# CHERISH SUNSHINE INTERNATIONAL LIMITED
# 承輝國際有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1094)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

The board (the "**Board**") of directors (the "**Directors**") of Cherish Sunshine International Limited (the "**Company**") (formerly known as "**China Public Procurement Limited**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2023 (the "**Year**") together with the comparative figures for the fifteen months ended 31 March 2022 (the "**15-month Period**").

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 March 2023*

| | *Notes* | **Year ended 31 March 2023** *HK$'000* | Fifteen months ended 31 March 2022 *HK$'000* |
|---|---|---|---|
| **Revenue** | *4* | **271,719** | 140,256 |
| Cost of sales and services rendered | | **(234,084)** | (116,037) |
| **Gross profit** | | **37,635** | 24,219 |
| Other income and gains/(losses) | | **(5,637)** | (5,785) |
| Administrative expenses | | **(61,422)** | (46,120) |
| Reversal of impairment loss for intangible assets | | **13,746** | — |
| Reversal of impairment loss/(impairment loss) for trade and other receivables, net | | **76** | (397) |
| Reversal of impairment loss/(impairment loss) for prepayments | | **11,405** | (6,060) |
| Reversal of impairment loss/(impairment loss) for loan receivables, net | | **4,837** | (2,651) |
| Change in fair value of derivatives embedded in convertible bonds | | **(370)** | — |
| Written-off of a loan receivable | | **—** | (2,423) |

| | Notes | Year ended 31 March 2023 HK$'000 | Fifteen months ended 31 March 2022 HK$'000 |
|---|---|---|---|
| **Profit/(loss) from operations** | | **270** | (39,217) |
| Finance costs | *5* | **(3,671)** | (2,146) |
| **Loss before tax** | | **(3,401)** | (41,363) |
| Income tax credit | *6* | **16,995** | 7,445 |
| **Profit/(loss) for the year/period** | *7* | **13,594** | (33,918) |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | **13,282** | (31,923) |
| Non-controlling interests | | **312** | (1,995) |
| | | **13,594** | (33,918) |
| | | | (Restated) |
| **Earnings/(loss) per share (HK cents per share)** | *9* | | |
| Basic | | **4.02** | (11.81) |
| Diluted | | **4.00** | (11.81) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2023*

| | **Year ended 31 March 2023** *HK$'000* | Fifteen months ended 31 March 2022 *HK$'000* |
|---|---|---|
| **Profit/(loss) for the year/period** | **13,594** | (33,918) |
| **Other comprehensive (expense)/income:** | | |
| *Items that may be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **(17,030)** | 6,537 |
| Reclassification of cumulative foreign currency translation reserve upon deregistration of subsidiaries | **—** | (53) |
| **Other comprehensive (expense)/income for the year/period, net of tax** | **(17,030)** | 6,484 |
| **Total comprehensive expense for the year/period** | **(3,436)** | (27,434) |
| **Other comprehensive (expense)/income attributable to:** | | |
| Owners of the Company | **(4,183)** | (25,084) |
| Non-controlling interests | **747** | (2,350) |
| | **(3,436)** | (27,434) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2023*

| | Notes | As at 31 March 2023 HK$'000 | As at 31 March 2022 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **7,621** | 3,760 |
| Investment properties | | **267,130** | 294,488 |
| Right-of-use assets | | **10,089** | 10,230 |
| Intangible assets | | **26,331** | 13,769 |
| Interest in an associate | | **228** | — |
| Derivative component of convertible bonds | | **9,904** | — |
| **Total non-current assets** | | **321,303** | 322,247 |
| **Current assets** | | | |
| Inventories — raw materials | | **101** | 95 |
| Trade and other receivables | *10* | **257,158** | 18,453 |
| Contract assets | | **6,384** | 831 |
| Loan receivables | | **—** | — |
| Bank and cash balances | | **8,478** | 27,592 |
| **Total current assets** | | **272,121** | 46,971 |
| **TOTAL ASSETS** | | **593,424** | 369,218 |

| | Notes | As at 31 March 2023 HK$'000 | As at 31 March 2022 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | | **48,300** | 29,309 |
| Reserves | | **273,574** | 177,604 |
| Equity attributable to owners of the Company | | **321,874** | 206,913 |
| Non-controlling interests | | **(11,507)** | (12,254) |
| **Total equity** | | **310,367** | 194,659 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank borrowing | | **—** | 20,964 |
| Deferred income | | **3,229** | 3,808 |
| Lease liabilities | | **261** | 36 |
| Other payable | | **—** | 22,500 |
| Convertible bonds | | **22,635** | — |
| Deferred tax liabilities | | **33,721** | 41,281 |
| **Total non-current liabilities** | | **59,846** | 88,589 |
| **Current liabilities** | | | |
| Bank and other borrowings | | **113,801** | 4,933 |
| Lease liabilities | | **1,262** | 1,008 |
| Trade and other payables | *11* | **71,538** | 40,792 |
| Contract liabilities | | **3,230** | 5,839 |
| Derivative component of convertible bonds | | **14,670** | — |
| Current tax liabilities | | **18,710** | 33,398 |
| **Total current liabilities** | | **223,211** | 85,970 |
| **TOTAL EQUITY AND LIABILITIES** | | **593,424** | 369,218 |
| **Net current assets/(liabilities)** | | **48,910** | (38,999) |
| **Total assets less current liabilities** | | **370,213** | 283,248 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2023*

## 1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its head office and principal place of business in the People's Republic of China (the "**PRC**") is Unit 109–14, Block 1, No. 1818-2 Wenyi West Road, Yuhang Street, Yuhang District, Hangzhou, Zhejiang Province, the PRC. The address of its principal place of business in Hong Kong is Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are provision of procurement services, trading of general goods, development of software and provision of maintenance services, leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC and provision of energy management contracting services in the PRC.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. The Directors consider HK$ is the appropriate presentation currency for the users of the Group's consolidated financial statements. The functional currency of the Company's major subsidiaries in the PRC is Renminbi ("**RMB**").

