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Shineroad International Holdings Limited

欣融國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1587)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

(I) New Master Supply Agreements

Reference is made to the Company's announcement dated 31 October 2018 in relation to the Existing Hi-Road Master Supply Agreement. In view that the Existing Hi-Road Master Supply Agreement will expire on 31 December 2021, Shineroad Food (as seller) entered into the New Hi-Road Master Supply Agreement with Hi-Road and Hi-morse Food (as purchasers) on 25 October 2021.

On 25 October 2021, Shineroad Food (as seller) also entered into the Teaheals Master Supply Agreement with Teaheals (as purchaser).

(II) New Master Purchase Agreements

Reference is made to the Company's announcement dated 9 October 2018 and the circular dated 16 November 2018 in relation to the Existing Master Purchase Agreements. In view that each of the Existing Master Purchase Agreements will expire on 31 December 2021, Shineroad Food (as purchaser) entered into the New Master Purchase Agreements with Hi-Road and Hi-morse Food (as sellers to the New Hi-Road Master Purchase Agreement) and Teaheals (as seller to the New Teaheals Master Purchase Agreement), respectively, on 25 October 2021.

(III) Master Service Agreement

On 25 October 2021, Shanghai Shineroad (as purchaser) and Taoyuan (as service provider) entered into the Master Service Agreement.

LISTING RULES IMPLICATIONS

Mr. Huang is the chairman, executive Director and controlling shareholder of the Company and therefore a connected person of the Company. As at the date of this announcement, each of Hi-Road, Hi-morse Food, Teaheals and Taoyuan is owned as to more than 30% by Mr. Huang together with his associates and therefore an associate of Mr. Huang. Accordingly, each of Hi-Road, Hi-morse Food, Teaheals and Taoyuan is a connected person of the Company and the transactions under each of the New Master Supply Agreements, the New Master Purchase Agreements and the Master Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios for the proposed annual caps of the New Master Supply Agreements (aggregated) and the New Master Purchase Agreements (aggregated) exceed 5%, respectively, each of the New Master Supply Agreements and the New Master Purchase Agreements are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios for the proposed annual caps of the Master Service Agreement exceed 0.1% but all lower than 5%, the Master Service Agreement is subject to the reporting, announcement, annual review requirements but exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened by the Company to seek the approvals from the Independent Shareholders in respect of the New Master Supply Agreements and the New Master Purchase Agreements by way of poll. Save for Mr. Huang and his associates, none of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the New Master Supply Agreements and the New Master Purchase Agreements.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the New Master Supply Agreements and the New Master Purchase Agreements and how to vote in the EGM. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, amongst others, (i) details of the New Master Supply Agreements and the New Master Purchase Agreements (including the proposed annual caps); (ii) a letter from the Independent Board Committee with its advice and recommendations to the Independent Shareholders in respect of the New Master Supply Agreements and the New Master Purchase Agreements; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Master Supply Agreements and the New Master Purchase Agreements; and (iv) the notice of EGM will be despatched to the Shareholders in due course and in any event no later than 15 November 2021.

CONTINUING CONNECTED TRANSACTIONS

(I) New Master Supply Agreements

Reference is made to the Company's announcement dated 31 October 2018 in relation to the Existing Hi-Road Master Supply Agreement. In view that the Existing Hi-Road Master Supply Agreement will expire on 31 December 2021, Shineroad Food (as seller) entered into the New Master Supply Agreement with Hi-Road and Hi-morse Food (as purchasers) on 25 October 2021. The aforesaid seller also entered into the Teaheals Master Supply Agreement with Teaheals (as purchaser) on the same date.

Save for the identities of the purchasers, conditions precedent and the products to be sold by the Group, the terms of each of the New Hi-Road Master Supply Agreement and the Teaheals Master Supply Agreement are substantial the same, the principal terms of which are as follows:

<i>Date</i>	25 October 2021 (after trading hours)
<i>Parties</i>	Seller — Shineroad Food, a wholly-owned subsidiary of the Company
	Purchasers — For New Hi-Road Master Supply Agreement:
	Hi-Road and Hi-morse Food
	— For Teaheals Master Supply Agreement:
	Teaheals

