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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 EPC SERVICES FRAMEWORK AGREEMENT AND MASTER PURCHASE FRAMEWORK AGREEMENT**

On 12 April 2024, the Company and Ms. Liu Luoxiu respectively entered into (i) the EPC Services Framework Agreement, pursuant to which the Group shall provide EPC services to Ms. Liu's Associates subject to and upon the terms and conditions set out in the EPC Services Framework Agreement; and (ii) the Master Purchase Framework Agreement, pursuant to which the Group shall purchase from, and Ms. Liu's Associates shall provide, solar modules to the Group, subject to and upon the terms and conditions set out in the Master Purchase Framework Agreement, for a period up to 31 March 2025.

#### **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 46.44% of the total issued shares capital of the Company and therefore is a connected person of the Company. The transactions contemplated under the EPC Services Framework Agreement and the Master Purchase Framework Agreement therefore constitute continuing connected transactions of the Company.

Since the highest applicable percentage ratio for the proposed annual cap for the year ending 31 March 2025 under each of the EPC Services Framework Agreement and the Master Purchase Framework Agreement is more than 5% and each of 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 12 April 2024, the Company and Ms. Liu Luoxiu respectively entered into (i) the EPC Services Framework Agreement, pursuant to which the Group shall provide EPC services to Ms. Liu's Associates subject to and upon the terms and conditions set out in the EPC Services Framework Agreement; and (ii) the Master Purchase Framework Agreement, pursuant to which the Group shall purchase from, and Ms. Liu's Associates shall provide, solar modules to the Group, subject to and upon the terms and conditions set out in the Master Purchase Framework Agreement, for a period up to 31 March 2025.

### (I) EPC SERVICES FRAMEWORK AGREEMENT

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

- Date:** 12 April 2024
- 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 comprehensive EPC (Engineering, Procurement and Construction) services package related to new energy projects, such as solar power generation farms, to Ms. Liu's Associates. The services consist of our traditional procurement service and also the provision of other EPC related services to Ms. Liu's Associates for the whole process or certain stages of the new energy project, such as materials and/or equipments procurement, design, construction, etc.
- Term:** Subject to the fulfillment of the condition set out below, the EPC 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 EPC Services Framework Agreement and the transactions contemplated thereunder and ending on 31 March 2025.

**Condition precedent:** The EPC Services Framework Agreement is conditional upon the resolution regarding the EPC 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 EPC Services Framework Agreement shall be determined based on the agreed prices between the parties, which will be calculated based on the actual costs incurred in providing such services, plus a profit margin agreed between the parties with reference to the prevalent market practice there and then when the transaction-specific agreements contemplated under the EPC Services Framework Agreement are signed. The pricing (including the profit margin) shall be comparable against the then prevailing market price and in any circumstances be no less favourable than the price charged to any independent third party customers of the Group for transactions of similar nature. 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.

**Payment term:** The payment terms will be agreed and stated in the transaction-specific agreements in accordance with usual market practice, and will be no less favourable to the Group than terms offered to independent third party customers of the Group. Due to the capital intensive nature of the new energy development projects and their relatively significant size, payments usually will be made to the Group in installments according to the initial schedule of each project as agreed between the parties.

## **PROPOSED ANNUAL CAP**

The proposed annual cap for the year ending 31 March 2025 under the EPC Services Framework Agreement is HK\$200 million.

## **BASIS OF PROPOSED ANNUAL CAP**

In arriving at the above proposed annual cap, the Company has considered (i) the historical contracted transaction amount of approximately HK\$42.3 million between the Company and Ms. Liu's Associates under the Procurement Services Framework Agreement over the six-month period, which commenced from 29 September 2023 and expired on 31 March 2024; (ii) the expanded scope of services in relation to the new energy projects to be provided to Ms. Liu's Associates, including the whole process or certain stages of the new energy projects development cycle, on top of the procurement services as rendered by the Group to Ms. Liu's Associates under last year's Procurement Services Framework Agreement; (iii) the expected number and total potential value of contracts currently under negotiations and/or expected to be signed between the Group and Ms. Liu's Associates in respect of EPC services, subject to the compliance with the relevant Listing Rules; (iv) the expected project timetable of the EPC projects; and (v) the estimated overall business growth of the Group for the financial year ending 31 March 2025.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE EPC SERVICES FRAMEWORK AGREEMENT**

The Group's traditional business is concerned with provision of procurement services and other IT services, trading business, leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC, and energy management contracting business. Since 2020, after the central government of the PRC publicly announced the objectives of carbon peak by 2030 and carbon neutrality by 2060, there has been fast development in the new energy market, particularly in association with the solar and wind power. The management of the Group has promptly responded to this new market movement by expanding its procurement services into the new energy market where the EPC business model is widely adopted. The wise management decision helped the Group to have achieved satisfactory business and financial results for the last few financial years. During the financial years ended 31 March 2023 and 2024, the Group offered comprehensive EPC services to independent customers on a small scale and performed well. In the financial year ending 31 March 2025, in addition to continuing its EPC related procurement services rendered to Ms. Liu's Associates (under the Procurement Services Framework Agreement), the Group would also like to expand its scale of service to provide comprehensive EPC services not only to more of its independent customers but also to Ms. Liu's Associates. As Ms. Liu's Associates comprise companies that are long standing market participants in the new energy industry and therefore are well connected and possess rich resources within the new energy community, the management believes that the Group could achieve a faster growth in terms of revenue and profit by leveraging its relationship with Ms. Liu's Associates.

