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CHERISH SUNSHINE INTERNATIONAL LIMITED

承輝國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1094)

CONTINUING CONNECTED TRANSACTIONS PROCUREMENT SERVICES FRAMEWORK AGREEMENT

On 14 August 2023, the Company entered into the Procurement Services Framework Agreement pursuant to which the Group shall provide procurement services to Ms. Liu's Associates subject to and upon the terms and conditions set out in the Procurement Services Framework Agreement for a period up to 31 March 2024.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Ms. Liu Luoxiu is a controlling Shareholder, as she is the settlor of a discretionary trust whose trustee indirectly holds approximately 45.63% of the total issued shares capital of the Company and therefore is a connected person of the Company. The transactions contemplated under the Procurement Services Framework Agreement constitute continuing connected transactions of the Company.

Since the highest applicable percentage ratio for the proposed annual cap for the year ending 31 March 2024 under the Procurement Services Framework Agreement is more than 5% and the aggregate consideration is more than HK\$10 million, the transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

On 14 August 2023, the Company entered into the Procurement Services Framework Agreement pursuant to which the Group shall provide procurement services to Ms. Liu's Associates subject to and upon the terms and conditions set out in the Procurement Services Framework Agreement for a period up to 31 March 2024.

PROCUREMENT SERVICES FRAMEWORK AGREEMENT

Details of the Procurement Services Framework Agreement are set out below:

Date: 14 August 2023

Parties: (i) the Company (for itself and on behalf of its subsidiaries)
(ii) Ms. Liu Luoxiu (for herself and her associates)

Nature of transactions: The Company and/or its subsidiaries agreed to provide procurement services to Ms. Liu's Associates, including, but not limited to, procuring equipment and/or materials in EPC (Engineering, Procurement and Construction) projects that are concerned with new energy.

Term: Subject to the fulfillment of the condition set out below, the Procurement Services Framework Agreement shall have a term commencing from the date on which the Company obtained approval of the Independent Shareholders at the SGM in respect of, *inter alia*, the Procurement Services Framework Agreement and the transactions contemplated thereunder and ending on 31 March 2024.

Condition precedent: The Procurement Services Framework Agreement is conditional upon the resolution regarding the Procurement Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual cap) being approved by the Independent Shareholders at the SGM.

Pricing policy: The prices for the services under the Procurement Services Framework Agreement shall be determined based on the agreed prices between the parties. The agreed prices will be calculated based on the actual costs incurred in providing such services, such as the cost of the goods procured, labour and other expenses, plus a profit margin as agreed between the parties that is no less favourable than the profit margin charged to an independent third party customer of the Group in recent transactions of similar nature, taking into account factors such as the duration of provision of services, types and volume of goods to be procured, etc.

The Board is of the view that such pricing policy is fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

PROPOSED ANNUAL CAP

The proposed annual cap for the year ending 31 March 2024 under the Procurement Services Framework Agreement is HK\$120 million.

BASIS OF PROPOSED ANNUAL CAP

In arriving at the above proposed annual cap, the Company has considered (i) the expected types and volume of procurement services that the Group may provide in EPC projects; (ii) the expected project timetable of the EPC projects; (iii) a buffer of 10% for the fluctuations in project progress of the EPC projects and the actual market price movements of the goods procured given the past experience of the Group in providing similar procurement services to independent third party customers.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE PROCUREMENT SERVICES FRAMEWORK AGREEMENT

The Group is principally engaged in provision of procurement services and other IT services, trading of different kinds of products, leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC and provision of energy management contracting services in the PRC.

In the ordinary and usual course of business, the Group provides procurement services to governmental institutions and private enterprises in industries such as trading and new energy. To expand its customer base, to accumulate further experience in providing procurement services to private enterprises and to enhance its market share hence supporting its business growth, the Group has entered into the Procurement Services Framework Agreement with regard to the provision of procurement services to Ms. Liu's Associates, including, but not limited to, those that are concerned with the new energy construction projects, such as solar or wind generation plants.

The Board (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser) is of the view that the Procurement Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual cap), are fair and reasonable, entered into on normal commercial terms and in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

As Ms. Wu Siyuan, the chairman of the Board and an executive Director, is a beneficiary of the discretionary trust of which Ms. Liu Luoxiu is the settlor and may have conflict of interests in respect of the Procurement Services Framework Agreement and the transactions contemplated thereunder, for good corporate governance, she has abstained from voting from the relevant Board resolution. None of the Directors has any material interest in the transactions contemplated under the Procurement Services Framework Agreement and therefore had to abstain from voting on such Board resolution.