<i>Subject matter</i>	<p>The seller agreed that it and/or its subsidiaries will sell and/or supply the following products to the respective purchaser(s) on a non-exclusive basis during the term of the relevant agreement:</p> <p>For New Hi-Road Master Supply Agreement:</p> <p>Sucrose esters, vanillin, condensed milk, frozen cream and other food ingredients and additives</p> <p>For Teaheals Master Supply Agreement:</p> <p>non-dairy creamer, cheese powder, resistant dextrin and other food ingredients and additives</p>
<i>Term</i>	<p>From 1 January 2022 to 31 December 2024</p>
<i>Conditions precedent</i>	<p>For New Hi-Road Master Supply Agreement:</p> <p>Effectiveness of the agreement is conditional upon (i) approval by the Independent Shareholders in accordance with the requirements of the Company’s articles of association and the Listing Rules; and (ii) approval by Hi-Road’s board of directors, independent directors and/or shareholders (if applicable) pursuant to its articles of association and the listing rules of the Shanghai Stock Exchange.</p> <p>For Teaheals Master Supply Agreement:</p> <p>Effectiveness of the agreement is conditional upon approval by the Independent Shareholders in accordance with the requirements of the Company’s articles of association and the Listing Rules.</p>
<i>Pricing policy</i>	<p>The selling prices of the relevant products under the New Master Supply Agreements are calculated with reference to the prevailing market prices of the same or comparable kind of products, or the price to be agreed between the parties after having considered the market price.</p>

The aforesaid “market price” shall be determined with reference to:

- (i) the prevailing market price of the same or similar product obtained from independent third-party suppliers in the same or neighbourhood regions based on normal commercial terms and in the ordinary and usual course of business. The procurement team of the Group shall communicate with at least three independent third-party suppliers to obtain their quotation slips after discussing with them on their production capacity, supply and demand situation in the market and the recent transaction prices with them (if applicable);
- (ii) if (i) is not applicable, the selling prices of the same or similar products obtained from independent third-party suppliers in the PRC based on normal commercial terms and in the ordinary and usual course of business; or
- (iii) if both (i) and (ii) are not available, the selling prices of the same product offered by the seller (and/or its subsidiaries) to its third-party customers based on normal commercial terms and in the ordinary and usual course of business. The selling price of the products offered by the seller (and/or its subsidiaries) are at the rates no more favourable than those offered to its independent third-party customers.

Payment terms

The selling price, payment time and method, and other specific terms or conditions (if any) shall be fixed by relevant parties in the purchase order on a case-by-case basis.

(II) New Master Purchase Agreements

Reference is made to the Company’s announcement dated 9 October 2018 and the circular dated 16 November 2018 in relation to the Existing Master Purchase Agreements. In view that each of the Existing Master Purchase Agreements will expire on 31 December 2021, Shineroad Food (as purchaser) entered into the New Master Purchase Agreements with Hi-Road and Hi-morse Food (as sellers to the New Hi-Road Master Purchase Agreement) and Teaheals (as seller to the New Teaheals Master Purchase Agreement), respectively, on 25 October 2021.

Save for the identities of the sellers, conditions precedent and the products to be purchased by the Group, the terms of each of the New Hi-Road Master Purchase Agreement and the New Teaheals Master Purchase Agreement are substantial the same, the principal terms of which are as follows:

<i>Date</i>	25 October 2021 (after trading hours)
<i>Parties</i>	Purchaser — Shineroad Food Sellers — For New Hi-Road Master Purchase Agreement: Hi-Road and Hi-morse Food — For New Teaheals Master Purchase Agreement: Teaheals
<i>Subject matter</i>	The purchaser agreed that it and/or its subsidiaries will purchase the following products from the respective seller(s) on a non-exclusive basis during the term of the relevant agreement: For New Hi-Road Master Purchase Agreement: Food flavourings, chocolate, dairy-based compound, fruit jam and other food ingredients and additives For New Teaheals Master Purchase Agreement: Tea powder, herbal powder and fruit powder products
<i>Term</i>	From 1 January 2022 to 31 December 2024
<i>Conditions precedent</i>	For New Hi-Road Master Purchase Agreement: Effectiveness of the agreement is conditional upon (i) approval by the Independent Shareholders in accordance with the requirements of the Company's articles of association and the Listing Rules; and (ii) approval by Hi-Road's board of directors, independent directors and/or shareholders (if applicable) pursuant to its articles of association and the listing rules of the Shanghai Stock Exchange.

