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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker or their registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shineroad International Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

## CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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A letter from the Board is set out on pages 6 to 25 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 56 of this circular.

A notice convening the EGM of the Company to be held at 3rd Floor, Meeting Room, 666 Jindou Road, Shanghai, the PRC on Monday, 20 December 2021 at 10 a.m. is set out on pages 62 to 64 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.shineroad.com](http://www.shineroad.com)). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment if they so wish.

30 November 2021

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## CONTENTS

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	<i>Pages</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	6
<b>Letter from the Independent Board Committee</b> .....	26
<b>Letter from Opus Capital</b> .....	28
<b>Appendix — General Information</b> .....	57
<b>Notice of EGM.</b> .....	62

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall 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 3rd Floor, Meeting Room, 666 Jindou Road, Shanghai, the PRC on Monday, 20 December 2021 at 10 a.m. 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 Himorse 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;

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## DEFINITIONS

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“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 ChiNext of the Shenzhen 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;

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## DEFINITIONS

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“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 SFO, 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;
“Latest Practicable Date”	25 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rule Governing the Listing of Securities on the Stock Exchange;
“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;

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## DEFINITIONS

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“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;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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”	holders of the Share(s);

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## DEFINITIONS

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“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;
“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; and
“%”	per cent.

*In this circular, the English names of the PRC entities are translation of their Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

\* For identification purposes only

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Huang Haixiao (*Chairman*)

Ms. Huang Xin Rong

Mr. Dai Yihui

*Independent non-executive Directors:*

Mr. Tan Wee Seng

Mr. Chan Ka Kit

Mr. Meng Yuecheng

*Registered Office:*

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Principal place of Business in*

*Hong Kong:*

Room 1603, 16/F

China Building

29 Queen's Road Central

Central, Hong Kong

30 November 2021

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Company's announcement dated 25 October 2021 in relation to, among others, the New Master Supply Agreements and the New Master Purchase Agreements.



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## LETTER FROM THE BOARD

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The purposes of this circular are to provide you with (i) further 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 Opus Capital 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 the EGM, to consider and, if thought fit, to approve the New Master Supply Agreements and the New Master Purchase Agreements, and the proposed annual caps and the continuing connected transactions contemplated thereunder.

### 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

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## LETTER FROM THE BOARD

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*Subject matter*

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:

For New Hi-Road Master Supply Agreement:

Sucrose esters, vanillin, condensed milk, frozen cream and other food ingredients and additives

For Teaheals Master Supply Agreement:

non-dairy creamer, cheese powder, resistant dextrin and other food ingredients and additives

*Term*

From 1 January 2022 to 31 December 2024

*Conditions precedent*

For New Hi-Road Master Supply 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 ChiNext of the Shenzhen Stock Exchange. As at the Latest Practicable Date, condition (ii) had been fulfilled and only condition (i) remained outstanding.

For Teaheals Master Supply 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. As at the Latest Practicable Date, this condition had not been fulfilled.

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## LETTER FROM THE BOARD

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*Pricing policy*

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.

The aforesaid “market price” shall be determined with reference to 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 Group will compare the selling price offered to Hi-Road Group with not less than three selling prices offered to its independent third-party customers with the same or comparable products with similar specifications (such as similar quantity, length of credit period and delivery method, etc) to ensure the selling price offered to Hi-Road Group are at the rates no more favourable than those offered to the Group’s 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.

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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### *Conditions precedent*

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 ChiNext of the Shenzhen Stock Exchange. As at the Latest Practicable Date, condition (ii) had been fulfilled and only condition (i) remained outstanding.

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. As at the Latest Practicable Date, this condition had not been fulfilled.

### *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;

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## LETTER FROM THE BOARD

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- (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, an online B2B trading platform under the Alibaba Group with a major focus in the PRC domestic market and a widespread of users (including sellers which offer same or similar products across the country), which allows the Group to source the transaction price of the relevant products more effectively and comprehensively; 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.