## (II) MASTER PURCHASE FRAMEWORK AGREEMENT

Details of the Master Purchase Framework Agreement are set out below:

- Date:** 12 April 2024
- Parties:**
- (i) Ms. Liu Luoxiu (for herself and her associates)
  - (ii) the Company (for itself and on behalf of its subsidiaries)
- Nature of transactions:** Ms. Liu's Associates agreed to supply solar modules to the Company and/or its subsidiaries to support the Group's need of solar modules under the EPC services that the Group offers to its independent third parties customers.
- Terms:** Subject to the fulfillment of the condition set out below, the Master Purchase 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 Master Purchase Framework Agreement and the transactions contemplated thereunder and ending on 31 March 2025.
- Condition Precedent:** The Master Purchase Framework Agreement is conditional upon the resolution regarding the Master Purchase 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 solar modules under the transaction-specific purchase orders or contracts to be made under the Master Purchase Framework Agreement shall be determined and agreed between the parties with reference to the prevailing market price of solar modules at the time when the respective transaction-specific purchase orders or contracts are entered into. The pricing shall, in any circumstances, be no less favourable than the price charged by any independent third party suppliers of the Group for purchases of similar nature. 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.

**Payment term:**

The payment terms will be agreed and stated in the transaction-specific purchase orders or contracts in accordance with usual market practice, and will be no less favorable than those offered to the Group by the independent third parties in any circumstance.

**PROPOSED ANNUAL CAP**

The proposed annual cap for the year ending 31 March 2025 under the Master Purchase Framework Agreement is HK\$100 million.

**BASIS OF PROPOSED ANNUAL CAP**

The above proposed annual cap has been determined with reference to the estimated demand of the Group for solar modules as contemplated to be purchased under the Master Purchase Framework Agreement, taking into account (i) the historical monetary values of approximately HK\$45.2 million (unaudited management accounts figure) of solar modules purchased by the Group from independent third parties on behalf of its independent customers for the financial year ended 31 March 2024; (ii) the number of and monetary value of contracts that the Group has entered or is expected to entered into with its independent customers with regards to the EPC services that the Group intends to provide in respect of solar energy development projects which require the Group to supply solar modules; (iii) the expected project timetable of the EPC projects; and (iv) the estimated overall business growth of the Group for the financial year ending 31 March 2025.

## **REASON AND BENEFITS OF THE TRANSACTIONS UNDER THE MASTER PURCHASE FRAMEWORK AGREEMENT**

As mentioned above, the Group is principally engaged in the provision of procurement services, which include the services provided in relation to EPC projects. During 31 March 2023 and for the six months ended 30 September 2023, the Group recorded a revenue of approximately HK\$37.6 million and HK\$84.8 million in respect of its procurement of goods for EPC projects, mainly related to solar energy development projects. In the light of the fast development of the new energy market, the Group is strategically planning to expand its business further to provide comprehensive services to the its customers engaged in the new energy development business, especially solar energy development, where the EPC model is widely adopted. The Group would like to improve its service quality by ensuring the availability of solar modules, being one of the most important and key component of the solar power generation farms, to stably meet its customers' demand. As explained above, Ms. Liu's Associates comprise companies that are long standing market participants in the new energy industry and are well connected within the new energy community. The Group anticipates that the sourcing support from Ms. Liu's Associates for suitable solar modules will greatly improve the quality of the Group's comprehensive EPC services and hence its competitiveness, as a more stable product supply reduces the chance of project development disruption, which is quite common in the new energy market. In order to ensure that the Group could grow its revenue and profit in a more sustainable manner, the management believes that it would be beneficial and useful to maintain a more stable source of solar modules by entering into the Master Purchase Framework Agreement.

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 EPC Services Framework Agreement, the Master Purchase Framework Agreement and the respective transactions contemplated thereunder (including their respective 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 EPC Services Framework Agreement, the Master Purchase Framework Agreement and the transactions contemplated thereunder, for good corporate governance, she has abstained from voting from the relevant Board resolutions. Save as disclosed, none of the Directors has any material interest in the transactions contemplated under the EPC Services Framework Agreement, the Master Purchase Framework Agreement and therefore had to abstain from voting on such Board resolutions.

