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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Cherish Sunshine International Limited (the “**Company**”) announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2023 (the “**Period**”) with comparative figures for the six months ended 30 September 2022. The condensed consolidated interim results had not been audited by the Company’s auditor, but had been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 — UNAUDITED

		Six months ended	
		30 September	
	<i>Notes</i>	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	203,556	69,908
Cost of sales and services rendered		(176,877)	(54,765)
Gross profit		26,679	15,143
Other income and gains/(losses)	6	4,966	(2,313)
Administrative expenses		(24,392)	(27,812)
Reversal of impairment loss for loan receivables		—	2,196
Reversal of impairment loss for prepayment		546	—
Change in fair value of derivatives embedded in convertible bonds	18(b)	1,346	—
(Impairment loss)/reversal of impairment loss for trade and other receivables and contract assets, net		(172)	880
Profit/(loss) from operations		8,973	(11,906)
Finance costs	7	(3,852)	(1,576)

		Six months ended	
		30 September	
	<i>Notes</i>	2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit/(loss) before tax		5,121	(13,482)
Income tax (expense)/credit	8	<u>(1,623)</u>	<u>2,303</u>
Profit/(loss) for the period	9	<u>3,498</u>	<u>(11,179)</u>
Profit/(loss) attributable to:			
Owners of the Company		3,312	(11,706)
Non-controlling interests		<u>186</u>	<u>527</u>
		<u>3,498</u>	<u>(11,179)</u>
Earning/(loss) per share (HK cents per share)			(Restated)
Basic	10	0.69	(3.85)
Diluted	10	<u>0.59</u>	<u>(3.85)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	<u>3,498</u>	<u>(11,179)</u>
Other comprehensive (expense)/income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(19,522)	(25,007)
Reclassification of cumulative foreign currency translation reserve upon disposal of a subsidiary	<u>10</u>	<u>—</u>
Other comprehensive expense for the period, net of tax	<u>(19,512)</u>	<u>(25,007)</u>
Total comprehensive expense for the period	<u><u>(16,014)</u></u>	<u><u>(36,186)</u></u>
Total comprehensive (expense)/income attributable to:		
Owners of the Company	(16,196)	(37,311)
Non-controlling interests	<u>182</u>	<u>1,125</u>
	<u><u>(16,014)</u></u>	<u><u>(36,186)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

		As at 30 September 2023	As at 31 March 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	6,524	7,621
Investment properties		256,074	267,130
Right-of-use assets	13	8,856	10,089
Intangible assets		24,856	26,331
Interest in an associate		200	228
Derivative component of convertible bonds	18(b)	7,084	9,904
Total non-current assets		303,594	321,303
Current assets			
Inventories — raw materials		3,723	101
Trade and other receivables	14	277,340	257,158
Contract assets		8,518	6,384
Loan receivables	15	—	—
Pledged bank deposits		5,472	—
Bank and cash balances		6,109	8,478
Total current assets		301,162	272,121
TOTAL ASSETS		604,756	593,424
EQUITY			
Share capital		48,522	48,300
Reserves		261,421	273,574
Equity attributable to owners of the Company		309,943	321,874
Non-controlling interests		(11,325)	(11,507)
TOTAL EQUITY		298,618	310,367

		As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income		2,776	3,229
Lease liabilities		69	261
Convertible bonds	18(a)	22,251	22,635
Deferred tax liabilities		<u>33,164</u>	<u>33,721</u>
Total non-current liabilities		<u>58,260</u>	<u>59,846</u>
Current liabilities			
Bank and other borrowings	16	48,281	113,801
Lease liabilities		959	1,262
Trade and other payables	17	131,767	71,538
Derivative component of convertible bonds	18(b)	10,504	14,670
Contract liabilities		37,981	3,230
Current tax liabilities		<u>18,386</u>	<u>18,710</u>
Total current liabilities		<u>247,878</u>	<u>223,211</u>
TOTAL EQUITY AND LIABILITIES		<u><u>604,756</u></u>	<u><u>593,424</u></u>
Net current assets		<u><u>53,284</u></u>	<u><u>48,910</u></u>
Total assets less current liabilities		<u><u>356,878</u></u>	<u><u>370,213</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	5,121	(13,482)
Adjustments for:		
Amortisation of intangible assets	40	194
Depreciation of property, plant and equipment	441	474
Depreciation of right-of-use assets	720	1,126
Net fair value (gain)/loss on investment properties	(4,298)	3,113
Reversal of impairment loss for loan receivables	—	(2,196)
Impairment loss/(reversal of impairment loss) for trade and other receivables and contract assets, net	172	(880)
Loss on disposal of property, plant and equipment	165	—
Reversal of impairment loss for prepayment	(546)	—
Change in fair value of derivatives embedded in convertible bonds	(1,346)	—
Share-based payments expenses	3,245	—
Other operating activities	63,980	7,168
	<hr/>	<hr/>
NET CASH GENERATED FROM(/USED IN) OPERATING ACTIVITIES	67,694	(4,483)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans repaid	—	2,196
Placement of pledged bank deposits	(5,472)	(7,701)
Other investing activities	(45)	(3,839)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(5,517)	(9,344)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank and other borrowings	(109,190)	(2,311)
New bank and other borrowings raised	49,135	—
Principal elements of lease payments	(471)	(952)
Interest paid	(4,157)	(644)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(64,683)	(3,907)
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	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
EQUIVALENTS	(2,506)	(17,734)
Effect of foreign exchange rate changes	137	(1,856)
CASH AND CASH EQUIVALENTS AT 1 APRIL	8,478	26,000
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	6,109	6,410
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	6,109	6,672
Less: Restricted bank balances	—	(262)
	<hr/>	<hr/>
	6,109	6,410
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 HM 11, 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 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 and other IT services, trading of general goods, provision of energy management contracting services in the PRC and leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2023.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and derivative financial instruments, which are measured at fair values.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 March 2023, except for the accounting policy changes that are expected to be reflected in the 2023/2024 annual financial statements due to the amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which came into effect during the Period and application of the following accounting policies which became effective to the Group during the Period. Details of any changes in accounting policies and the amendments to the HKFRSs which came into effect during the Period are set out below.