For New Teaheals Master Purchase Agreement:

Effectiveness of the agreement is conditional upon approval by the Independent Shareholders in accordance with the requirements of the Company's articles of association and the Listing Rules.

Pricing policy

The purchase prices of the relevant products under each of the New Master Purchase Agreements are calculated with reference to the prevailing market prices of the same or comparable kind of products, or the price to be agreed between the parties after having considered the market price.

The aforesaid "market price" shall be determined with reference to:

- (i) the prevailing market price of the same or similar product obtained from independent third-party suppliers in the same or neighbourhood regions based on normal commercial terms and in the ordinary and usual course of business. The procurement team of the Group shall communicate with at least three independent third-party suppliers to obtain their quotation slips after discussing with them on their production capacity, supply and demand situation in the market and the recent transaction prices with them;
- (ii) if (i) is not applicable, the selling prices of the same or similar products obtained from independent third-party suppliers in the PRC based on normal commercial terms and in the ordinary and usual course of business. The procurement team of the Group shall communicate with at least three independent third-party suppliers to obtain their quotation slips after discussing with them on their production capacity, supply and demand situation in the market and the recent transaction prices with them (if applicable). In the event that that is not applicable, the procurement team will research on sourcing information websites (primarily 1688.com) etc.; or

(iii) if both (i) and (ii) are not available, the selling prices of the same product offered by the seller(s) to its third-party customers based on normal commercial terms and in the ordinary and usual course of business. The procurement team of the Group shall obtain the selling prices of the same or similar products from the seller(s) to their third-party customers by requiring the standard pricing lists from the seller(s) upon commercial negotiations. The products provided from the seller(s) to the Group are at the rates no less favourable than those offered to its/their respective third-party customers.

Payment terms The purchase price, payment time and method, and other specific terms or conditions (if any) shall be fixed by relevant parties in the purchase order on a case-by-case basis.

(III) Master Service Agreement

On 25 October 2021, Shanghai Shineroad (as purchaser) and Taoyuan (as provider) entered into the Master Service Agreement.

Date 25 October 2021 (after trading hours)

Parties Purchaser — Shanghai Shineroad

Service provider — Taoyuan

Subject matter The purchaser agreed that it and/or its subsidiaries will procure the following services from the service provider on a non-exclusive basis during the term of the relevant agreement:

Logistics & warehouse service

Warehousing and delivery service (normal temperature/frozen/refrigerated)

Online sales platform service

Allowing the purchaser and/or its subsidiaries to use the online business-to-business (B-TO-B) sales platform (including Taoyuan's supply chains management platform under the domain name: scs.topingr.com) for the sales of its products.

<i>Term</i>	From 1 January 2022 to 31 December 2022
<i>Condition precedent</i>	Effectiveness of the Master Service Agreement is conditional upon approval by the Independent Shareholders in accordance with the requirements of the Company’s articles of association and the Listing Rules.
<i>Pricing policy</i>	<p>The prices of each of the logistics & warehouse service and online sales platform service under the Master Service Agreement shall be determined with reference to the prevailing market prices of the same or comparable services, or the price to be agreed between the parties after having considered the market price.</p> <p>The aforesaid “market price” shall be determined with reference to:</p> <ul style="list-style-type: none"> (i) the prevailing market price of the same or similar service obtained from third-party service providers in the same or neighbourhood regions based on normal commercial terms and in the ordinary and usual course of business. (ii) if (i) is not applicable, the service fee of the same or similar service obtained from third-party service providers in the PRC based on normal commercial terms and in the ordinary and usual course of business. (iii) if (ii) is not applicable, the service fees of the same services offered by Taoyuan to its third-party customers based on normal commercial terms and in the ordinary and usual course of business. The procurement team of the Group shall obtain the service fee of the same or similar service from Taoyuan to its third-party customers by requiring the standard pricing lists from Taoyuan upon commercial negotiations. The service provided by Taoyuan to the Group are at the rates no less favourable than those offered to its third-party customers.