INTERNAL CONTROL MEASURES

In order to ensure that the transactions contemplated under the Procurement Services Framework Agreement are consistent with the pricing policies and connected transaction policies of the Group and the terms of the Procurement Services Framework Agreement, the Group has adopted the following internal control measures:

- (i) the Group has and will maintain an up-to-date list of connected persons. Such a list has also been imported to the Group's online operational management information system to assist the Group in identifying potential connected transactions and carrying out internal assessment and approval procedures designated for connected transactions;
- (ii) for each transaction-specific contract to be entered into with connected persons identified, the Group shall go through an internal contract approval process via its online operational management information system that involves various departments, such as the project procurement department (工程採購部), the project business operation department (工程商務部), the business finance department (業務財務部), the compliance and risk control department (合規風控部) and the company secretarial department (董事會辦公室). The Chief Executive of the Group will make the decision before entering into the contract. For contracts of value of over RMB40 million per contract, they will be submitted to the operational management committee (經營管理委員會), which consists of the chairman of the Board, the Chief Executive and other management officers from various departments, for ultimate approval. The contract, if approved, will then be entered into, and the executed contract, along with all relevant documents recording the approval process, will be filed for archival purposes;
- (iii) the company secretarial department and the business finance department will also conduct quarterly checks to monitor, review and assess the transactions contemplated under the Procurement Services Framework Agreement and report to the Board, in particular, including but not limited to the following: (i) reviewing the prices and terms offered by the Group to ensure they are consistent with the pricing policies and connected transaction policies of the Group and the terms of the Procurement Services Framework Agreement; (ii) monitoring the transactions under the Procurement Services Framework Agreement to ensure the transaction amounts will not exceed

the annual cap; and (iii) ensure the pricing and terms of the connected transactions are in line with the market trend so that the transactions are carried out in a fair and reasonable manner;

- (iv) the audit committee of the Group, with the assistance of the internal auditor, will convene meetings, when necessary, to discuss and assess the implementation and internal control procedures of the continuing connected transactions of the Group (including those transactions contemplated under the Procurement Services Framework Agreement and the annual cap);
- (v) the independent non-executive Directors will conduct at least an annual review of the continuing connected transactions of the Group (including those transactions contemplated under the Procurement Services Framework Agreement and the annual cap) and provide annual confirmations that the relevant transactions that have been entered into are in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the relevant agreement, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole;
- (vi) the Company's external auditors will also conduct an annual review of the continuing connected transactions of the Group (including those transactions contemplated under the Procurement Services Framework Agreement and the annual cap) to confirm the relevant transactions that have been approved by the Board, are in accordance with the pricing policies of the Group and the relevant agreements, and have not exceeded the relevant annual cap; and
- (vii) the Group will provide trainings and written materials for its newly recruited employees to increase their awareness and understanding of the rules for connected transactions and the relevant policies of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Ms. Liu Luoxiu is a controlling Shareholder, as she is the settlor of a discretionary trust whose trustee indirectly holds approximately 45.63% of the total issued shares capital of the Company and therefore is a connected person of the Company. The transactions contemplated under the Procurement Services Framework Agreement constitute continuing connected transactions of the Company.

Since the highest applicable percentage ratio for the proposed annual cap for the year ending 31 March 2024 under the Procurement Services Framework Agreement is more than 5% and the aggregate consideration is more than HK\$10 million, the transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

At the SGM, an ordinary resolution, among other things, will be put forward for the Independent Shareholders to consider and, if thought fit, to approve the Procurement Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual cap).

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Procurement Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual cap). The Independent Financial Adviser, Red Sun Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Listing Rules.

Eastmount Global Limited, which holds approximately 45.63% of the total issued share capital of the Company as at the date of this announcement, is indirectly wholly held by the trustee of the discretionary trust of which Ms. Liu Luoxiu is the settlor. Eastmount Global Limited will be required to abstain from voting on the resolution at the SGM with respect to the Procurement Services Framework Agreement and the transactions contemplated thereunder including the proposed annual cap. Save as disclosed, to the best of the Directors' knowledge, information and belief, no other Shareholder has any material interest in the transactions under the Procurement Services Framework Agreement and therefore will be required to abstain from voting to approve the relevant resolution at the SGM.

A circular of the Company containing, among other things, (i) details of the Procurement Services Framework Agreement and the proposed annual cap, (ii) a letter from the Independent Board Committee containing its opinion and recommendation on the Procurement Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual cap) and (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its opinion and recommendation on the Procurement Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual cap), will be issued by the Company and despatched to the Shareholders no later than 30 September 2023 as additional time is required to prepare and finalise the information to be included in the circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Cherish Sunshine International Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EPC”	engineering, procurement and construction
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of Directors consisting of Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, who are independent non-executive Directors, which is formed to advise on the Procurement Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual cap)
“Independent Financial Adviser”	Red Sun Capital Limited, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Procurement Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual cap)
“Independent Shareholders”	the Shareholders other than Eastmount Global Limited and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Ms. Liu’s Associates”	companies which are associates of Ms. Liu Luoxiu, a controlling Shareholder

“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
“Procurement Services Framework Agreement”	the Procurement Services Framework Agreement dated 14 August 2023 between the Company and Ms. Liu Luoxiu, pursuant to which the Company and/or its subsidiaries agreed to provide procurement services to Ms. Liu’s Associates
“RMB”	the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Procurement Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual cap)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

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

Hong Kong, 14 August 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.