The preparation of condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The condensed consolidated financial statements for the Period have not been audited but have been reviewed by the Company’s audit committee.

Application of amendments to HKFRSs

In the Period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	<i>Insurance Contracts and the related Amendments</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The application of the amendments to HKFRSs in the Period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not adopted any other new accounting standards and other amendments to existing standards and interpretation that are not yet effective for this Period.

4. SEGMENT INFORMATION

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

Following the combination of the reporting operating segments of the provision of procurement services and the provision of corporation IT solution as a single reporting operating segment during the year ended 31 March 2023, the segment information for the six months ended 30 September 2022 is restated. Below describes the operations in each of the Group's identified reportable operating segments as at 30 September 2023:

Provision of procurement services and other IT services	—	Provisions of procurement services to governmental institutions and private enterprises, development of software and provision of maintenance services to customers, procurement services on goods for EPC projects 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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

	Provision of procurement services and other IT services HK\$'000	Trading business HK\$'000	Rental income HK\$'000	Energy management contracting business HK\$'000	Total HK\$'000
Six months ended 30 September 2023 (unaudited):					
Revenue from external customers	107,843	81,957	7,896	5,860	203,556
Segment profit	<u>18,737</u>	<u>595</u>	<u>3,954</u>	<u>3,622</u>	<u>26,908</u>
<i>Amounts included in the measure of segment profit or loss:</i>					
Impairment loss/(reversal of impairment loss) for trade and other receivables and contract assets, net	146	164	(25)	32	317
Reversal of impairment loss for prepayment	<u>—</u>	<u>(546)</u>	<u>—</u>	<u>—</u>	<u>(546)</u>
As at 30 September 2023 (unaudited):					
Segment assets	<u>299,264</u>	<u>9,015</u>	<u>257,863</u>	<u>9,314</u>	<u>575,456</u>
Segment liabilities	<u>125,914</u>	<u>8,548</u>	<u>5,232</u>	<u>645</u>	<u>140,339</u>
Six months ended 30 September 2022 (unaudited):					
Revenue from external customers	16,937	41,679	8,441	2,851	69,908
Segment profit	<u>10,202</u>	<u>225</u>	<u>4,107</u>	<u>1,423</u>	<u>15,957</u>
<i>Amounts included in the measure of segment profit or loss:</i>					
(Reversal of impairment loss)/impairment loss for trade and other receivables and contract assets, net	<u>(822)</u>	<u>(111)</u>	<u>119</u>	<u>—</u>	<u>(814)</u>
As at 31 March 2023 (unaudited):					
Segment assets	<u>274,744</u>	<u>2,006</u>	<u>268,757</u>	<u>7,824</u>	<u>553,331</u>
Segment liabilities	<u>145,911</u>	<u>3,151</u>	<u>5,150</u>	<u>347</u>	<u>154,559</u>

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Reconciliations of reportable segment profit or loss:		
Total profit of reportable segments	26,908	15,957
Administrative expenses	(24,392)	(27,812)
Other income and gains/(losses)	4,966	(2,313)
Finance costs	(3,852)	(1,576)
Unallocated reversal of impairment loss for loan receivables	—	2,196
Unallocated reversal of impairment loss for trade and other receivables and contract assets, net	145	66
Change in fair value of derivatives embedded in convertible bonds	1,346	—
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Consolidated profit/(loss) before tax	<u>5,121</u>	<u>(13,482)</u>

5. REVENUE

An analysis of the Group's revenue for the Period is as follows:

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Provision of procurement services	5,766	9,765
Procurement services on goods for EPC projects	84,759	—
Trading of general goods	81,957	41,679
Provision of other IT services	17,318	7,172
Rental income	7,896	8,441
Provision of energy management contracting services	5,860	2,851
	<hr/>	<hr/>
	<u>203,556</u>	<u>69,908</u>

Disaggregation of revenue from contracts with customers by major products or services lines and the timing of revenue recognition for the Period are as follow:

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at point in time:		
— Trading of general goods ¹	81,957	41,679
— Procurement services on goods for EPC projects ²	84,759	—
— Provision of procurement services ²	5,766	9,765
— Sales of online procurement software ²	1,225	1,179
Recognised over time:		
— Licensing online procurement platform income ²	7,339	153
— Provision of maintenance services ²	8,754	5,840
— Provision of energy management contracting services ³	5,860	2,851
	195,660	61,467
Revenue from other sources		
— Rental income ⁴	7,896	8,441
	203,556	69,908

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 of the above revenue were arisen in the PRC.