Subject to the aforesaid pricing policy, the service fees under the Master Service Agreement shall be calculated as follows:

Logistics & warehouse service

	Weight per product/carton	Delivery fee (applicable to delivery of goods at all temperatures and inclusive of storage service)
Product (without carton)	less than 5 kg	RMB8 per product
Carton	13 kg or below	RMB15 per carton
	13 kg – 20 kg	RMB20 per carton
	20 kg – 30 kg	RMB30 per carton
	30 kg or above	RMB1 per kg

Online sales platform service

6% of the sales amount receivable by the Purchaser from the transactions conducted through the online sales platform

Payment terms

Logistics & warehouse service

The service provider will issue a statement of the service fee incurred in the previous month to the Purchaser on a monthly basis, and the Purchaser shall settle the fee upon receipt of the statement.

Online sales platform service

The service provider will issue a statement including the amount of transactions conducted through the online sales platform in the previous month and the service fee charged by the service provider to the Purchaser on a monthly basis, and the service provider will transfer the transaction amount (after deducting the service fee) to the Purchaser after Purchaser has agreed on the statement.

ANNUAL CAPS

(I) New Master Supply Agreements

During the past three years, the Group has sold food ingredients and additives to Hi-Road, Hi-morse Food and Teaheals, the historical transaction amounts from the sales by the Group and the annual caps under the Existing Hi-Road Master Supply Agreement for each of the two years ended 31 December 2020 and the eight months ended 31 August 2021 are as follows:

Historical transaction amounts:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000	For the eight months ended 31 August 2021 RMB'000
Existing Hi-Road Master Supply Agreement	10,865	9,953	8,272
Sales amount by the Group to Teaheals	—	12	5

Historical annual caps:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000	For the year ending 31 December 2021 RMB'000
Existing Hi-Road Master Supply Agreement	11,660	13,440	14,040

The proposed annual caps for the transactions contemplated under the New Master Supply Agreements for the three years ending 31 December 2024 are set out below:

Proposed annual caps:

	For the year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
New Hi-Road Master Supply Agreement	30,528	42,739	59,835
Teaheals Master Supply Agreement	30	45	67.5
Total	<u>30,558</u>	<u>42,784</u>	<u>59,902.5</u>

The proposed annual caps under the New Hi-Road Master Supply Agreement were estimated based on: (i) historical transaction amounts; (ii) expected increase of demand for sucrose esters by Hi-Road and its subsidiaries due to its factory expansion; and (iii) expected increase of demand for the newly added food ingredient, frozen cream.

The proposed annual caps under the Teaheals Master Supply Agreement were estimated based on: (i) historical transaction amounts; and (ii) an expected increase of demand of approximately 50% per annum due to product innovation of Teaheal.

(II) New Master Purchase Agreements

The historical transaction amounts for purchases incurred by the Group under the Existing Master Purchase Agreements and the annual caps for each of the two years ended 31 December 2020 and the eight months ended 31 August 2021 are as follows:

Historical transaction amounts:

	For the year ended	For the year ended	For the eight months ended
	31 December 2019	31 December 2020	31 August 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Hi-Road Master Purchase Agreement	1,803	2,117	1,025
Existing Teaheals Master Purchase Agreement	23,471	33,657	15,610
Total	<u>25,274</u>	<u>35,774</u>	<u>16,635</u>

Historical annual caps:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000	For the year ending 31 December 2021 RMB'000
Existing Hi-Road Master Purchase Agreement	3,130	3,300	3,450
Existing Teaheals Master Purchase Agreement	<u>39,000</u>	<u>50,700</u>	<u>65,910</u>
Total	<u>42,130</u>	<u>54,000</u>	<u>69,360</u>

The proposed annual caps for the transactions contemplated under the New Master Purchase Agreements for the three years ending 31 December 2024 are set out below:

Proposed annual caps:

	For the year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
New Hi-Road Master Purchase Agreement	13,000	21,600	29,320
New Teaheals Master Purchase Agreement	<u>39,700</u>	<u>55,580</u>	<u>77,812</u>
Total	<u>52,700</u>	<u>77,180</u>	<u>107,132</u>

The proposed annual caps under the New Hi-Road Master Purchase Agreement were estimated based on: (i) historical transaction amounts; (ii) expected stable demand from the Group's current customers; and (iii) new potential project of the Group which is expected to increase the total purchase amount of 2022 by approximately RMB10 million.

The proposed annual caps under the New Teaheals Master Purchase Agreement were estimated based on: (i) historical transaction amounts; and (ii) the expected increase of approximately 40% per annum in the demand for tea powder, herbal powder and fruit powder products.

(III) Master Service Agreement

The Group has been procuring logistics & warehouse service and online sales platform service from Taoyuan since March 2021.

