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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)

CHANGE IN USE OF PROCEEDS

References are made to (i) the prospectus (the “**Prospectus**”) issued by Cherish Sunshine International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 6 January 2023 in relation to, among others, the Rights Issue; and (ii) the interim report of the Company for the six months ended 30 September 2023 published on 22 December 2023 (the “**2023 Interim Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Prospectus.

USE OF PROCEEDS

As stated in the paragraph headed “Reasons for and benefits of the Rights Issue and use of proceeds” in the section headed “Letter from the Board” of the Prospectus, and the announcement of the Company dated 7 February 2023, in relation to, among others, the results of the Rights Issue, the Company intended to apply the net proceeds from the Rights Issue of approximately HK\$117.1 million (the “**Net Proceeds**”) as follows: (i) approximately 5% or HK\$5.9 million for research and development of the procurement service software; (ii) approximately 50% or HK\$58.6 million on procurement services business; (iii) approximately 10% or HK\$11.7 million on trading business; (iv) approximately 20% or HK\$23.4 million for investment in office properties in Hong Kong; and (v) approximately 15% or HK\$17.6 million as general working capital.

As at the date of this announcement, the Company has utilised approximately HK\$91.4 million of the Net Proceeds. The remaining balance of the Net Proceeds as at the date of this announcement is approximately HK\$25.7 million (the “**Unutilised Net Proceeds**”), comprising the unutilised amount of approximately (i) HK\$2.3 million originally allocated for the research and development of the procurement service software; and (ii) HK\$23.4 million originally allocated for the investment in office properties in Hong Kong (the “**Net Proceeds for Property Investment**”).

CHANGE IN USE OF PROCEEDS

After careful consideration and detailed evaluation of the factors set out in the paragraph headed “Reasons for the change in use of proceeds” below and the current business development and operation of the Group, the Board has resolved to change and reallocate the use of the Net Proceeds for Property Investment of approximately HK\$23.4 million, such that (i) approximately HK\$20.0 million will be used for the pursuance of strategic acquisitions of businesses engaging in energy management contracting (“EMC”) services; and (ii) the remaining HK\$3.4 million will be reallocated as the general working capital of the Group.

The usage of the remaining Unutilised Net Proceeds of approximately HK\$2.3 million will remain unchanged for the research and development of the procurement service software. Details of the original allocation of the Net Proceeds, utilised amount as at the date of this announcement, Unutilised Net Proceeds as at the date of this announcement, revised allocation of the Unutilised Net Proceeds, and the updated expected timeline for utilisation of the Unutilised Net Proceeds after the change in use of proceeds are set out as follows:

Use of Net Proceeds	Original allocation <i>HK\$'000</i>	Utilised amount as at the date of this announcement <i>HK\$'000</i>	Unutilised Net Proceeds as at the date of this announcement <i>HK\$'000</i>	Revised allocation of the Unutilised Net Proceeds <i>HK\$'000</i>	Updated expected timeline for utilisation after the change in the use of proceeds <i>(Note)</i>
Research and development of procurement service software	5,855	3,520	2,335	2,335	By the end of September 2024
Procurement services business	58,550	58,550	—	—	N/A
Trading business	11,710	11,710	—	—	N/A
Investment in office properties in Hong Kong	23,420	—	23,420	—	N/A
General working capital	17,565	17,565	—	3,420	By the end of March 2024
Acquisition of EMC business	N/A	N/A	N/A	20,000	By the end of June 2024
Total	117,100	91,345	25,755	25,755	

Note: The updated expected timeline for utilising the Unutilised Net Proceeds after the change in use of proceeds is based on the best estimation of the present and future business market situations made by the Group. It may be subject to further changes based on the future development of the market conditions.

REASONS FOR THE CHANGE IN USE OF PROCEEDS

As disclosed in the Prospectus, the Group appreciated Hong Kong's status as the international operational and financial centre and at that time planned to utilise part of the Net Proceeds to acquire larger office space for self-usage and to rent out spare space (if any) for rental income. However, the Group noted that the Hong Kong property market, especially in terms of office buildings, did not perform well over the year of 2023 and has been pricing downward. There was also an overall decrease in rentals of office buildings throughout 2023. The Company expects that the decreasing price trend of the Hong Kong property market is likely to continue for the foreseeable future. In view of the adverse and ongoing uncertain market condition of the Hong Kong property sector, the management of the Company is of the view that it is not the best timing for the Company to make property investment in Hong Kong as it may lead to potential losses to the Group and its shareholders.

Taking into consideration of the above, and in order to safeguard and enhance the interest of the Group, the Board has resolved to utilise approximately HK\$20 million of the Net Proceeds for Property Investment to acquire company(ies) in the EMC business-related industries, whereas the remaining balance of approximately HK\$3.4 million of the Net Proceeds for Property Investment shall be reallocated as the general working capital of the Group. As disclosed in the 2023 Interim Report, the business segment of the Group in respect of the provision of EMC services recorded a revenue of approximately HK\$5.9 million during the six months ended 30 September 2023, representing an increase of approximately 103.4% as compared to the revenue recorded for the six months ended 31 March 2023. This business segment of the Group has all along been growing steadily since the Group resumed this business line approximately two years ago. Backed by the active promotion campaign of carbon peak by 2030 and carbon neutrality by 2060 launched by the Central Government of the People's Republic of China ("PRC"), the new energy industry sector has been booming and a lot of new energy generation stations have been constructed in the PRC. All of these newly constructed power generation stations require professional management services, which the Group provides under its EMC business segment. Against the backdrop of the booming new energy industry, the management of the Group believes that the demand in EMC business will also be growing and shall be able to generate a larger steady revenue stream for the Group. To promptly seize this fast growing business opportunity, the management of the Group believes that the strategic acquisition of established company(ies) engaging in EMC business will enable the Group to increase its market share in the industry more efficiently as compared with the Group's normal organic growth.

The Board is of the view that the change in use of the Net Proceeds for Property Investment will allow the Company to deploy its financial resources more effectively and is in the interest of the Company and its shareholder as a whole, and will not have any material adverse effect on the existing business and operations of the Group.

Save as disclosed in this announcement, the Board confirms that there are no other changes to the use of the Unutilised Net Proceeds as at the date of this announcement.

The Board will continuously assess the plan for the use of the Unutilised Net Proceeds, and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance of the Group. Further announcement(s) will be made by the Company if and when appropriate in compliance with the Listing Rule.

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

Hong Kong, 15 January 2024

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, Ms. Yang Xiaoyan and Ms. Deng Hua.