Contracts with customers with unsatisfied performance obligations on the aforementioned revenue, have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. OTHER INCOME AND GAINS/(LOSSES)

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Amortisation of deferred day-1 gain of the convertible bonds (<i>note 18(a)</i>)	49	49
Bank interest income	7	28
Exchange gain	206	23
Net fair value gain/(loss) on investment properties	4,298	(3,113)
Loss on disposals of property, plant and equipment	(165)	—
Government grants — amortisation of deferred income	273	—
Government grants (<i>Note</i>)	4	206
Sundry income	294	494
	4,966	(2,313)

Note: The government grants represented financial subsidies for compensating expenses already incurred or giving immediate financial support to the Group. There are no unfulfilled conditions or contingencies in relation to the grants and the grants were determined at the sole discretion of relevant government authorities.

7. FINANCE COSTS

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	2,782	644
Interest on lease liabilities	30	26
Effective interest on convertible bonds (<i>note 18(a)</i>)	1,040	906
	3,852	1,576

8. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax — the PRC		
Provision for the period	228	209
Deferred tax	<u>1,395</u>	<u>(2,512)</u>
	<u>1,623</u>	<u>(2,303)</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the Period (six months ended 30 September 2022: Nil).

Pursuant to relevant laws and regulations in the PRC, the PRC Enterprise Income Tax rate of subsidiaries registered in the PRC is 25% (six months ended 30 September 2022: 25%).

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 for both periods.

9. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs		
— Directors' emoluments	1,309	1,275
— Salaries, bonuses and allowances	17,180	21,669
— Retirement benefits scheme contributions	2,054	1,739
— Share-based payment expenses	3,245	—
	<hr/>	<hr/>
Total staff costs	23,788	24,683
	<hr/> <hr/>	<hr/> <hr/>
Amortisation of intangible assets (included in administrative expenses)	40	194
Depreciation of property, plant and equipment (included in cost of sales and services rendered and administrative expenses)	441	474
Depreciation of right-of-use assets (included in administrative expenses)	720	1,126
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10. EARNING/(LOSS) PER SHARE

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earning/(loss):		
Earning/(loss) for the period attributable to owners of the Company for the purpose of basic earning/(loss) per share	3,312	(11,706)
Effective interest on convertible bonds	1,040	—
Amortisation of deferred day-1 gain of the convertible bonds	(49)	—
Change in fair value of derivatives embedded in convertible bonds	(1,346)	—
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Earning/(loss) for the period attributable to owners of the Company for the purpose of diluted earning/(loss) per share (<i>note (i)</i>)	2,957	(11,706)
	<hr/>	<hr/>
	Six months ended	
	30 September	
	2023	2022
	'000	'000
	(unaudited)	(unaudited)
		(Restated)
Number of shares: (<i>note (ii)</i>)		
Weighted average number of ordinary shares for the purpose of basic earning/(loss) per share (<i>note (iii)</i>)	481,903	303,786
Effect of dilutive potential ordinary shares		
— Convertible bonds	18,333	N/A
— Share award granted under the Company's share award plan	1,879	N/A
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Weighted average number of ordinary shares for the purpose of diluted earning/(loss) per share (<i>notes (i) & (iv)</i>)	502,115	303,786
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Notes:

- (i) The calculation of diluted loss per share for the six months ended 30 September 2022 did not assume the conversion of CB 2029 (as defined in note 18) since the conversion would result in an anti-dilutive effect on loss per share.
- (ii) The weighted average number of ordinary shares for the six months ended 30 September 2022 had been adjusted for the bonus element of the rights issue completed on 8 February 2023 as if the rights issue happens on 1 April 2022.
- (iii) For the Period, 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 Period, the computation of diluted earning per share did not assume the exercise of share options because their exercise price was higher than the average share price.

11. DIVIDEND

The Directors do not recommend the payment of any dividend for the Period (six months ended 30 September 2022: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group has additions to property, plant and equipment of approximately HK\$494,000 (unaudited) (six months ended 30 September 2022: HK\$3,501,000 (unaudited)). Certain property, plant and equipment with a carrying amount of approximately HK\$485,000 (unaudited) (six months ended 30 September 2022: Nil (unaudited)) was disposed of resulting from disposal of a subsidiary. In addition, certain property, plant and equipment with a carrying amount of approximately HK\$165,000 (unaudited) was disposed of during the Period (six months ended 30 September 2022: Nil (unaudited)), resulting in a loss on disposal of approximately HK\$165,000 (unaudited) (six months ended 30 September 2022: Nil (unaudited)).

13. RIGHT-OF-USE ASSETS

During the Period, the Group did not enter into any new lease (unaudited) (six months ended 30 September 2022: approximately HK\$2,107,000 (unaudited)). As at 30 September 2023, the right-of-use assets' carrying amount was approximately HK\$8,856,000 (unaudited) (31 March 2023: approximately HK\$10,089,000 (audited)).

14. TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Trade and other receivables comprises:		
Trade receivables	45,254	29,110
Less: allowance for credit loss	(827)	(488)
	<u>44,427</u>	<u>28,622</u>
Lease receivables	1,780	2,149
Less: allowance for credit loss	(494)	(528)
	<u>1,286</u>	<u>1,621</u>
Total trade and lease receivables	45,713	30,243
Other receivables	4,296	4,058
Prepayment for goods	225,551	217,987
Other prepayment	1,290	4,466
Deposits	490	404
	<u><u>277,340</u></u>	<u><u>257,158</u></u>

Movement in the loss allowance for trade and other receivables during the Period is as follows:

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
At 1 April 2023/1 April 2022	93,928	98,037
Net impairment loss/(reversal of impairment loss) recognised for the period/year	161	(141)
Exchange differences	(2,713)	(3,968)
	<u><u>91,376</u></u>	<u><u>93,928</u></u>
At 30 September 2023/31 March 2023		

For trading business, the Group generally grants a credit period of 30 days (31 March 2023: 30 days) to its customers. Rental income is paid in accordance with the terms of respective agreements. For provision of procurement services and other IT solution services, the Group mainly requires customers to pay a certain portion of the contract sum in advance and settle the remaining balances within 30 days (31 March 2023: 30 days) from the date of acceptance. For energy management contracting business, the customers paid a certain portion of the contract sum in advance or on demand in accordance with the terms of respective agreements. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Included in trade and other receivables are trade receivables, net of allowance for impairment, of approximately HK\$45,713,000 (unaudited) (31 March 2023: approximately HK\$30,243,000 (audited)) and an ageing analysis based on the invoice date at the end of the reporting period, is as follows:

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
0 to 90 days	39,053	30,243
91 to 180 days	5,796	—
181 to 365 days	835	—
Over 365 days	29	—
	<u>45,713</u>	<u>30,243</u>

15. LOAN RECEIVABLES

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Unsecured fixed-rate loan receivables	10,622	111,266
Less: allowance for credit loss	<u>(10,622)</u>	<u>(111,266)</u>
	<u>—</u>	<u>—</u>

Movement in the loss allowance for loan receivables during the Period is as follows:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
At 1 April 2023/1 April 2022	111,266	117,450
Reversal on impairment losses recognised for the period/year	—	(4,837)
Written off during the period/year	(100,000)	—
Exchange differences	(644)	(1,347)
	<u>10,622</u>	<u>111,266</u>
At 30 September 2023/31 March 2023	<u>10,622</u>	<u>111,266</u>

Loan receivables represented advances to independent third parties.

As at 30 September 2023, loan receivable at principal amount of HK\$100,000,000 (unaudited) (31 March 2023: HK\$100,000,000 (audited)) was unsecured, interest-free and repayable in June 2015 and correlated to a cooperation arrangement with an independent third party (the “Debtor”). Further details of such were set out in the Company’s announcement dated 5 June 2014. Despite the Group’s diligent and active recovery efforts which included successful legal actions against the Debtor, no monetary compensation for the overdue receivables has been received so far. The Group’s legal advisor advised that the probability of recovering the full value of the outstanding loan is uncertain for the foreseeable future. However, on the other hand, the resources and the time to be consumed in future pursuit of debt recovery are quite demanding. Given these circumstances and based on the Group’s accounting policy, the management of the Group decided to write-off the aforementioned loan for the six months ended 30 September 2023. However, the Group will still do its best to safeguard its interest and continue pursuing its claim whenever it can.

The remaining loan receivables at principal amount of approximately HK\$10,622,000 (unaudited) (31 March 2023: approximately HK\$11,266,000 (audited)) were unsecured, interest bearing at a range of 0.3% to 0.5% (unaudited) (31 March 2023: 0.3% to 0.5% (audited)) per month and repayable on respective maturity dates.

As at 30 September 2023, included in the Group's loan receivables balance were debts with aggregate carrying amounts of approximately HK\$10,622,000 (unaudited) (31 March 2023: approximately HK\$111,266,000 (audited)) which had been past due 90 days or more (31 March 2023: 90 days or more). An allowance for credit loss of approximately HK\$10,622,000 had been made in the accounts (31 March 2023: approximately HK\$111,266,000 (audited)).

During the six months ended 30 September 2022, the Group recovered an aggregate amount of approximately HK\$2,196,000 from debtors, and therefore the Group recognised a reversal of impairment loss for loan receivables of approximately HK\$2,196,000.

The Group will consider to take all possible ways, including but not limited to, legal proceedings, to recover the respective loans and interest receivables.

16. BANK AND OTHER BORROWINGS

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Secured fixed rate bank borrowings	48,281	—
Secured fixed rate other borrowings	—	113,801
	<u>48,281</u>	<u>113,801</u>

The bank and other borrowings are repayable as follows:

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Within one year and shown under current liabilities	<u>48,281</u>	<u>113,801</u>

The carrying amount of the Group's bank and other borrowings is denominated in RMB.

All of the bank and other borrowings are measured at amortised cost.

The effective interest rate of bank and other borrowings was as follows:

	As at 30 September 2023 (Unaudited)	As at 31 March 2023 (Audited)
Bank borrowings	4.95%	—
Other borrowings	<u>—</u>	<u>14.4%</u>

At 30 September 2023, the bank borrowings were secured by a charge over the Group’s building, investment properties, certain right-of-use assets and the entire equity interest of Gongcai Network Technology Limited (公採網絡科技有限公司) (“**Gongcai Network**”), which is a wholly-owned subsidiary of the Company.

In addition, the bank borrowings as at 30 September 2023 were guaranteed by Ms. Liu Luoxiu and Mr. Zou Yuwen free of charge, 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 of the Company as at 30 September 2023, while Mr. Zou Yuwen is the spouse of Ms. Liu Luoxiu.

At 31 March 2023, the other borrowings were secured by a charge over the Group’s building, investment properties, certain right-of-use assets and certain trade receivables. During the Period, the other borrowings had been fully settled 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.