## 2. COMPARATIVE FIGURES

Pursuant to a resolution passed by the board of directors on 30 November 2021, the Company's financial year end date has been changed from 31 December to 31 March. Accordingly, the current financial statements cover a financial year from 1 April 2022 to 31 March 2023. The comparative figures (which cover a financial period from 1 January 2021 to 31 March 2022) for the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes are not comparable with those of the current year.

## 3a. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

| | |
|---|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to HKAS 37 | Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 |

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

## 3b. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2023

Up to the date of this announcement, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 March 2023 and which have not been adopted in these consolidated financial statements. These developments include the following:

| | |
|---|---|
| HKFRS 17 | Issuance Contracts and the related Amendments[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[3] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[1] |
| Amendments to HKAS 8 | Definition of Accounting Estiments[1] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1] |

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 4. SEGMENT INFORMATION AND REVENUE

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic and operating decisions.

At 31 March 2022, the Group had five reportable operating segments, which are (i) provision of procurement services; (ii) trading business; (iii) provision of corporate IT solution; (iv) rental income; and (v) energy management contracting business.

During the year ended 31 March 2023, in a manner consistent with the way in which information is reported internally to the Group's CODM for the purposes of resource allocation and performance assessment, the reporting operating segments of the provision of procurement services and the provision of corporation IT solution are combined as a single reporting operating segment. Accordingly, the segment information for the fifteen months ended 31 March 2022 has been restated. Below describes the operations in each of the Group's identified reportable operating segments as at 31 March 2023:

| | | |
|---|---|---|
| Provision of procurement services and other IT services | — | Provision of procurement services to governmental authorities and private enterprises, development of software and provision of maintenance services to customers, procurement of goods for engineering, procurement and construction ("**EPC**") services and provision of EPC services |
| Trading business | — | Trading of general goods |
| Rental income | — | Leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC |
| Energy management contracting business | — | Provision of energy management contracting services in the PRC |

Segment profits or losses do not include administrative expenses, other income and gains/(losses), finance costs, net impairment loss for certain trade and other receivables, (reversal of impairment loss)/net impairment loss for loan receivables, change in fair value of derivatives embedded in convertible bonds and written-off of a loan receivable.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

**Information about reportable segment results:**

| | **Provision of procurement services and other IT services** | **Trading business** | **Rental income** | **Energy management contracting business** | **Total** |
|---|---|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **Year ended 31 March 2023** | | | | | |
| Revenue from external customers | **78,075** | **169,969** | **17,032** | **6,643** | **271,719** |
| Segment profit | **38,426** | **12,030** | **9,111** | **3,354** | **62,921** |

| | Provision of procurement services and other IT services | Trading business | Rental income | Energy management contracting business | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Fifteen months ended 31 March 2022** | | | | | |
| Revenue from external customers | 29,169 | 85,141 | 24,654 | 1,292 | 140,256 |
| Segment profit/(loss) | 8,152 | (5,921) | 15,015 | 833 | 18,079 |

Reconciliations of reportable segment results:

| | Year ended 31 March 2023 *HK$'000* | Fifteen months ended 31 March 2022 *HK$'000* |
|---|---|---|
| Total profit of reportable segments | **62,921** | 18,079 |
| Administrative expenses | **(61,422)** | (46,120) |
| Other income and gains/(losses) | **(5,637)** | (5,785) |
| Finance costs | **(3,671)** | (2,146) |
| Unallocated impairment loss for trade and other receivables, net | **(59)** | (317) |
| Reversal of impairment loss/(impairment loss) for loan receivables, net | **4,837** | (2,651) |
| Change in fair value of derivatives embedded in convertible bonds | **(370)** | — |
| Written-off of a loan receivable | **—** | (2,423) |
| Consolidated loss before tax | **(3,401)** | (41,363) |

**Revenue**

An analysis of the Group's revenue for the year/period is as follows:

| | Year ended 31 March 2023 *HK$'000* | Fifteen months ended 31 March 2022 *HK$'000* |
|---|---|---|
| Provision of procurement services | **16,705** | 14,596 |
| Provision of EPC services | **2,067** | — |
| Procurement of goods for EPC services | **37,601** | — |
| Trading of general goods | **169,969** | 85,141 |
| Provision of other IT services | **21,702** | 14,573 |
| Rental income | **17,032** | 24,654 |
| Provision of energy management contracting services | **6,643** | 1,292 |
| | **271,719** | 140,256 |

Disaggregation of revenue from contracts with customers by major products or services lines and the time of revenue recognition for the year/period are as follows:

| | Year ended 31 March 2023 *HK$'000* | Fifteen months ended 31 March 2022 *HK$'000* |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Recognised at point in time: | | |
| — Trading of general goods[1] | **169,969** | 85,141 |
| — Procurement of goods for EPC services[2] | **37,601** | — |
| — Provision of procurement services[2] | **16,705** | 14,596 |
| — Sales of online procurement software[2] | **2,557** | 7,534 |
| Recognised over time: | | |
| — Licensing online procurement platform income[2] | **5,030** | 1,418 |
| — Provision of maintenance services[2] | **14,115** | 5,621 |
| — Provision of energy management contracting services[3] | **6,643** | 1,292 |
| — Provision of EPC services[2] | **2,067** | — |
| | **254,687** | 115,602 |
| **Revenue from other sources** | | |
| — Rental income[4] | **17,032** | 24,654 |
| | **271,719** | 140,256 |

1 Classified under "Trading business" segment.
2 Classified under "Provision of procurement services and other IT services" segment.
3 Classified under "Energy management contracting business" segment.
4 Classified under "Rental income" segment.