The historical transaction amounts for the procurement of the aforesaid services by the Group from Taoyuan are as follows:

Historical transaction amounts:

	For the eight months ended 31 August 2021 <i>RMB'000</i>
Logistics & warehouse service	568
Online sales platform service	<u>841</u>
Total	<u><u>1,409</u></u>

The proposed annual cap for the transactions contemplated under the Master Service Agreement for the year ending 31 December 2022 are set out below:

Proposed annual caps:

	For the year ending 31 December 2022 <i>RMB'000</i>
Logistics & warehouse service	4,800
Online sales platform service	<u>7,200</u>
Total	<u><u>12,000</u></u>

The proposed annual cap for the logistics & warehouse service under the Master Service Agreement were estimated based on: (i) historical transaction amounts; (ii) expected increased demand from current customers; and (iii) expected expansion of sales region from one city to more than six cities.

The proposed annual cap for the online sales platform service under the Master Service Agreement were estimated based on: (i) historical transaction amounts; (ii) expected increased demand from current customers; and (iii) expected expansion of sales region from one city to more than six cities.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

(I) New Master Supply Agreements

The Group is a distributor in the food industry with a focus on supplying food ingredients and food additives to food manufacturers in Asia. During the past years, the Group had entered into transactions where it supplied various products to Hi-Road, Hi-Road's subsidiaries.

The food ingredients and additives to be supplied by the Group under the New Hi-Road Master Supply Agreement are mainly sucrose esters, vanillin, condensed milk and frozen cream which would be used by Hi-Road and Hi-morse Food in their manufacturing process as a raw material. The food ingredients and additives to be supplied by the Group under the Teaheals Master Supply Agreement are mainly, non-dairy creamer, cheese powder, resistant dextrin which would be used by Teaheals in their manufacturing process as a raw material. Since supply of food ingredients and additives is in the ordinary and usual course of business of the Group, the transactions under the New Master Supply Agreements will help to ensure a steady income of the Group.

(II) New Master Purchase Agreements

The Group only sources food ingredients and food additives from suppliers and does not involve in production of the products the Group distributed. During the past years, the Group had entered into transactions where it purchased various products from Hi-Road, Hi-Road's subsidiaries and Teaheals.

Having considered the anticipated increase in demand by the Group's customers for the relevant products, the Directors believe that the entering into of the New Master Purchase Agreements is in the interest of the Company and its Shareholders as a whole, as the Group can continue to secure the stable supply of relevant products from them for the Group's businesses at the rates no less favourable than that offered to the Independent Third Parties by them and therefore can maintain the market competitiveness of the Group.

(III) Master Service Agreement

The Directors believe that entering into of the Master Service Agreement is in the interest of the Company and its Shareholders, since the Group can develop new sales channel with reasonable cost, broaden our product profile, establishing connection with new suppliers and service providers covering warehousing, logistics, and new product development, eventually increase the Group's supply chain competitiveness as a whole.

The Directors (excluding independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser) are of opinion that the entering into each of the New Master Supply Agreements and the New Master Purchase Agreements and the transactions contemplated thereunder are in the ordinary and usual course of the Group's business, on normal commercial terms and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (including all independent non-executive Directors) are of opinion that the entering into of the Master Service Agreement and the transactions contemplated thereunder are in the ordinary and usual course of the Group's business, on normal commercial terms and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Since (i) Mr. Huang is considered to have material interests in the transactions contemplated under each of the New Master Supply Agreements, the New Master Purchase Agreements and the Master Service Agreement, and (ii) Ms. Huang Xin Rong, being the daughter of Mr. Huang, is also deemed to be interested in the aforesaid agreements. Both Mr. Huang and Ms. Huang Xin Rong have abstained from voting on the Board resolutions for approving the New Master Supply Agreements, the New Master Purchase Agreements and the Master Service Agreement.

