group should keep its corporate seals in the safe custody of the CEO's office or the finance department. Written policies should be adopted to set out the approval procedures for seal usage and records of such approval process should be duly kept. Application for seal usage should be submitted for approval by the department head and the general manager. The Group should also keep and maintain a register of seal usage to record the details of each seal usage, including but not limited to the relevant date, reason, document, number of pages, and number of counterparts. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and has implemented the relevant policies during the Follow-up Review Period.</p>
<p>The Group failed to properly keep the written records of the approval process for fund payments.</p>	<p>The Group should require the applicant of fund payment to submit the application form (setting out the payment amount, payee details and reason for payment etc.) together with supporting documents for written approval by the relevant department head, finance person-in-charge and the chairman of the Board. Written records should be kept for all approved fund payment applications. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and has implemented the relevant policies during the Follow-up Review Period.</p>

<p>The Group did not set thresholds for approval authority in relation to fund payments.</p>	<p>The Group should set thresholds for the approval authority granted to relevant personnel to avoid any one person having excessive authority to approve fund payments.</p>	<p>The management agreed with and accepted the recommendations. Any fund payment exceeding RMB1 million should be approved by the Board.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and has implemented the relevant policies during the Follow-up Review Period.</p>
<p><b><i>Loan management cycle</i></b></p>		
<p>The Group did not properly keep the written records of the written policies for loan management.</p>	<p>The Group should adopt a new set of written policies for loan management, including but not limited to procedures for:</p> <ul style="list-style-type: none"> <li>• Loan assessment, application, approval and repayment;</li> <li>• Entering into loan agreements;</li> <li>• Seal usage in relation to loan agreements;</li> <li>• Use of loan proceeds; and</li> <li>• Segregation of duties in relation to loan management.</li> </ul>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p>
<p>The Group failed to properly keep the written records of approval procedures conducted in relation to loan proposals and applications.</p>	<p>The Group should adopt written policies for approving financing needs, loan proposals and applications. Business units should submit annual financing proposal to the Board for approval. Prior to submitting loan application to the bank, approval should be obtained from the legal department and the financial controller.</p> <p>Written records should be kept for all approval processes conducted. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations. Financing amount individually exceeding RMB10 million or in aggregate exceeding RMB30 million should be approved by the Board. Financing amount not exceeding the above thresholds can be approved by the chairman of the Board or an executive Director.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p> <p>There were no new loan agreements entered into during the Follow-up Review Period.</p>



<p>The Group failed to properly keep the written records of procedures conducted in relation to selecting financing institutions.</p>	<p>The Group should duly implement procedures for selecting financing institutions. The relevant business unit should obtain and compare the financing proposals provided by various financing institutions, and compile an analysis (in terms of interest rate, repayment terms, reputation and qualifications of the institution etc.) for approval by the responsible personnel. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p> <p>There were no new loan agreements entered into during the Follow-up Review Period.</p>
<p>The Group failed to properly keep the written records of the procedures conducted in relation to approving, signing and use of seal on loan agreements.</p>	<p>The Group should duly implement the approval procedures for loan agreements. Draft loan agreement together with an internal application should be submitted for approval by the relevant responsible personnel. After approval for the draft loan agreement has been approved, the applicant should apply for usage of seal in accordance with the relevant policies. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p> <p>There were no new loan agreements entered into during the Follow-up Review Period.</p>
<p>The Group failed to properly keep the written records of the procedures conducted in relation to loan proceeds management and monitoring.</p>	<p>The Group should duly implement the procedures in relation to loan proceeds management and monitoring, including keeping and maintaining a ledger to record details of each loan proceeds usage (such as purpose of use, department, personnel and approver etc.), and conduct periodic review and analysis to ensure that all usages are reasonable and compliant. All relevant documents prepared related to the procedures should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and has implemented the relevant policies during the Follow-up Review Period.</p>