All the above revenue arose in the PRC.

## 5. FINANCE COSTS

| | **Year ended 31 March 2023** *HK$'000* | Fifteen months ended 31 March 2022 *HK$'000* |
|---|---|---|
| Interest on bank and other borrowings | **1,690** | 1,982 |
| Interest on lease liabilities | **63** | 164 |
| Effective interest on convertible bonds | **1,918** | — |
| Interest on financial liabilities not at fair value through profit or loss | **3,671** | 2,146 |

## 6. INCOME TAX CREDIT

| | **Year ended 31 March 2023** *HK$'000* | Fifteen months ended 31 March 2022 *HK$'000* |
|---|---|---|
| Current tax — the PRC | | |
| — Provision for the year/period | **319** | 15 |
| — (Over)/under-provision in prior years | **(12,941)** | 16 |
| | **(12,622)** | 31 |
| Deferred tax | **(4,373)** | (7,476) |
| | **(16,995)** | (7,445) |

**(i) Hong Kong**

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 March 2023 (fifteen months ended 31 March 2022: Nil).

**(ii) PRC**

PRC Enterprise Income Tax has been provided at a rate of 25% for the year ended 31 March 2023 (fifteen months ended 31 March 2022: 25%).

In prior years, the Group recognised provisions of PRC Enterprise Income Tax of approximately RMB11,372,000 (or equivalent to approximately HK$12,941,000) in respect of certain income received by the Group from rendering procurement services. Given that the local tax authority carried out tax investigation on the relevant PRC group entity whereas the amount of the relevant income were fully reported to the local tax authority in 2017, the directors of the Company considered that the probability of charging additional PRC Enterprise Income Tax against the relevant PRC group entity on the above-mentioned income by the local tax authority was remote. During the fifteen months ended 31 March 2022, no reversal of provision for PRC Enterprise Income Tax was recognised as the retrospective period of charging the PRC Enterprise Income Tax against the relevant PRC group entity on the above-mentioned income by the local tax authority (the "**Retrospective Period**") was still effective.

During the year ended 31 March 2023, the Group engaged an independent internationally renowned professional tax consulting firm as an adviser (the "**Tax Adviser**") to form an opinion on the validity of the Retrospective Period. As advised by the Tax Adviser, the Retrospective Period had ended during the year ended 31 March 2023, and the local tax authority will not impose tax liability against the relevant PRC group entity on the above-mentioned income. Accordingly, the Group recognised a reversal of provision for PRC Enterprise Income Tax of approximately RMB11,372,000 (or equivalent to approximately HK$12,941,000) in the consolidated statement of profit or loss.

**(iii) Overseas**

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in Bermuda and BVI.

## 7. PROFIT/(LOSS) FOR THE YEAR/PERIOD

The Group's profit/(loss) for the year/period is stated after charging/(crediting) the following:

| | **Year ended 31 March 2023** *HK$'000* | Fifteen months ended 31 March 2022 *HK$'000* |
|---|---|---|
| Amortisation of intangible assets (included in administrative expenses) | **230** | 119 |
| Auditor's remuneration | | |
| (i) audit services | | |
| — current year/period | **990** | 890 |
| (ii) non-audit services | | |
| — current year/period | **610** | 570 |
| Cost of inventories sold | **205,997** | 84,816 |
| Depreciation of property, plant and equipment | **841** | 1,066 |
| Depreciation of right-of-use assets | **1,774** | 3,101 |
| Direct operating expenses of investment properties that generate rental income | **7,066** | 9,263 |

## 8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2023 and the fifteen months ended 31 March 2022, nor has any dividend been proposed since the end of the reporting periods.

## 9. EARNINGS/(LOSS) PER SHARE

| | Year ended 31 March 2023 HK$'000 | Fifteen months ended 31 March 2022 HK$'000 |
|---|---|---|
| Earnings/(loss): | | |
| Earnings/(loss) for the year/period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per ordinary share *(note (i))* | **13,282** | (31,923) |
| | ***'000*** | *'000* (Restated) |
| Number of shares *(note (ii))*: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per ordinary share *(note (iii))* | **330,759** | 270,324 |
| Effect of dilutive potential ordinary shares — Share award granted under the Company's share award plan | **1,312** | N/A |
| Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per ordinary share *(notes (i) & (iv))* | **332,071** | 270,324 |

*Notes:*

(i) The calculation of diluted loss per ordinary share for the year ended 31 March 2023 did not assume the conversion of convertible bonds, since the conversion would result in an anti-dilutive effect on earnings per share.

(ii) The weighted average number of ordinary shares for the fifteen months ended 31 March 2022 had been adjusted for the bonus element of the rights issue completed on 8 February 2023.

(iii) For the year ended 31 March 2023, the number of ordinary shares adopted in the calculation of the basic earnings per share has been arrived at after eliminating the ordinary shares of the Company held under the Company's share award plan.

(iv) For the year ended 31 March 2023 and the fifteen months ended 31 March 2022, the computation of diluted earnings/(loss) per ordinary share did not assume the exercise of share options because their exercise price is higher than the average share price.

## 10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade and lease receivables, net of allowance for impairment, of HK$30,243,000 (31 March 2022: HK$14,891,000) and an aging analysis based on the invoice date at the end of the reporting period, is as follows:

| | **As at 31 March 2023** *HK$'000* | As at 31 March 2022 *HK$'000* |
|---|---|---|
| 0 to 90 days | **30,243** | 14,885 |
| 91 to 180 days | **—** | — |
| 181 to 365 days | **—** | 6 |
| | **30,243** | 14,891 |

Included in trade and other receivables are prepayment for goods to various suppliers of approximately HK$217,987,000 (31 March 2022: Nil) for the purpose of purchasing materials under the segments of trading business and provision of procurement services. As at the date of this announcement, approximately HK$109,064,000 of the abovementioned prepayments are either utilised or refunded.