INTERNAL CONTROL MEASURES

To ensure prices and payment terms of relevant products or services under the New Master Supply Agreements, the New Master Purchase Agreements and the Master Service Agreement are in line with the prevailing market practice, on normal commercial terms, fair and reasonable and no less favourable than available from the Independent Third Parties, and the actual transaction amount will not exceed the proposed annual caps under the respective agreements, the Group will adopt the following internal control measures:

(I) New Master Supply Agreements

- (i) the management of the Group will calculate the selling prices with reference to the prevailing market prices of the same or comparable kind of products, or the price to be agreed between the parties after having considered the market price as discussed in the paragraph headed “(I) New Master Supply Agreements -- Pricing Policy” above;
- (ii) the Company will closely monitor the transaction amounts under the New Master Supply Agreements to ensure that the proposed annual caps will not be exceeded. The management will review the actual transaction amount quarterly;
- (iii) the independent non-executive Directors will review and confirm whether the transactions under the New Master Supply Agreements are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. They will conduct an annual review of the status of the transactions to ensure the Group has complied with the Listing Rules;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the transaction(s) under the New Master Supply Agreements shall abstain from voting in respect of the resolution(s); and
- (v) the Company will continue to engage the independent auditors to review the transactions under the New Master Supply Agreements in compliance with the annual reporting and review requirements under the Listing Rules.

(II) New Master Purchase Agreements

- (i) the procurement team of the Group will be responsible for establishing the procedures of purchase prices management, to ensure that the pricing standard conforms to the market principle. The management of the Group will calculate the purchase prices with reference to the prevailing market prices of the same or comparable kind of products, or the price to be agreed between the parties after having considered the market price as discussed in the paragraph headed “New Master Purchase Agreements -- Pricing basis” above;

- (ii) the head of the supply chain will monitor and review the pricing mechanism for the transactions under the New Master Purchase Agreements to ensure that the prices are determined on normal commercial terms, and report to the product management centre for it to confirm the prices are fair and reasonable. The product management centre will report to the Board on a quarterly basis regarding the actual trading situations and monetary amount of the transactions conducted during the quarter and the estimated amount in the following quarter to facilitate the Board to monitor the actual transaction amount, assess whether the proposed annual caps will be exceeded and approve the coming transactions under the New Master Purchase Agreements
- (iii) the independent non-executive Directors will review and confirm whether the transactions contemplated under the New Master Purchase Agreements are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. They will conduct an annual review of the status of the transactions under the New Master Purchase Agreements to ensure the Group has complied with the Listing Rules;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s); and
- (v) the Company will continue to engage the independent auditors to review the transactions under the New Master Purchase Agreements in compliance with the annual reporting and review requirements under the Listing Rules.

(III) Master Service Agreement

- (i) The supply chain team of the Group will be responsible for establishing the procedures of purchase prices management, to ensure that the pricing standard conforms to the market principle;
- (ii) The management of the Group will calculate the service fees with reference to the prevailing market prices of the same or comparable kind of services, or the price to be agreed between the parties after having considered the market price as discussed in the paragraph headed “Master Service Agreement” above;
- (iii) The management of the Group will closely monitor the transaction amounts under the “Master Service Agreement” to ensure that the proposed annual caps will not be exceeded. The management will review the actual transaction amount quarterly;

- (iv) the independent non-executive Directors will review and confirm whether the transactions contemplated under the Master Service Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. They will conduct an annual review of the status of the transactions under the Master Service Agreement to ensure the Group has complied with the Listing Rules;
- (v) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s); and
- (vi) the Company will continue to engage the independent auditors to review the transactions under the Master Service Agreement in compliance with the annual reporting and review requirements under the Listing Rules.

INFORMATION ON THE PARTIES TO THE AGREEMENTS

The Company is an investment holding company incorporated in the Cayman Islands. The Group is one of the leading distributors of food ingredients and food additives and with outstanding and innovative research and development capacity.

Shanghai Shineroad is a company established in the PRC with limited liability and wholly-owned by the Company. It principally engages in distribution of food ingredients and food additives in the PRC.

Shineroad Food is a company established in Hong Kong with limited liability and wholly-owned by the Company. It is an investment holding company.

Hi-Road and Hi-morse Food

Hi-Road is a joint-stock company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange which is owned as to 43.2% by Mr. Huang and 28.8% by Mr. Huang Haihu (the brother of Mr. Huang).

Hi-morse Food is a company established in the PRC with limited liability which is wholly-owned by Hi-Road.

Both Hi-Road and Hi-morse Food are principally engage in research and development, production in its production base and sales of its own brand's products which are mainly used by bakery chain enterprises for making bakery food.