17. TRADE AND OTHER PAYABLES

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Trade and other payables:		
Trade payables	38,167	29,299
Bill payables	58,847	—
Other payables:		
— Accruals	14,146	14,621
— Security deposits under provision of procurement services business	505	485
— Receipt in advance	1,731	4,177
— Other payables	14,040	18,362
— Amounts due to an ex-substantial shareholder and its subsidiaries (<i>note</i>)	2,507	2,659
— Payables for acquisition of intangible assets	1,824	1,935
	<u>131,767</u>	<u>71,538</u>

Note: The amounts are unsecured, interest-free and repayable on demand.

Included in trade and other payables are trade creditors and bill payables of HK\$97,014,000 (unaudited) (31 March 2023: HK\$29,299,000 (audited)) and an ageing analysis based on the invoice date at the end of the reporting period, is as follows:

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
0 to 90 days	66,566	27,006
91 to 180 days	21,628	1,687
181 to 365 days	7,980	423
Over 365 days	840	183
	<u>97,014</u>	<u>29,299</u>

The carrying amounts of the Group's trade payables are denominated in RMB. All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

18. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

CB 2029

On 19 April 2022, the Company had successfully placed convertible bonds to Placee A and Placee B, who are independent of the Group, in an aggregate principal amount of HK\$27,500,000 with a term of 7 years (together referred to as "**CB 2029**"). CB 2029 carry coupon interest at a rate of 5% per annum which is payable on the last business day before each of the anniversary of the issue date and thereafter and on the maturity date (the "**Maturity Date**") (i.e. the date falling on the expiry of seven years from the date of issue of the CB 2029, provided that if such date is not a business day, the business day immediately after such date). Backgrounds of Placee A and Placee B are further set out in the announcement of the Company dated 19 April 2022.

CB 2029 are denominated in Hong Kong dollars which entitle Placee A and Placee B to convert them into ordinary shares of the Company at any time commencing on the issue date of convertible bonds and up to 4:00 p.m. on the five business days immediately before the Maturity Date, at a conversion price of HK\$1.50 per conversion share (subject to anti-dilutive adjustments).

Placee A and Placee B have the right to convert the whole or any part (in the minimum amount of or in multiple of HK\$1,000,000) of the outstanding principal amount of convertible bonds into such number of ordinary shares of the Company as will be determined by dividing the principal amount of convertible bonds to be converted by the conversion price in effect on the date of conversion. In addition, the Company has the right to redeem the whole outstanding principal amount of CB 2029 by giving not less than 30 nor more than 60 days' notice (the "**Early Redemption Notice**") to Placee A and Placee B, on the date specified in the Early Redemption Notice at 100% of the outstanding principal amount held by Placee A and Placee B together with interest accrued but unpaid to such date (if any).

The fair value of CB 2029 upon issuance is determined using valuation model which involved unobservable inputs. The day-1 gain of approximately HK\$685,000, which represented the difference between the nominal value and the fair value of CB 2029 at the issue date, is not recognised in the condensed consolidated statement of profit or loss and other comprehensive income immediately but is deferred.

Upon issuance of CB 2029, amounts of approximately HK\$22,419,000, HK\$16,267,000 and HK\$11,871,000 were recognised as liability component, derivative component embedded in CB 2029 (liability) and derivative component embedded in CB 2029 (asset), respectively. The day-1 gain of approximately HK\$685,000 is included in the liability component of convertible bonds and will be amortised over the term of CB 2029.

During the Period, no convertible bonds were converted by Placee A and Placee B, and the Company did not redeem any part of CB 2029 (unaudited) (six months ended 30 September 2022: Nil (unaudited)).

As at 30 September 2023, the outstanding principal of CB 2029 were HK\$27,500,000 (unaudited) (31 March 2023: HK\$27,500,000 (audited)).

The inputs used in the binomial option pricing model adopted by the independent professional valuer in determining the derivative components of CB 2029 as follows:

	CB 2029	
	As at 30 September 2023 (Unaudited)	As at 31 March 2023 (Audited)
Share price	HK\$0.89	HK\$1.16
Dividend yield	0%	0%
Expected volatility	96.54%	100.62%
Risk-free rate	4.00%	3.06%

The movements of the liability components of convertible bonds are set out below:

	Liability component HK\$'000	Deferred day-1 gain HK\$'000	Total HK\$'000
As at 1 April 2022	—	—	—
Fair value of liability component as at the issue date	22,419	685	23,104
Transaction costs	(983)	—	(983)
Effective interest on convertible bonds	1,918	—	1,918
Amortisation of deferred day-1 gain	—	(98)	(98)
Coupon interest accrued and included in other payables at 31 March 2023	(1,306)	—	(1,306)
As at 31 March 2023 (audited)	22,048	587	22,635
Coupon interest accrued and included in other payables at 31 March 2023	1,306	—	1,306
Interest paid	(1,375)	—	(1,375)
Effective interest on convertible bonds (note 7)	1,040	—	1,040
Amortisation of deferred day-1 gain (note 6)	—	(49)	(49)
Coupon interest accrued and included in other payables at 30 September 2023	(1,306)	—	(1,306)
As at 30 September 2023 (unaudited)	21,713	538	22,251

The effective interest rate of the liability components of CB 2029 is 9.5%.