As at 31 March 2023, trade receivables of approximately 24,781,000 (31 March 2022: HK$2,143,000) were pledged as security for the Group's other borrowings (31 March 2022: bank borrowing).

## 11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$29,299,000 (31 March 2022: HK$4,632,000) and an aging analysis based on the invoice date at the end of the reporting period, is as follows:

| | **As at 31 March 2023** *HK$'000* | As at 31 March 2022 *HK$'000* |
|---|---|---|
| 0 to 90 days | **27,006** | 3,145 |
| 91 to 180 days | **1,687** | 186 |
| 181 to 365 days | **423** | 918 |
| Over 365 days | **183** | 383 |
| | **29,299** | 4,632 |

## 12. EVENT AFTER THE REPORTING PERIOD

In May 2023, the Group repaid the other borrowings of approximately HK$113,801,000 in full, and the pledge of the Group's buildings, investment properties, certain right-of-use assets and certain trade receivables against the other borrowings was released in June 2023.

In June 2023, the Group obtained banking facilities from a bank in the PRC of approximately RMB45,000,000 (or equivalent to approximately HK$51,210,000) by pledging the Group's buildings, investment properties, certain right-of-use assets and the entire equity interest of Gongcai Network Technology Limited, an indirect wholly-owned subsidiary of the Company. Furthermore, the abovementioned banking facilities were guaranteed by Ms. Liu Luoxiu and Mr. Zou Yuwen, whereas Ms. Liu Luoxiu is the settlor of a discretionary trust of which Trident Trust Company (Singapore) Pte Limited is the trustee and it indirectly owned 45.63% of the Company's issued ordinary shares as at 31 March 2023, while Mr. Zou Yuwen is the spouse of Ms. Liu Luoxiu.

Up to the date of this announcement, the Group utilised RMB45,000,000 (or equivalent to approximately HK$51,210,000) of the above-mentioned bank facilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. BUSINESS REVIEW

The Year was a challenging year full of uncertainty and turbulence, not only for the Group, but also for the entire world. The outbreak of Russia-Ukruaine war not only disrupted the global energy and food supply landscape affecting the environment and the livelihood of mankind, but also reshaped the political and economic outlook worldwide. Fortunately, China relaxed its Covid-19 control measures and took measures to revive the economy amidst the challenging environment during the Year, effects of which, although not immediate, have been showing gradually. Despite the unfavourable and uncertain environment, the Group had nearly doubled its total revenue for the Year, as compared to the 15-month Period. That was mainly attributable to our strategic business rebalancing adjustment between exploiting procurement business opportunities from the private sector whilst continuing our inputs into the traditional public sector services. We are glad to see that this new strategy has worked well and is in line with our expectation. For example, the bidding-tendering transactions carried out on the procurement software platform which we provided for one of our large clients amounted to a monetary value of approximately HK$3.7 billion during the Year. That led to the a revenue increase of over 9 times as compared to the revenue generated from the same clients during the 15-months Period. The procurement services revenue derived from the Engineering, Procuremnt and Construction business (the "**EPC**" business) from the renewable energy projects also contributed approximately HK$40 million to the total revenue of the Group for the Year as compared with nil for the 15-months Period. The Company's ever pursuit of technical improvement and innovation also played an important role in the business growth. Over the Year, the Group has made substantial progress in the digitalisation of our system. For example, our clients can now scan the code using the mobile phones to participate in the procurement platform bidding-tendering process and seal the deal using digital stamps. The clients could also use different internet browsers to log onto the bidding system and could even negotiate with other parties via the remote audio-video functions. All of these have greatly enhanced our competitiveness and led to satisfactory result. Over the Year, the Group has developed over a dozen of new public sector clients and expanded its market share in Hubei province to become one of the largest procurement service providers. The Group appreciates that its technical competitiveness is crucial to its growth and will continue its inputs into its research and development to cater for the ever changing and varying needs from both public and private sector clients.

**Provision of procurement services and other IT services**

During the Year, the Group managed to achieve revenue growth both from the public and private sector clients. The total procurement services revenue (including provision of procurement services, provision of EPC services and procurement of goods for EPC services) has increased to approximately HK$56.3 million during the Year from approximately HK$14.6 million for the 15-month Period. That was mainly attributed to the Group's exploitation of business opportunities brought by the EPC business model widely adopted within the new energy industry, which contributed approximately HK$40 million to the total procurement services revenue. The procurement services provided to the public sector clients has also achieved a double-digit revenue growth and our market share in the Hubei province continued its growth to have become one of the largest service providers in that region. The software development services and other IT maintenance and improvement services rendered to the private sector clients have also grown to approximately HK$7.8 million during the Year. The fast revenue growth of our online and offline services to both the public and private sector clients brought great confidence to the management and proved that it was a correct decision to rebalance our operational resources between clientele of different background. It has also proven that the Group should not only stick to its traditional business model but should also have the courage to jump out of its comfort zone to experiment and explore business opportunities carefully.

The uncertain Sino-US relationship has brought impact to the domestic software market as the central government of the People's Republic of China (the "**PRC**") has increased its speed of replacing foreign background IT software and hardware equipments with China-made products. The competition in the domestic software market has therefore intensified. The management took prompt actions, including but not limited to improving the quality of our services, to deal with this unprecedented challenge and was glad to see some positive effects. For example, our clients can now log onto our bidding system using various internet browsers instead of the traditional Microsoft browser. The management has budgeted approximately HK$5.9 million out of its proceeds from the rights issue which was completed during the Year as its research and development expenditure to further improve its technical capability. The Group may also extend its bidding-tendering service package to the logistic industry clients which may potentially be another new client base to the Group.