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## LETTER FROM THE BOARD

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### 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:*

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

*Historical annual caps:*

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

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## LETTER FROM THE BOARD

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

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 food ingredients and additives by Hi-Road and its subsidiaries: Hi-Road has raised net proceeds of approximately RMB967.74 million from the listing of its shares on ChiNext of the Shenzhen Stock Exchange in December 2020, among which it intended to apply approximately RMB240.62 million in construction and expansion of its factories for producing non-dairy cream, chocolates, jam, frozen dessert materials, etc. to be used for surface decoration for making bakery food and cake, etc. In light that such construction and expansion of its factories will gradually take place and completed from 2022 onwards, it is expected that Hi-Road's demand for the Group's food ingredients and additives, in particular sucrose esters (an ingredient for making whipping cream), will have a significant increase as compared to the actual transaction amounts during the period from 2018 to 2021, and such increasing trend is expected to continue throughout the term of the New Hi-Road Master Supply Agreement; and



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## LETTER FROM THE BOARD

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(iii) newly added food ingredient: The Group has commenced selling frozen cream in 2021 and therefore has included the same under the New Hi-Road Master Supply Agreement. Frozen cream was one of the major ingredients for making food materials for decoration of bakery food and cake. Hi-Road has a stable demand of it and has been purchasing considerable amount from other third-party suppliers in previous period. Based on the annual report of Hi-Road for the year ended 31 December 2020, the amount of costs of goods sold by Hi-Road associated with cream products (being the products processed and sold by Hi-Road with frozen cream as the key food ingredient) in 2020 amounted to approximately RMB234.1 million, representing approximately 87.1% out of the total costs of goods sold by Hi-Road in 2020. Hi-Road's demand for frozen cream is significantly higher than the other products under the New Hi-Road Master Supply Agreement since frozen cream is one of the major ingredients or components in the production of the cream which used in the bakery food and cake. On the other hand, the other products under the New Hi-Road Master Supply Agreement, such as sucrose esters and vanillin, are food additives which only a comparatively smaller amount are used in the production of cream. As such, among other food ingredients and additives under the New Hi-Road Master Supply Agreement, the proposed maximum transaction amounts of frozen cream for the three years ending 31 December 2024 are approximately RMB13,500,000, RMB18,900,000 and RMB26,640,000, respectively, representing approximately 44% of the proposed annual cap for each year from 2022 to 2024 and resulted in a significant growth in the annual caps.

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 Teaheals.

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## LETTER FROM THE BOARD

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### (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:*

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

*Historical annual caps:*

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

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## LETTER FROM THE BOARD

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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:*

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

The proposed annual caps under the New Hi-Road Master Purchase Agreement were estimated based on:

- (i) historical transaction amounts which show a 17.4% year-on-year growth in 2020. The transaction amount for the eight months ended 31 August 2021, which is lower than the transaction amount for the year ended 31 December 2020, is not preferred to be used for analysing the trend of the Group's demand since the peak season for the trade of the products under the New Hi-Road Master Purchase Agreement, such as chocolate and fruit jam, is in the fourth quarter of each year (i.e. around Christmas and Chinese New Year when the market will have higher consumption of chocolates and confectionary products). As the peak season of 2021 has not ended as at the Latest Practicable Date, the most up-to-date historical data with reference value would be the transaction amounts for the two years ended 31 December 2020;
- (ii) based on the aforesaid historical growth rate of 17.4% and the market recovery from the control of COVID-19, the Group expected the demand from the Group's existing customers for the three years ending 31 December 2024 would be stable and maintain at an annual growth rate of 20%; and
- (iii) the new project of the Group in relation to expansion of its distribution business to new customers, namely food service providers comprising catering providers (mainly restaurants and teahouses) and upstream suppliers, pursuant to which the Group will procure, among others, a new type of food ingredient (dairy-based compound) from

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## LETTER FROM THE BOARD

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Hi-Road and for distribution purpose. The proposed maximum transaction amounts of dairy-based compound for the three years ending 31 December 2024 are approximately RMB10,000,000, RMB18,000,000 and RMB25,000,000, respectively, representing approximately 77%, 83% and 85% of the proposed annual cap for the three years ending 31 December 2024. Dairy-based compound is mostly used in milk-related beverages. Given the continuous growth in the PRC beverage market, the Group plans to promote dairy-based compound as a key product and gain new customers and distribution channels in the related industry in the coming years. For instance, during the first half of 2021, the Group had further obtained four new distribution rights with focus on the food service industry and the nutrition and care industry. Based on the above, it is expected that the Group's demand as well as the purchase amount of dairy-based compound will continue to increase along with the growth of market and new customers throughout 2022 to 2024.