(b) Derivative components of convertible bonds

The movements of the derivative components of convertible bonds are set out below:

	Assets – CB 2029 HK\$'000	Liabilities – CB 2029 HK\$'000	Total HK\$'000
As at 1 April 2022	—	—	—
Fair value of derivative components as at the issue date	(11,871)	16,267	4,396
Fair value change	<u>1,967</u>	<u>(1,597)</u>	<u>370</u>
As at 31 March 2023 (audited)	(9,904)	14,670	4,766
Fair value change	<u>2,820</u>	<u>(4,166)</u>	<u>(1,346)</u>
As at 30 September 2023 (unaudited)	<u>(7,084)</u>	<u>10,504</u>	<u>3,420</u>

The gain on change in fair value of derivative embedded in of the convertible bonds for the Period of approximately HK\$1,346,000 (unaudited) (six months ended 30 September 2022: Nil (unaudited)) and amortisation of day-1 gain of approximately HK\$49,000 (unaudited) (six months ended 30 September 2022: Nil (unaudited)) were recognised in the consolidated statement of profit or loss, of which fair value gain of approximately HK\$1,346,000 (unaudited) (six months ended 30 September 2022: Nil (unaudited)) was related to derivative components of convertible bonds at 30 September 2023. The related interest expense of the liability component of the convertible bonds for the Period amounted to approximately HK\$1,040,000 (unaudited) (six months ended 30 September 2022: approximately HK\$906,000 (unaudited), which was calculated using the effective interest method.

19. PLEDGE OF ASSETS

The following assets and their respective carrying values as at the end of the reporting period are pledged to secure the Group's bank and other borrowings and bill payables:

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Investment properties	256,074	267,130
Property, plant and equipment — building	1,608	1,786
Right-of-use assets	7,758	8,344
Trade receivables	—	24,781
Pledged bank deposits	5,472	—
	<u>270,912</u>	<u>302,041</u>

As at 30 September 2023, the entire equity interest of Gongcai Network is also pledged to secure the Group's bank borrowings (unaudited) (31 March 2023: N/A (audited)).

20. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Acquisition of intangible assets	<u>7,252</u>	<u>7,686</u>

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

For the Period, Cherish Sunshine International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was pleased to see that its business has maintained its rapid growth trajectory in reaching a total revenue of approximately HK\$203.6 million, representing an increase of approximately 191.2% as compared with the revenue of approximately HK\$69.9 million recorded for the six months period ended 30 September 2022 (the “**Corresponding Prior Period**”). The result was partly thanks to the reviving economy after the relaxation of the COVID-19 control measures implemented by the governments at different levels in the People’s Republic of China (the “**PRC**”) in early 2023 and partly thanks to our successful capitalisation on the business opportunities derived from the industry boom in the new energy sector in response to the PRC central government’s promotion of carbon peak by 2030 and carbon neutrality by 2060.

Our ever pursuit of information technical service quality has also contributed to the encouraging interim results. For example, we highly prioritised the on-going technical needs of one of our major clients of our online procurement services business and assigned a dedicated team to address their diverse technical requests. As a result, our IT service revenue derived from the client had increased by approximately HK\$5 million during the Period. For the same reason, we have been invited to participate in an important summit forum held and organised by the Department of Finance of Hubei Province with regards to the public procurement data servicing as a guest speaker. It was an honour and recognition of our service quality to our governmental clients, and the management team felt motivated to forge ahead with our business exploration and technical innovation in the procurement service sector. At the same time, the management team of the Company is fully aware of the technical risks and challenges ahead and will continue its hard work to develop and convert the Group’s software in line with the domestic standards, therefore reducing its reliance on overseas technologies.

Another pleasant progress made during the Period was our admission as a member of Hong Kong Core Climate Exchange and a member of Singapore Climate Impact X, both being international carbon credit related products trading platforms. The acceptance by two reputable exchanges is the evidence of progress made by the management team in the aspect of sustainability and environmental protection. It also means the Group is to open up a new avenue of income hopefully in the near future.

Provision of procurement services and other IT services

During the Period, the Group continued its rapid development momentum thanks to the contribution from the procurement business from the polar power generation construction projects. It achieved a total revenue of approximately HK\$107.8 million, representing an increase of approximately 537.9% as compared with the revenue of approximately HK\$16.9 million for the Corresponding Prior Period. The revenue from the polar power Engineering, Procurement and Construction (“EPC”) projects contributed approximately HK\$84.8 million of the total revenue. Although the traditional IT services only contributed approximately HK\$17.3 million to the total revenue, it still represented an increase of over 100% compared against the revenue recorded for the same type of service for the Correspondence Prior Period. Both the new and traditional procurement services are expected to continue its fast growth in the foreseeable future.

Trading business

The relaxation of the COVID-19 control measures was reviving the economy gradually and the business activities were becoming more active during the Period. As a result, the trading business was also recovering and achieved a total revenue of approximately HK\$82.0 million during the Period, representing an increase of approximately 96.6% as compared with the revenue of approximately HK\$41.7 million for the Corresponding Prior Period. While the profit margin of the trading business remained similar, a small amount of bad debt recovery helped elevate the overall profitability of the trading business segment during the Period.

Rental income

During the Period, the rental income of the Group decreased by approximately 6.0% to HK\$7.9 million as compared with HK\$8.4 million for the Corresponding Prior Period. The revenue for the Period as presented in Hong Kong dollars dropped slightly due to the difference in the applicable RMB to Hong Kong dollars exchange rate for the Period and the Corresponding Prior Period. Revenue for the Period denominated in RMB was similar to that for the Corresponding Prior Period. The rents offered by the office buildings in the neighbourhood were still competitive which affected revenue growth of the leasing business of the Group. Nevertheless, the team had worked hard and increased the profit margin from the office leasing business and hopefully could recover the occupancy rate to the similar level prior to the COVID-19 period.