### Trading business

The Group is pleased to see that its trading business revenue has increased to approximately HK$170.0 million for the Year as compared with approximately HK$85.1 million for the 15-month Period. The significant revenue increase was partly attributed to the Group's promotion of the bidding software technical services to customers in the trade sector and partly attributed to the recovery of the economy after the relaxation of the COVID-19 control measures in the PRC which had been in place since November 2022. As the economy is gradually recovering, the management is of the view that both the domestic and international trade will grow in the foreseeable future and the Group's business should be able to slowly benefit from the recovery process.

### Rental income

The government's stringent control measures against the COVID-19 pandemic during the first three quarters of the Year unfortunately had an impact on the rental income of the Group's own commercial building located in Donghu New Technology Development Zone, Wuhan City, Hubei Province, the PRC. As some tenants either chose to leave for cheaper office spaces or demanded a rental discount or freeze, the rental income for the Year decreased by 30.9% to approximately HK$17 million as compared with the 15-month Period. Due to the uncertain international macro-economic environment and the domestic property market conditions, the Company remains conservative about the future income contributions from the rental business.

### Energy management contracting business

The Group provides basic operational and maintenance services to solar power generation plants of large power companies, some of which are state-owned. During the Year, the Group recorded a rapid growth in the revenue of this segment from approximately HK$1.3 million for the 15-month Period to approximately HK$6.6 million for the Year. The management are optimistic and holds a positive view about the potential business development in this area and may recruit more staff to secure more large power corporate clients in order to further increase the revenue. In addition, through our interactions with those large power companies, we came to realise that the services that those corporate clients demanded had different degrees of variety and sophistication. Encouraged by the fast revenue growth from these quality large power corporate clients, the management are considering to strengthen its business relationship with them by trying to offer them a wider scope of services to address the different levels of needs of the large power companies with higher levels of added values. Hopefully, by recruiting more experienced personnel, the Group would be able to create a bigger income stream that could enhance the total business profitability of the Group.

## II. Financial Review

Pursuant to a resolution passed by the Board on 30 November 2021, the Company changed its financial year end date from 31 December to 31 March. Accordingly, the current year financial statements cover a twelve month period ended 31 March 2023 while the comparative financial statements cover a fifteen month period ended 31 March 2022. The comparative figures are therefore not directly comparable.

### Operational Performance

#### *1. Revenue*

Revenue of the Group for the Year was HK$271,719,000 (15-month Period: HK$140,256,000).

The revenue for the Year included (i) revenue from provision of procurement services and other IT services of HK$78,075,000, accounting for 28.7% of the total revenue (15-month Period: HK$29,169,000, 20.8%); (ii) revenue from trading business of HK$169,969,000, accounting for 62.6% of the total revenue (15-month Period: HK$85,141,000, 60.7%); (iii) rental income of HK$17,032,000, accounting for 6.3% of the total revenue (15-month Period: HK$24,654,000, 17.6%); and (iv) revenue from energy management contracting business of HK$6,643,000, accounting for 2.4% of the total revenue (15-month Period: HK$1,292,000, 0.92%).

#### *2. Cost of sales*

Cost of sales for the Year was HK$234,084,000 (15-month Period: HK$116,037,000). The increase in cost of sales was in line with the growth of revenue. Through business expansion and new business implementation, we recorded more material costs reflecting our purchases to meet orders of customers under trading sector and more technical and human resources consumed for new contracts in segments of provision of procurement services and other IT services and energy management contracting business.

#### *3. Gross profit*

Gross profit for the Year was HK$37,635,000 (15-month Period: HK$24,219,000). But the gross profit margin for the Year was 13.9%, representing a decrease of 3.4 percentage points as compared to the gross profit margin of 17.3% for the 15-month Period.

The slight decrease in gross profit margin was mainly attributable to the increase in business of provision of procurement services and the impact on the average gross margin of leasing business for the Year, which was a bit lower than that of the 15-month Period. Rental discount was offered to a particular tenant with a longer lease contract with the Group, and the rental deposits forfeited due to the termination of rental agreements during the Year was also less than the amount forfeited during the 15-month Period. On the other hand, the profit margin of the procurement services from the procurement of goods for EPC services and the provision of EPC services for the Year was relatively lower in comparison with other business segments of our Group, therefore the increase in the proportion of this business also contributed to the overall gross profit margin decrease.

***4. Other income and losses***

The other income and losses for the Year was a loss of HK$5,637,000 (15-month Period: loss of HK$5,785,000). The other income and losses mainly comprised fair value losses on investment properties, government grants and exchange loss for the Year.

***5. Administrative expenses***

The administrative expenses for the Year was HK$61,422,000 (15-month Period: HK$46,120,000). The administrative expenses mainly comprised staff cost, legal and other professional fees, depreciation for property, plant and equipment and right-of-use assets and general office expenses. The average monthly expenses increased in comparison with that of 15-month Period. The main reason for the increase is the hiring of a number of additional staff for business expansion especially in the segments of provision of procurement services and other IT services and energy management contracting business in the Year.

***6. Reversal of impairment loss for intangible assets***

As at 31 March 2023, based on the valuation conducted by an independent qualified professional valuer, the Group made a reversal of impairment loss for intangible assets, which amounted to HK$13,746,000 arising from an increase in the recoverable amount of intangible assets due to the improvement of financial results of the relevant cash-generating unit resulting from successful expansion of customers' base in the PRC during the year ended 31 March 2023.