The proposed annual caps under the New Teaheals Master Purchase Agreement were estimated based on:

Historical transaction amounts for the four years ended 31 December 2018 as follows:

	<b>For the year ended 31 December</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase from Teaheals	7,846	12,807	20,517	22,191

With the increasing popularity of tea beverages in the PRC, the market of tea powder, herbal powder and fruit powder has been increasing over recent years, which in turn boosted up the Group's demand over Teaheals' products. As shown in the above table, The Group's demand over Teaheals' product has been growing at an annual rate of approximately 60% during the period from 2015 to 2017. Such growing trend had become unstable and fluctuated from 6% to 43% during 2018 to 2021 since Teaheals has undergone a products adjustment project during 2018 to 2021, pursuant to which Teaheals was focused on the research, adjustment and improvement of its products, and was not able to provide certain products to the Group from time to time during such progress. Nonetheless, given the products adjustment project was completed in 2021, it is expected that the Group's purchase from Teaheals can resume back to normal scale at the expected maximum amount of RMB39,700,000 in 2022 with a steady growth rate of 40% in each of 2023 and 2024. As set out in the 2021 interim report of the Company, the Group aims to, among others, focus on the nutrition and care industry in the upcoming future. The PRC nutrition and care industry, which adheres to the trait of the homology of medicine and food (藥食同源), has a high

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## LETTER FROM THE BOARD

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demand in natural food ingredients such as tea powder, herbal powder and fruit powder, etc. As such, the Group expects to its purchase amount from Teaheals in 2022 will have a significant increase as compared to the previous periods.

### **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.

The Directors (including all independent non-executive Directors after having considered the advice of Opus Capital) are of opinion that the entering into each of the New Master Supply Agreements and the New Master Purchase Agreements and the transactions contemplated

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## LETTER FROM THE BOARD

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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 and the New Master Purchase Agreements, 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, among others, approving the New Master Supply Agreements and the New Master Purchase Agreements.

### INTERNAL CONTROL MEASURES

To ensure prices and payment terms of relevant products or services under the New Master Supply Agreements and the New Master Purchase Agreements are in line with the prevailing market practice, on normal commercial terms, fair and reasonable and no less favourable than available to/from (as the case may be) 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 business director from the commercial department 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 finance department of the Group will closely monitor the transaction amounts under the New Master Supply Agreements to ensure that the proposed annual caps will not be exceeded. The chief financial officer 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;

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## LETTER FROM THE BOARD

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- (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

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## LETTER FROM THE BOARD

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- (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.

### 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.

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 ChiNext of the Shenzhen 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 engaged 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.

### 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 Latest Practicable Date, each of Hi-Road, Hi-morse Food and Teaheals 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



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## LETTER FROM THE BOARD

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Food and Teaheals is a connected person of the Company and the transactions under each of the New Master Supply Agreements and the New Master Purchase Agreements 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.

### **EGM AND PROXY ARRANGEMENT**

The notice of the EGM is set out on pages 62 to 64 of this circular.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Mr. Huang is considered to have material interests in the transactions contemplated under the New Master Supply Agreements and the New Master Purchase Agreements, respectively. Mr. Huang and his associates would therefore abstain from voting on the resolutions to be proposed at the EGM approving each of the aforesaid agreements, the proposed annual caps and the continuing connected transactions contemplated thereunder. As at the Latest Practicable Date, so far as the Directors were aware and based on publicly available information, Mr. Huang was interested in 510,000,000 Shares, representing 75% of the number of Shares in issue as at the Latest Practicable Date.