Provision of energy management contracting services

The provision of the energy management contracting services recorded a revenue of approximately HK\$5.9 million during the Period, representing an increase of approximately 103.4% as compared with approximately HK\$2.9 million recorded for the Corresponding Prior Period. The management is pleased to see that the energy management contracting services segment is growing at a pace beyond expectation and is considering to rapidly enhance its development given the expectation that the new energy industry will still be booming in the next few years.

(II) FINANCIAL REVIEW

Operational Performance

1. Revenue

Revenue for the Period was HK\$203,556,000, representing an increase of HK\$133,648,000 or 191.2% as compared to HK\$69,908,000 for the Corresponding Prior Period. It is mainly due to the increase in sales of trading goods and procurement services on goods for EPC projects.

The revenue for the Period included (i) provision of procurement services and other IT services of HK\$107,843,000, accounting for 52.9% of the total revenue (six months ended 30 September 2022: HK\$16,937,000, 24.2%); (ii) revenue from trading business of HK\$81,957,000, accounting for 40.3% of the total revenue (six months ended 30 September 2022: HK\$41,679,000, 59.6%); (iii) rental income of HK\$7,896,000, accounting for 3.9% of the total revenue (six months ended 30 September 2022: HK\$8,441,000, 12.1%); and (iv) revenue from energy management contracting business of HK\$5,860,000, accounting for 2.9% of the total revenue (six months ended 30 September 2022: HK\$2,851,000, 4.1%).

2. Cost of sales and services rendered

Cost of sales and services rendered for the Period was HK\$176,877,000 (six months ended 30 September 2022: HK\$54,765,000). The increase in cost of sales and services rendered 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 the increased consumption of technical and human resources 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 Period was HK\$26,679,000 (six months ended 30 September 2022: HK\$15,143,000), whereas the gross profit margin for the Period was 13.1%, representing a decrease of 8.6 percentage points as compared to the gross profit margin of 21.7% for the Corresponding Prior Period.

The decrease in gross profit margin was mainly attributable to the increased proportion of revenue generated from the provision of procurement services associated with the new energy EPC projects, where in line with industry norm, a lower profit margin prevailed. The increased proportion of those businesses therefore caused the decrease in overall profit margin in spite of the significant increase in profits in absolute value.

4. *Other income and gains/(losses)*

The other income and gains mainly comprised fair value gain on investment properties, government grants and exchange gain. For the Period, the account balance was a gain of HK\$4,966,000, as compared to a loss of HK\$2,313,000 for the Corresponding Prior Period. Such change is mainly due to fair value gain of investment properties.

5. *Administrative expenses*

The administrative expenses for the Period was HK\$24,392,000 (six months ended 30 September 2022: HK\$27,812,000). 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. Due to implementation of costs control, the administrative expenses decreased by 12.3% in comparison with the Corresponding Prior Period. Cost saving mainly came from the reduction in staff and operational expenses.

6. *(Impairment loss)/reversal of impairment loss for trade and other receivable and contract assets and reversal of impairment loss for prepayment*

For the Period, we made impairment loss for trade and other receivable and contract assets under the expected credit loss model amounting to HK\$172,000 as credit risk of the corresponding receivables increased. In addition, we made a reversal of impairment loss for prepayment of HK\$546,000 as it was recovered during the Period.

7. *Finance costs*

Finance costs for the Period was HK\$3,852,000 as compared to HK\$1,576,000 for the Corresponding Prior Period. Such increase was mainly due to the increase in interest payment to other borrowings for the Period.

8. *Income tax (expense)/credit*

Income tax expense for the Period amounted to HK\$1,623,000 (six months ended 30 September 2022: a credit of HK\$2,303,000). Tax provision made for the Period was mainly deferred taxation on land appreciation tax of our properties located in Wuhan, Hubei Province, the PRC.

9. Profit/(loss) for the Period

Profit for the Period amounted to HK\$3,498,000 as compared to the loss of HK\$11,179,000 for the Corresponding Prior Period. The turnaround result was primarily due to the increase in revenue and the decrease of administrative expenses thanks to our effective cost saving measures taken.

Financial Position

1. Liquidity and capital structure

As at 30 September 2023, the Group maintained bank and cash balances of HK\$6,109,000 (31 March 2023: HK\$8,478,000) of which HK\$5,886,000 (31 March 2023: HK\$6,812,000) were denominated in RMB. The total assets of the Group amounted to HK\$604,756,000 (31 March 2023: HK\$593,424,000), the total equity amounted to HK\$298,618,000 (31 March 2023: HK\$310,367,000), the total liabilities amounted to HK\$306,138,000 (31 March 2023: HK\$283,057,000). The assets-liabilities ratio (total assets over total liabilities) was 1.98:1 (31 March 2023: 2.10:1), the current ratio (current assets over current liabilities) was 1.21:1 (31 March 2023: 1.22:1) and the gearing ratio (total bank and other borrowings and convertible bonds over total equity) was 0.24:1 (31 March 2023: 0.44:1).