### 7. *Reversal of impairment loss for trade and other receivables, reversal of impairment loss for prepayments and reversal of impairment loss for loan receivables*

Based on the expected credit loss calculation performed by an independent qualified professional valuer for the Year, the Group made a net reversal of impairment loss for trade and other receivable of HK$76,000 (15-month Period: a net impairment loss of HK$397,000) as the Group considered recoverability of these receivables were in an acceptable level; a reversal of impairment loss for prepayments of HK$11,405,000 (15-month Period: an impairment loss of HK$6,060,000) and a reversal of impairment loss for loan receivables of HK$4,837,000 (15-month Period: a net impairment loss of HK$2,651,000) as such amounts have been recovered by the successful legal actions taken in the Year.

### 8. *Finance costs*

Finance costs for the Year was HK$3,671,000 (15-month Period: HK$2,146,000). They were interests on convertible bonds, interests on bank and other borrowings and interests on lease liabilities. The increase in finance costs is mainly due to amortisation of interests on convertible bonds.

### 9. *Income tax credit*

Income tax credit of the Group for the Year amounted to HK$16,995,000 (15-month Period: HK$7,445,000). The income tax credit mainly arised from a reversal of the deferred taxation on land appreciation tax of our properties located in Wuhan, Hubei Province, the PRC and a reversal of provision for enterprise income tax which was made based on a tax opinion issued by an independent internationally renowned professional tax consulting firm engaged by the Group.

### 10. *Profit/(loss) for the year/period*

Profit for the Year amounted to HK$13,594,000 (15-month Period: a loss of HK$33,918,000). The profit for the Year was mainly due to reversals of impairment loss on trade and other receivables and intangible assets and a reversal of a tax provision.

**Financial Position**

1. ***Liquidity and capital structure***

As at 31 March 2023, the Group maintained bank and cash balances of HK$8,478,000 (31 March 2022: HK$27,592,000) of which HK$6,812,000 (31 March 2022: HK$25,180,000) were denominated in RMB. The total assets of the Group amounted to HK$593,424,000 (31 March 2022: HK$369,218,000), the total equity amounted to HK$310,367,000 (31 March 2022: HK$194,659,000), the total liabilities amounted to HK$283,057,000 (31 March 2022: HK$174,559,000). The assets-liabilities ratio (total assets over total liabilities) was 2.10:1 (31 March 2022: 2.12:1), the current ratio (current assets over current liabilities) was 1.22:1 (31 March 2022: 0.55:1) and the gearing ratio (total bank and other borrowings and convertible bonds over total equity) was 0.44:1 (31 March 2022: 0.13:1).

2. ***Structure of interest-bearing bank and other borrowing***

As at 31 March 2023, the Group's interest-bearing bank and other borrowings amounted to approximately HK$113,801,000 (31 March 2022: HK$25,897,000) which were all denominated in RMB (31 March 2022: all denominated in RMB).

The percentage of interest-bearing bank and other borrowings wholly repayable within one year and in the second to the fifth years were 100% and 0% (31 March 2022: 19.05% and 76.19%), respectively. As at 31 March 2023, all interest-bearing other borrowings were arranged at a fixed annual interest rate of 14.4% and secured by a charge over the Group's buildings, investment properties, certain right-of-use assets and certain trade receivables.

## III. Other issues

1. **Material investment, material acquisition and disposal of subsidiaries and future material investment or capital and assets acquisition plan**

The Group did not have any material investment and material acquisition or disposal of subsidiaries, associates and joint venture during the Year.

The Group did not have any specific and formalised plans for future material investments or capital assets as at 31 March 2023. Nevertheless, the Group will continue to explore and evaluate projects and investment opportunities with potentials to create value for its shareholders in the long run.

## 2. Pledge of assets

As at 31 March 2023, the Group had other borrowings of RMB100,000,000 (equivalent to approximately HK$113,801,000) from a financial institution in the PRC by pledging the Group's building, investment properties, certain right-of-use assets and certain trade receivables.

## 3. Litigation and contingent liabilities

In November 2019, the Beijing Dongcheng District People's Court ("**Beijing Dongcheng District Court**") published an announcement regarding a summons issued to Gongcai Network Technology Limited (公採網絡科技有限公司) ("**Gongcai Network**"), a wholly-owned subsidiary of the Company, in respect of a civil case relating to a license fee income recognised as other income by the Group in 2012. Guocai South China Metal Exchange Service Limited (the "**Plaintiff**") claimed that the relevant work and services mentioned in the service contracts and supplemental contracts entered into between the Plaintiff, Gongcai Network and other parties in 2012, were not performed by Gongcai Network. As a result, the Plaintiff claimed for a refund from Gongcai Network of RMB13,500,000 (approximately HK$15,363,000), which the Plaintiff paid on 3 January 2013, together with accrued interests for the period from 4 January 2014 to 4 September 2019 of RMB7,506,000 (approximately HK$8,542,000) (collectively the "**Claimed Amounts**"). Due to the outbreak of Covid-19 pandemic, the hearing that had been scheduled to be conducted on 17 February 2020 was postponed, and based on the judgement made by Beijing Dongcheng District Court on 29 December 2020, the claims from the Plaintiff was rejected.

On 12 January 2021, the Plaintiff filed an appeal (the "**Appeal**") to No. 2 Intermediate People's Court of Beijing Municipality ("**No. 2 Intermediate Court**") on the Claimed Amounts. Based on the judgement made by No. 2 Intermediate Court on 30 June 2021, the claims from the Plaintiff was rejected, and the judgement was finalised.

On 22 October 2021, the Plaintiff filed a retrial application with the Higher People's Court of Beijing Municipality ("**Higher People's Court**") for the final judgment. On 11 February 2022, the Higher People's Court made the final judgement and rejected the retrial application from the Plaintiff.