Teaheals

Teaheals is a company established in the PRC with limited liability which is wholly-owned by Mr. Huang. It principally engages in the research and development, deep-processing, production and sales of agricultural and natural food ingredients, specialising in Matcha tea products.

Taoyuan

Taoyuan is a company established in the PRC with limited liability which is owned as to 80% by Mr. Huang. It principally engages in providing supply chain services such as trading, warehousing, and distribution for suppliers and small business owners of casual dining industry through an online platform.

LISTING RULES IMPLICATIONS

Mr. Huang is the chairman, executive Director and controlling shareholder of the Company and therefore a connected person of the Company. As at the date of this announcement, each of Hi-Road, Hi-morse Food, Teaheals and Taoyuan is owned as to more than 30% by Mr. Huang together with his associates and therefore an associate of Mr. Huang. Accordingly, each of Hi-Road, Hi-morse Food, Teaheals and Taoyuan is a connected person of the Company and the transactions under each of the New Master Supply Agreements, the New Master Purchase Agreements and the Master Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios for the proposed annual caps of the New Master Supply Agreements (aggregated) and the New Master Purchase Agreements (aggregated) exceed 5%, respectively, each of the New Master Supply Agreements and the New Master Purchase Agreements are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios for the proposed annual caps of the Master Service Agreement exceed 0.1% but all lower than 5%, the Master Service Agreement is subject to the reporting, announcement, annual review requirements but exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened by the Company to seek the approvals from the Independent Shareholders in respect of the New Master Supply Agreements and the New Master Purchase Agreements by way of poll. Save for Mr. Huang and his associates, none of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the New Master Supply Agreements and the New Master Purchase Agreements.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the New Master Supply Agreements and the New Master Purchase Agreements and how to vote in the EGM. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, amongst others, (i) details of the New Master Supply Agreements and the New Master Purchase Agreements (including the proposed annual caps); (ii) a letter from the Independent Board Committee with its advice and recommendations to the Independent Shareholders in respect of the New Master Supply Agreements and the New Master Purchase Agreements; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Master Supply Agreements and the New Master Purchase Agreements; and (iv) the notice of EGM will be despatched to the Shareholders in due course and in any event no later than 15 November 2021.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Beijing Shineroad”	北京申欣融食品配料有限公司 (Beijing Shineroad Food Additives Co., Ltd.*), a limited company established in the PRC and an indirectly wholly-owned subsidiary of the Company;
“Board”	the board of Directors of the Company;
“Company”	Shineroad International Holdings Limited, a company incorporated in Cayman Islands and the Shares of which are traded on the Main Board of the Stock Exchange;

“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and approve by poll, amongst other things, the New Master Supply Agreements and the New Master Purchase Agreements;
“Existing Hi-Road Master Purchase Agreement”	a master purchase agreement dated 9 October 2018 entered into among Shanghai Shineroad, Beijing Shineroad and Guangzhou Jieyang (as purchasers) and Hi-Road and Hi-morse Food (as sellers) in relation to the purchase of food flavourings, chocolate and other food ingredients and additives on a non-exclusive basis for a term of three years from 1 January 2019 to 31 December 2021;
“Existing Hi-Road Master Supply Agreement”	a master supply agreement dated 31 October 2018 entered into among Shanghai Shineroad, Beijing Shineroad and Guangzhou Jieyang (as sellers) and Hi-Road and Hi-morse Food (as purchasers) in relation to the sale and/or supply of sucrose esters, vanillin and other food ingredients and additives on a non-exclusive basis for the term of three years from 1 January 2019 to 31 December 2021;
“Existing Master Purchase Agreements”	the Existing Hi-Road Master Purchase Agreement and Existing Teaheals Master Purchase Agreement;
“Existing Teaheals Master Purchase Agreement”	a master purchase agreement dated 9 October 2018 entered into among Shanghai Shineroad, Beijing Shineroad and Guangzhou Jieyang (as purchasers) and Teaheals (as seller) in relation to the purchase of tea powder, herbal powder and fruit powder products on a non-exclusive basis for a term of three years from 1 January 2019 to 31 December 2021;
“Group”	the Company together with its subsidiaries;
“Guangzhou Jieyang”	廣州捷洋食品科技有限公司 (Guangzhou Jieyang Food Technology Company Limited*), a limited company established in the PRC and an indirectly wholly-owned subsidiary of the Company;