<p>As at 31 December 2023, Zhongguang Yusheng had overdue loan repayments in the aggregate amount of approximately RMB56.1 million.</p>	<p>Zhongguang Yusheng should liaise with the relevant banks and repay the outstanding principal amounts together with interests in accordance with the relevant loan agreements as soon as possible.</p> <p>In addition, the Group should duly implement the procedures of loan proceeds management and monitoring, including keeping and maintaining a ledger to record details of each loan proceeds usage (such as purpose of use, department, personnel and approver etc.), and conduct periodic review and analysis to ensure that all usages are reasonable and compliant, and the responsible personnel for maintaining the relevant ledger should be responsible for monitoring the repayment status of the relevant loans.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted policies and procedures to monitor guarantees provided for loans. A department should be set up by the business unit to monitor the loan repayment progress. Where there is expected difficulty in repayment, communications should be made with the financing institution, and measures should be drawn up together with the relevant internal department to tackle the issue.</p> <p>The Group has adopted the above internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p> <p>With effect from 14 August 2024, Zhongguang Yusheng has ceased to be accounted for as a subsidiary of the Group. Accordingly, the relevant liabilities of Zhongguang Yusheng are no longer accounted for as liabilities of the Group.</p>
---	---	--

<p>The Group failed to provide some of the documents in relation to the fund flow of Zhongguang Yusheng's loans proceeds, including but not limited to certain loan agreements, agreements or other documentary proof for payments by the Group to third parties, proof of shareholder's loan, and bank transfer receipts.</p>	<p>The management of the Group should ensure the authenticity of the relevant transactions as mentioned, and all transaction-related documents should be properly kept for future reference.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has adopted policies and procedures for the proper storage of documents relating to financing transactions, including but not limited to loan application documents, loan agreements and repayment plans. Such documents should be sorted, numbered, registered and archived by the administrative department, and periodic checking and stocktaking should be carried out to ensure the safe custody of all financing documents. For important documents such as loan agreements and board resolutions, the originals should be duly stored, and copies should be made for day-to-day examination.</p> <p>The Group has adopted the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p>
<p><b><i>Financial reporting cycle</i></b></p>		
<p>The Group failed to periodically close the accounting books.</p>	<p>The finance department should close the books every month in the accounting system and proceed to prepare the financial statements after checking all documentary proofs and book entries.</p>	<p>The management agreed with and accepted the recommendations.</p> <p>The Group has implemented the relevant internal control policies as recommended in May 2024 and will duly implement the relevant policies going forward.</p>

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

Having considered the findings of the Internal Control Review and the remedial actions taken by the Group, the Audit Committee and the Board of the Company are of the view that the remedial measures implemented by the Group are adequate and sufficient to address the key findings of the Internal Control Review, and the improved loan management, contract approval, financial reporting, and treasury management system, among others, can facilitate the Group to prevent incidents similar to the Allegations and other key findings of the independent investigator (as disclosed in the announcement of the Company dated 30 September 2024) from happening in the future. As such, the Board is of the view that the Company has now in place an adequate and effective internal control systems to comply with its obligations under the Listing Rules.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company (Stock Code: 1859) on the Stock Exchange has been suspended with effect from 9:00 a.m. on 31 March 2023 and will remain suspended until the Company fulfils the Resumption Guidances for the resumption of trading in the shares of the Company on the Stock Exchange. The Company will make further announcement(s) in due course to inform shareholders and potential investors of any information update.

**Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the shares of the Company.**

By Order of the Board  
**China Bright Culture Group**  
**SU Lei**  
*Chairman*

Hong Kong, 30 September 2024

*As at the date of this announcement, the executive Directors are Mr. SU Lei and Mr. MA Hongsen, the non-executive Director is Ms. WU Yaping, and the independent nonexecutive Directors are Mr. TO Siu Lun, Mr. HAN Hao and Mr. SHAN Yiqi.*

\* *For identification purpose only*