On 6 September 2022, the Plaintiff filed a procuratorate application to No. 2 People's Procuratorate of Beijing Municipality. On 29 December 2022, No. 2 People's Procuratorate of Beijing Municipality rejected the procuratorate application from the Plaintiff. Therefore, the Group did not have any contingent liabilities at the end of the reporting period.

**4. Foreign exchange exposure**

During the Year, the Group mainly earned revenue in RMB and incurred costs mainly in HK$ and RMB. Because the reporting currency for the Company is Hong Kong dollars that is pegged against the US dollars, the foreign exchange fluctuation has not and will not affect the daily normal business operation, the Group does not foresee any real significant risk to its financial health in the near future. However, any permanent or significant changes in RMB against HK$ may still have an impact on the Group's financial results and positions in future. The management will monitor the foreign exchange risk and may adopt appropriate hedging policy when necessary.

**5. Staff and remuneration policy**

The Group determines staff remuneration in accordance with market terms, individual qualifications and performances. Remuneration of Directors are determined and from time to time reviewed by the Board based on the recommendations from the remuneration committee of the Company with reference to the Group's operating results, individual performance and comparable market statistics. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 31 March 2023, the Group employed approximately 196 employees (as at 31 March 2022: 135), and the total remuneration of employees (including the Directors) was approximately HK$55,115,000 for the Year (15-month Period: HK$39,499,000). During the Year, the Company adopted a new share option scheme and a new share award plan to replace its then existing share option scheme which was due to expire in 2023, with a view of attracting and retaining quality personnel and providing them with an incentive to contribute to the business growth of the Group.

## 6. Completion of the placing of convertible bonds

To facilitate the business development of the Group, on 3 December 2021 (after trading hours), the Company entered into a convertible bond placing agreement with the placing agent (the "**CB Placing Agreement**"), pursuant to which the Company proposed to offer for subscription, and the placing agent had agreed to procure subscriptions for, the convertible bonds (the "**Convertible Bonds**") on a best effort basis subject to the terms and conditions set out in the CB Placing Agreement. On 19 April 2022, all conditions precedent to the CB Placing Agreement had been fulfilled and completion of the placing of the Convertible Bonds took place. Convertible Bonds in the aggregate principal amount of HK$27,500,000, which may be converted into 18,333,333 conversion shares of the Company based on the initial conversion price of HK$1.50 (subject to adjustment) per share upon full conversion, were issued by the Company to Sea Best Group Limited and Mr. Wu Feng. The net price per conversion share is approximately HK$1.43. The conversion shares shall rank *pari passu* in respect of the voting rights with all other shares of the Company in issue on the date of issue and allotment of the conversion shares. The Convertible Bonds carry coupon interest at the rate of 5% per annum with a term of 7 years. The closing price of the shares of the Company on the date of the CB Placing Agreement was HK$1.53 per share. The net proceeds from the placing of the Convertible Bonds of approximately HK$26,300,000 had been utilised in full during the Year for expansion of the existing procurement and tendering business to customers in trading industry and general working capital purposes.

## 7. Issue of Awarded Shares

At the special general meeting of the Company held on 25 October 2022, relevant resolutions were passed by the shareholders of the Company approving the allotment and issue of in aggregate 10,769,000 new shares of the Company (the "**Awarded Shares**") under the share award plan of the Company adopted on 29 April 2022 (the "**Share Award Plan**") to the trustee of the trust administering the Share Award Plan pursuant to specific mandate, to hold on trust for certain share award grantees. The allotment and issue of the Awarded Shares to the trustee had been completed on 27 October 2022. All Awarded Shares are yet to be vested as at the date of this announcement.

For further details, please refer to the announcements of the Company dated 2 September 2022 and 25 October 2022 and the circular of the Company dated 5 October 2022.

## 8. Increase in Authorised Share Capital

Pursuant to an ordinary resolution passed by the shareholders of the Company on 20 December 2022, the Company increased its authorised share capital from HK$50,000,000 divided into 400,000,000 ordinary shares and 100,000,000 preference shares of par value of HK$0.10 each to HK$500,000,000 divided into 4,900,000,000 ordinary shares and 100,000,000 preference shares of par value of HK$0.10 each by creating an additional 4,500,000,000 unissued ordinary shares of the Company.

## 9. Rights Issue

On 18 October 2022, in order to satisfy the funding needs of the Group for the Group's business expansion, the Company proposed to conduct rights issue of not more than 201,366,286 rights shares (the "**Rights Share(s)**") at the subscription price of HK$0.63 per Rights Share on the basis of five (5) Rights share for every eight (8) existing shares of the Company in issue (the "**Rights Issue**"). An underwriting agreement was entered into between the Company and Eastmount Global Limited, a substantial shareholder of the Company, as the underwriter to the Rights Issue on 18 October 2022 (the "**Underwriting Agreement**"). Pursuant to the Underwriting Agreement, the Rights Issue had been conducted on a fully underwritten basis. A placing agreement (the "**Placing Agreement**") had also been entered into between the Company and Eddid Securities and Futures Limited as the placing agent (the "**Placing Agent**") on the same day, pursuant to which the Placing Agent has agreed to procure placee(s), on a best effort basis, to subscribe for unsubscribed Rights Shares. An aggregate of 189,907,953 new shares were allotted and issued by the Company on 8 February 2023 as a result of the Rights Issue. Among all 189,907,953 new shares issued, Eastmount Global Limited, as the underwriter, had performed its underwriting obligation under the Underwriting Agreement and took up 123,596,678 Rights Shares that were unsubscribed and were not placed by the Placing Agent.