2. Structure of interest-bearing bank and other borrowing

As at 30 September 2023, the Group's interest-bearing bank and other borrowings amounted to approximately HK\$48,281,000 (31 March 2023: HK\$113,801,000) which were all denominated in RMB (31 March 2023: all denominated in RMB). As at 30 September 2023, all interest-bearing bank and other borrowings were wholly repayable within one year (31 March 2023: wholly repayable within one year). As at 30 September 2023, all interest-bearing bank borrowings were arranged at a fixed interest rate of 4.95% p.a. and secured by a charge over the Group's buildings, investment properties, certain right-of-use assets and the entire equity interest of Gongcai Network Technology Limited ("**Gongcai Network**") which is a wholly-owned subsidiary of the Company, and such facilities are guaranteed free of charge 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 30 September 2023, while Mr. Zou Yuwen is the spouse of Ms. Liu Luoxiu.

(III) OTHER ISSUES

1. Material investment and 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 ventures during the Period. The Group did not have any specific future plans for material investments or capital assets as at 30 September 2023. 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 30 September 2023, the Group had a bank borrowing of RMB45,000,000 (equivalent to approximately HK\$48,281,000) from a bank in the PRC which was secured by the pledging of the Group's buildings, investment properties, certain right-of-use assets and the entire equity interest of Gongcai Network. The borrowing is also guaranteed by Ms. Liu Luoxiu and Mr. Zou Yuwen free of charge, 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 30 September 2023, while Mr. Zou Yuwen is the spouse of Ms. Liu Luoxiu.

In addition, pledged bank deposits of the Group with carrying amount of approximately HK\$5,472,000 (31 March 2023: Nil) were pledged as guarantee deposits for bills payable made available to the Group.

3. Foreign exchange exposure

During the Period, the Group mainly earned revenue in RMB and incurred costs mainly in Hong Kong dollars and RMB. The Group does not foresee any real significant risk caused by exchange rate fluctuation to its financial health in the near future. However, any permanent or significant changes in RMB against Hong Kong dollars may still have an impact on the Group's presentation of financial results in the future. The management will monitor the foreign exchange risk and may adopt appropriate hedging policy when necessary.

4. **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 30 September 2023, the Group employed approximately 180 employees (as at 31 March 2023: 196), and the total remuneration of employees (including the Directors) was approximately HK\$23,788,000 for the Period (30 September 2022: HK\$24,683,000). During the Period, according to the Company's share option scheme and share award plan, 3,003,759 share options and 2,216,500 awarded shares previously granted were vested to Directors and eligible employees upon the respective fulfillment of the relevant vesting conditions of the share option scheme and the share award plan.

5. **Purchase, sale or redemption of the Company's listed securities**

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

6. **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 HK\$'000	Amount utilised up to 30 September 2023 HK\$'000	Balance as at 30 September 2023 HK\$'000	Expected timeline for utilisation
1) Research and development of the procurement service software	5%	5,855	2,973	2,882	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
		<u>117,100</u>	<u>90,798</u>	<u>26,302</u>	

As at 30 September 2023, the net proceeds had been 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\$3.0 million and payment to suppliers and operating expenses of approximately HK\$17.6 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.

7. Event after the Period

From 30 September 2023 to the date of this announcement, there was no important event affecting the Group.

(IV) BUSINESS PROSPECTS

The outlook for the Company's business appears promising as by far the business strategies executed by the management team have all led to rapid revenue increase and improved overall profitability. The management is confident that the expanded business scope of the procurement services will provide solid foundation for further business growth against the backdrop of the booming new energy industry where the EPC business mode is widely adopted.

The management plans to devote more resources to developing the enterprise version of the bidding and tendering software applicable in large new energy construction projects which, in particular, demand open and transparent supplier selection process. It is anticipated that the new software version specifically tailored to meet the procurement needs of the new energy industry will bring in new customers and support our revenue growth. In the meantime, the Company will soon utilise its membership status within the two reputable international carbon trading stock exchanges and start off its carbon trading brokerage business.

By the end of the Period, the Group had completed a small distributed polar generation project with a capacity of 1.2 Megawatt. Although it is only a small-scale polar project, this experimenting investment demonstrated our continued effort in penetrating into the new energy business sector, in addition to being a market participant of the new energy EPC project. The management would keep a close eye on the financial performance of this new energy asset and may take appropriate risk control measures if and when necessary.

CORPORATE GOVERNANCE

1. UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out as follows:

- (1) Ms. He Qian, an executive Director, has been appointed as an independent non-executive director of Suzhou Xingye Materials Technology Co., Ltd, a company listed on the Shanghai Stock Exchange (Stock Code: 603928), in October 2023.

Save for the information disclosed above and elsewhere in this announcement, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

2. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 recommends best practices for corporate governance practices by listed companies. The Company has complied with the CG Code during the Period. The Company considered that its prevailing structures and systems to be satisfactory in terms of ensuring its compliance with the CG code and will continuously enhance the corporate governance standards throughout the Group and ensure further measures to be put in place by reference to the recommended best practices whenever suitable and appropriate.

3. AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three members, namely, Mr. Zhong Dengyu (Chairman), Ms. Yang Xiaoyan and Ms. Deng Hua. All of them are independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the Period. The Audit Committee has no disagreement with the accounting treatment adopted by the Group and is also of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

4. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by the Directors and 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 Period.

DIVIDEND

The Directors do not recommend the payment of any dividend for the Period (six months ended 30 September 2022: Nil).

By order of the Board
Cherish Sunshine International Limited
Wu Siyuan
Chairman

Hong Kong, 29 November 2023

As at the date hereof, 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, Ms. Yang Xiaoyan and Ms. Deng Hua.