Save for the aforesaid and to the best knowledge, information and belief of the Company, as at the date of this circular, no other Shareholder has a material interest in each of the New Master Supply Agreements and the New Master Purchase Agreements, and therefore no other Shareholder is required to abstain from voting on the proposed resolutions approving any of the New Master Supply Agreements and the New Master Purchase Agreements, the proposed annual caps and the continuing connected transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.shineroad.com](http://www.shineroad.com)). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company's branch share

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## LETTER FROM THE BOARD

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registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

### CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 15 December 2021 to Monday, 20 December 2021, both days inclusive, during which period no transfer of Shares will be registered. The record date for such purposes is Wednesday, 15 December 2021.

In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 14 December 2021.

### RECOMMENDATION

The Directors, including all of the independent non-executive Directors, are of the view that the terms of each of the New Master Supply Agreements and the New Master Purchase Agreements, the proposed annual caps and the transactions contemplated thereunder are fair and reasonable and in the interest of the Group and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolutions in respect of the New Master Supply Agreements and the New Master Purchase Agreements.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 26 to 27 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders regarding the proposed resolutions to approve each of the New Master Supply Agreements and the New Master Purchase Agreements; and (ii) the letter from Opus Capital set out on pages 28 to 56 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of each of the New Master Supply Agreements and the New Master Purchase Agreements.

The Independent Board Committee, having taken into account the advice of Opus Capital, the Independent Financial Adviser, considers that the terms of each of the New Master Supply Agreements and the New Master Purchase Agreements entered into in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a

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## LETTER FROM THE BOARD

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whole and are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve each of the New Master Supply Agreements and the New Master Purchase Agreements.

### FURTHER INFORMATION

Your attention is drawn to the appendix headed “General Information” to this circular.

Yours faithfully,  
By Order of the Board  
**Shineroad International Holdings Limited**  
**Huang Haixiao**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the New Master Supply Agreements and the New Master Purchase Agreements, and the proposed annual caps and the continuing connected transactions contemplated thereunder.*



### 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)**

30 November 2021

*To the Independent Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 30 November 2021 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of each of the New Master Supply Agreements and the New Master Purchase Agreements are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Opus Capital as set out on pages 28 to 56 of the Circular and the letter from the Board as set out on pages 6 to 25 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the New Master Supply Agreements and the New Master Purchase Agreements and the factors and reasons considered by Opus Capital and its opinion as stated in its letter of advice, we consider that the terms of each of the New Master Supply Agreements and the New Master Purchase Agreements are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Group and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions proposed to approve each of the New Master Supply Agreements and the New Master Purchase Agreements, and the proposed annual caps and the continuing connected transactions contemplated thereunder.

Yours faithfully,

For and behalf of the

**Independent Board Committee**

**Mr. Tan Wee Seng**

*Independent*

*non-executive Director*

**Mr. Chan Ka Kit**

*Independent*

*non-executive Director*

**Mr. Meng Yuecheng**

*Independent*

*non-executive Director*

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## LETTER FROM OPUS CAPITAL

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*Set out below is the text of a letter received from Opus Capital, 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 for the purpose of inclusion in this circular.*



18th Floor, Fung House  
19-20 Connaught Road Central  
Central, Hong Kong

30 November 2021

*To: The Independent Board Committee and the Independent Shareholders of Shineroad International Holdings Limited*

Dear Sir/Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to, among other things, the New Master Supply Agreements and the New Master Purchase Agreements (including the respective proposed annual caps for the three years ending 31 December 2024 (the “**Annual Caps**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 30 November 2021 issued by the Company (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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 the same day, Shineroad Food (as seller) also entered into the Teaheals Master Supply Agreement with Teaheals (as purchaser).

Reference is also 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,

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## LETTER FROM OPUS CAPITAL

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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.

Mr. Huang is the chairman, executive Director and controlling shareholder of the Company and therefore a connected person of the Company. As at the Latest Practicable Date, each of Hi-Road, Hi-morse Food and Teaheals 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 and Teaheals is a connected person of the Company and the transactions under each of the New Master Supply Agreements and the New Master Purchase Agreements 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 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 (i) Mr. Huang is considered to have material interests in the transactions contemplated under each of the New Master Supply Agreements and the New Master Purchase Agreements, 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 and the New Master Purchase Agreements.