The Rights Shares had been offered for subscription at the subscription price of HK$0.63 per Rights Share. The gross proceeds from the Rights Issue were approximately HK$119.6 million. The net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, were approximately HK$117.1 million. The net price per Rights Share is therefore HK$0.62. The Rights Shares (when allotted, fully paid or credited as fully paid and issued) rank *pari passu* in all respect among themselves and with the shares of the Company in issue as at the date of allotment and issuance. The closing price of the shares as quoted on the Stock Exchange on 18 October 2022, being the date of publication of the announcement in relation to the Rights Issue, was HK$0.73 per share. The utilisation of the net proceeds from the Rights Issue has been summarised as follows:

| | **Approximate percentage of total net proceeds** | **Allocation of net proceeds** | **Amount utilised up to 31 March 2023** | **Balance as at 31 March 2023** | **Expected timeline for utilisation** |
|---|---|---|---|---|---|
| | | *HK$'000* | *HK$'000* | *HK$'000* | |
| 1) Research and development of the procurement service software | 5% | 5,855 | 966 | 4,889 | By the end of February 2024 |
| 2) Procurement services business | 50% | 58,550 | 58,550 | — | N/A |
| 3) Trading business | 10% | 11,710 | 11,710 | — | N/A |
| 4) Investment in office properties in Hong Kong | 20% | 23,420 | — | 23,420 | By the end of February 2024 |
| 5) General working capital | 15% | 17,565 | 17,565 | — | N/A |
| | | 117,100 | 88,791 | 28,309 | |

As at 31 March 2023, the net proceeds were used for paying orders for procurement services business and trading business of approximately HK$70.3 million; research and development of the procurement service software of approximately HK$966,000 and payment to suppliers and operating expenses of approximately HK$17.5 million as intended.

For further details of the Rights Issue, please refer to the announcements of the Company dated 18 October 2022, 29 November 2022, 20 December 2022 and 7 February 2023 and the prospectus of the Company dated 6 January 2023.

### 10. Events after the reporting period

Save as disclosed in note 12 to this announcement, there are no material events subsequent to the end of the period under review in this announcement.

## IV. Business prospects

The Group's improved and upgraded IT software to serve the procurement and tendering processes for clients in the private business sector has produced an encouraging outcome and further enhanced the management's confidence to further pursue the Group's current business strategy in a more comprehensive and extensive manner. One way to do so is to seek more new collaboration with large power companies, which possess large portfolios of power plants that require routine operational maintenance services and are investing heavily into building more new renewable energy generation plants by adopting the EPC model. Renewable energy projects usually require strong support from local governments and that provides a unique position for the Group, thanks to its years of relationship with and experience of dealing with local governments. Therefore, the Group is of the view that the Group should utilise its special position to solicit more clients and business opportunities and generate more income. Apart from the new energy industry clients, the Group would also like to explore the business opportunities with clients in the logistic industry. The Group has also formed partnership with a logistic company to experiment our bidding-tending software application, targeting to open up the Group's business opportunities in the logistic industry which is also a huge market with great potential.

The Group has successfully taken the largest market share in Hubei province in relation to the public procurement IT services, thanks to our dedication to and focus on technical improvement and quality services. The revenue from one of our traditional large clients has also reached its record high level and is still expected to grow further in the future. All of these pleasing results demonstrated the acknowledgement from the market of the quality of our IT services. Despite the encouraging results, the management is not complacent and is actively preparing to tackle the new challenge posed by the governments' request to replace foreign-background IT softwares and hardwares with domestic alternatives. The resulting intensified competition in the industry represents one of the toughest challenges faced by the Group. The management has allocated special budget for the Group to tackle the difficulty and is confident that the Group can continue to provide quality services to our clients.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Year.

## DIVIDEND

The Directors do not recommend the payment of final dividend for the Year (15-month Period: nil).

## COMPLIANCE WITH THE LISTING RULES AND CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the corporate governance code ("**CG Code**") as set out in part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), which provides code provisions and recommended best practices for corporate governance practices by listed companies. The Company considered that its prevailing structures and systems satisfied the applicable requirements of the code provisions of the CG Code. The Company will continuously enhance the corporate governance standards throughout the Group and ensure further standards to be put in place by reference to the recommended best practices whenever suitable and appropriate. During the Year, the Company has complied with the CG Code except for the following deviation during the relevant period:

Prior to the resignation of Ms. Wu Siyuan as the chief executive of the Company on 7 March 2023, Ms. Wu Siyuan had been both the chairman of the Board and the chief executive of the Company since 29 April 2022. According to code provision C.2.1 of the CG Code, the roles of chairman of the Board and chief executive of the Company should be separated and should not be performed by the same individual. Being aware of the said deviation from code provision C.2.1, the Company has, on 7 March 2023, appointed Mr. Shi Qiang, an executive Director, as the chief executive of the Company in replacement of Ms. Wu Siyuan, and therefore re-complied with code provision C.2.1.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the Year.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference based on terms no less exacting than the required standard in the CG Code. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. Zhong Dengyu (chairman), Mr. Jiang Jun and Ms. Deng Hua. All of them are independent non-executive Directors.

The Audit Committee has reviewed the audited consolidated annual results of the Group for the Year.

## SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditors, Crowe (HK) CPA Limited ("**Crowe**"), to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Crowe in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Crowe on this announcement.

## ANNUAL REPORT

The annual report of the Company for the Year will be despatched to the shareholders of the Company and made available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sunshine1094.com) in due course.

By order of the Board
**CHERISH SUNSHINE INTERNATIONAL LIMITED**
**Wu Siyuan**
*Chairman*

Hong Kong, 30 June 2023

*As at the date of this announcement, the Board comprises three executive directors, namely Ms. Wu Siyuan (Chairman), Mr. Shi Qiang (Chief Executive) and Ms. He Qian; three non-executive directors, namely Ms. Liu Qian, Mr. Li Shun and Mr. Li Guanghua; and three independent non-executive directors, namely Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua.*