“Hi-morse Food”	上海海象食品配料有限公司(Shanghai Hi-morse Food Additives Co., Ltd.*), a limited company established in the PRC which is wholly-owned by Hi-Road;
“Hi-Road”	上海海融食品科技股份有限公司 (Shanghai Hi-Road Food Technology Co., Ltd.*), a joint-stock company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange which is owned as to 43.2% by Mr. Huang and 28.8% by Mr. Huang Haihu (the brother of Mr. Huang);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the New Master Supply Agreements and the New Master Purchase Agreements;
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Master Supply Agreements and the New Master Purchase Agreements;
“Independent Shareholders”	shareholders of the Company other than Mr. Huang and his associates;
“Independent Third Party(ies)”	party(ies) (together with its ultimate beneficial owner) who is not a connected person of the Company;
“Listing Rules”	the Rule Governing the Listing of Securities on the Stock Exchange;
“Master Service Agreement”	a master service agreement dated 25 October 2021 entered into between Shanghai Shineroad (as purchaser) and Taoyuan (as service provider) in relation to the procurement of logistic & warehouse service and online sales platform services by the Group on a non-exclusive basis for a term of one year from 1 January 2022 to 31 December 2022;

“Mr. Huang”	Mr. Huang Haixiao, the chairman of the Board, an executive Director and a controlling shareholder of the Company;
“New Hi-Road Master Purchase Agreement”	the new master purchase agreement dated 25 October 2021 entered into among Shineroad Food (as purchaser) and Hi-Road and Hi-morse Food (as sellers) in relation to the purchase of food flavourings, chocolate, dairy-based compound, fruit jam and other food ingredients and additives on a non-exclusive basis for a term of three years from 1 January 2022 to 31 December 2024;
“New Hi-Road Master Supply Agreement”	a master supply agreement dated 25 October 2021 entered into among Shineroad Food (as seller) and Hi-Road and Hi-morse Food (as purchasers) in relation to the sale and/or supply of sucrose esters, vanillin, condensed milk, frozen cream and other food ingredients and additives on a non-exclusive basis for the term of three years from 1 January 2022 to 31 December 2024;
“New Master Purchase Agreements”	the New Hi-Road Master Purchase Agreement and New Teaheals Master Purchase Agreement;
“New Master Supply Agreements”	the New Hi-Road Master Supply Agreement and Teaheals Master Supply Agreement;
“New Teaheals Master Purchase Agreement”	a new master purchase agreement dated 25 October 2021 entered into among Shineroad Food (as purchaser) and Teaheals (as seller) in relation to the purchase of tea powder, herbal powder and fruit powder products on a non-exclusive basis for a term of three years from 1 January 2022 to 31 December 2024;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Shineroad”	上海欣融食品原料有限公司 (Shanghai Shineroad Food Ingredients Co., Ltd.*), a limited company established in the PRC and an indirectly wholly-owned subsidiary of the Company;
“Share(s)”	Share(s) of HK\$0.01 each in the capital of the Company;

“Shareholders”	holder of the Share(s);
“Shineroad Food”	Shineroad Food Holdings Limited (欣融食品控股有限公司), a limited company established in Hong Kong and an indirect wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Taoyuan”	上海淘源信息科技有限公司 (Shanghai Taoyuan Information Technology Co., Ltd.*), a limited company established in the PRC and is owned as to 80% by Mr. Huang;
“Teaheals”	浙江頂亨生物科技有限公司 (Zhejiang Teaheals Bio-tech Co., Ltd.*), a limited company established in the PRC and is wholly-owned by Mr. Huang;
“Teaheals Master Supply Agreement”	a master supply agreement dated 25 October 2021 entered into among Shineroad Food (as seller) and Teaheals (as purchaser) in relation to the sale and/or supply of non-dairy creamer, cheese powder, resistant dextrin and other food ingredients and additives on a non-exclusive basis for the term of three years from 1 January 2022 to 31 December 2024;
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong; and
“%”	per cent.

By Order of the Board
Shineroad International Holdings Limited
Huang Haixiao
Chairman

PRC, 25 October 2021

As at the date of this announcement, the executive Directors are Mr. Huang Haixiao, Ms. Huang Xin Rong and Mr. Dai Yihui and the independent non-executive Directors are Mr. Tan Wee Seng, Mr. Chan Ka Kit and Mr. Meng Yuecheng.

* *For identification purposes only*