## **INTERNAL CONTROL MEASURES**

In order to ensure that the transactions contemplated under the EPC Services Framework Agreement and the Master Purchase Framework Agreement are consistent with the pricing policies and connected transaction policies of the Group and the terms of each of the EPC Services Framework Agreement and the Master Purchase 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 agreement, contract or purchase order to be entered into with connected persons identified, the Group shall go through an internal approval process via its online operational management information system that involves various departments, such as project procurement department (工程採購部), project business operation department (工程商務部), the business finance department (業務財務部), 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 final decision before entering into the agreement, contract or purchase order upon completion of the internal approval process. For agreements, contracts or purchase orders with respect to the same project of over RMB40 million in aggregate (a monetary threshold regarded as significant to the Group according to the terms of reference and articles of the operational management committee (經營管理委員會)), 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 other departments for ultimate approval. The agreements, contracts, or purchase orders, if approved, will then be entered into, and the executed agreements, contracts, or purchase orders, along with all relevant documents recording the approval process, will be filed for archival purposes;



- (iii) the company secretarial department and finance department will also conduct quarterly checks to monitor, review and assess the transactions contemplated under the Framework Agreements, to ensure they are consistent with the pricing policies and connected transaction policies of the Group and the terms of the Framework Agreements; (b) monitoring the transactions under the Framework Agreements to ensure the transaction amounts will not exceed their respective annual cap; and (c) ensure the pricing and terms of the connected transactions are in line with the common market practice 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 each of the Framework Agreements and their respective the annual cap);
- (v) the independent non-executive Directors will conduct at least an annual review of and discussion with the external auditor about the continuing connected transactions of the Group (including those transactions contemplated under each of the Framework Agreements and their respective annual cap) and provide annual confirmations that the relevant transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the relevant agreements, 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 and provide feedback to the audit committee of the Company about the continuing connected transactions of the Group (including those transactions contemplated under each of the Framework Agreements and their respective annual cap) to ensure that the relevant transactions 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 each year to increase their awareness and understanding of the rules for connected transactions and the relevant policies of the Group.

## **INFORMATION ON THE PARTIES**

### **The Group**

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

### **Ms. Liu Luoxiu**

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 46.44% of the total issued shares capital of the Company and therefore is a connected person of the Company.

## **IMPLICATIONS UNDER THE LISTING RULES**

As Ms. Liu Luoxiu is a connected person of the Company as set out above as at the date of this announcement, the transactions contemplated under the EPC Services Framework Agreement and the Master Purchaser 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 2025 under each of the EPC Services Framework Agreement and Master Purchase Framework Agreement is more than 5% and each of 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, ordinary resolutions, among other things, will be put forward for the Independent Shareholders to consider and, if thought fit, to approve the EPC Services Framework Agreement, the Master Purchase Framework Agreement and the transactions contemplated thereunder (including their respective 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 EPC Services Framework Agreement, the Master Purchase Framework Agreement and the transactions contemplated thereunder (including their respective 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 46.44% 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 resolutions at the SGM with respect to the EPC Services Framework Agreement, the Master Purchase Framework Agreement and the transactions contemplated thereunder (including their respective 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 EPC Services Framework Agreement, the Master Purchase Framework Agreement and therefore no other Shareholder will be required to abstain from voting to approve the relevant resolutions at the SGM.

A circular of the Company containing, among other things, (i) details of the EPC Services Framework Agreement, the Master Purchase Framework Agreement and their respective proposed annual cap, (ii) a letter from the Independent Board Committee containing its opinion and recommendation on the EPC Services Framework Agreement, the Master Purchase Framework Agreement and the transactions contemplated thereunder (including their respective 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 EPC Services Framework Agreement, the Master Purchase Framework Agreement and the transactions contemplated thereunder (including their respective proposed annual cap), will be issued by the Company and made available to the Shareholders no later than 31 May 2024 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
“controlling Shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EPC”	engineering, procurement and construction
“EPC Services Framework Agreement”	the EPC Services Framework Agreement dated 12 April 2024 entered into between the Company and Ms. Liu Luoxiu, pursuant to which the Company and/or its subsidiaries agreed to provide EPC related services to Ms. Liu’s Associates
“Framework Agreements”	the EPC Services Framework Agreement and the Master Purchase Framework Agreement
“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, Ms. Yang Xiaoyan and Ms. Deng Hua, who are independent non-executive Directors, which is formed to advise on the EPC Services Framework Agreement, the Master Purchase Framework Agreement and the transactions contemplated thereunder (including their respective 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 EPC Services Framework Agreement, the Master Purchase Framework Agreement and the transactions contemplated thereunder (including their respective annual cap)
“Independent Shareholders”	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)
“Master Purchase Framework Agreement”	the Master Purchase Framework Agreement dated 12 April 2024 entered into between the Company and Ms. Liu Luoxiu, pursuant to which the Company and/or its subsidiaries shall procure solar modules from Ms. Liu’s Associates
“Ms. Liu’s Associates”	companies which are associates of Ms. Liu Luoxiu, a controlling Shareholder
“PRC”	the People’s Republic of China
“Procurement Services Framework Agreement”	the procurement and services framework agreement dated 14 August 2023 entered into 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”	Renminbi, 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 EPC Services Framework Agreement, the Master Purchase Framework Agreement and the transactions contemplated thereunder (including their respective 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, 12 April 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.*