The EGM will be convened by the Company to seek the approvals from the Independent Shareholder 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 New Master Supply Agreements and the New Master Purchase Agreements.

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tan Wee Seng, Mr. Chan Ka Kit and Mr. Meng Yuecheng, has been established by the Company to advise and make recommendation to the Independent Shareholders in respect of the New Master Supply Agreements and the New Master Purchase Agreements and the transactions contemplated thereunder. Our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matters has been approved by the Independent Board Committee.

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## LETTER FROM OPUS CAPITAL

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Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the entering into of the New Master Supply Agreements and the New Master Purchase Agreements and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the New Master Supply Agreements and the New Master Purchase Agreements and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote on the relevant resolutions at the EGM.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Company, Hi-Road, Hi-morse Food, Teaheals, Mr. Huang or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal independent financial advisory fees paid or payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, Hi-Road, Hi-morse Food, Teaheals, Mr. Huang or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things, the Existing Hi-Road Master Supply Agreement, the Existing Master Purchase Agreements, the New Master Supply Agreements and the New Master Purchase Agreements, the Company's interim report for the six months ended 30 June 2021 (the "**2021 Interim Report**"), the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**") and other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.



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## LETTER FROM OPUS CAPITAL

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We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects. We also have not considered the taxation implication on the Group as a result of the New Master Supply Agreements and the New Master Purchase Agreements and the transactions contemplated thereunder.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the transactions contemplated under the New Master Supply Agreements and the New Master Purchase Agreements, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the terms of the transactions contemplated under the New Master Supply Agreements and the New Master Purchase Agreements, we have taken into consideration the following principal factors and reasons:

#### **1. Information of the Group**

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. The Group has over 25 years of

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## LETTER FROM OPUS CAPITAL

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experience in the industry, which specialises in supplying an extensive portfolio of over 1,000 food ingredients and food additives to food manufacturers in the PRC. Its products can be classified into three categories, namely: (i) food ingredients; (ii) food additives; and (iii) packaging materials.

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

### **2. Information on the sellers and service provider**

#### ***Hi-Road and Hi-morse Food***

Hi-Road is a joint-stock company incorporated in the PRC whose shares are listed on ChiNext of the Shenzhen 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 engaged 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.

### **3. 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

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## LETTER FROM OPUS CAPITAL

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materials. 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 materials. 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.

We note that the Group has a long history of supplying of food ingredients and additives to Hi-Road and Hi-morse Food which dates back to before the listing of the Company on the Stock Exchange. The entering into of the New Hi-Road Master Supply Agreement is merely a continuation of the supply arrangements under the Existing Hi-Road Master Supply Agreement upon its impending expiry on 31 December 2021.

We further note that the entering into of the Teaheals Master Supply Agreement was a new arrangement to support the product innovation of Teaheals by supplying it with non-dairy creamer, cheese powder and resistant dextrin which the Group is able to readily supply.

### *(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.

Similar to the New Hi-Road Master Supply Agreement, we note that the Group has a long history of purchasing of food ingredients and additives from Hi-Road, Hi-morse Food and Teaheals which dates back to before the listing of the Company on the Stock Exchange. The entering into of the New Master Purchase Agreements is merely a continuation of the purchase arrangements under the Existing Master Purchase Agreements upon their impending expiry on 31 December 2021.

Based on the above and having considered in particular: (i) the principal business and operation of the Group; (ii) the established business relationship between the Group and each of Hi-Road, Hi-morse Food and Teaheals; and (iii) the reasons for benefits of the New Master Supply

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## LETTER FROM OPUS CAPITAL

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Agreements and the New Master Purchase Agreements mentioned above, we are of the view that the New Master Supply Agreements and the New Master Purchase Agreements and the transactions contemplated thereunder are entered into in the ordinary and usual course of the business of the Group.

#### 4. Principal terms of the continuing connected transactions

##### *(I) New Master Supply Agreements*

With respect to the principal terms of the New Master Supply Agreements, 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 substantially the same, the principal terms of which are as follows:

<b>Date</b>	25 October 2021 (after trading hours)
<b>Parties</b>	Seller — Shineroad Food
	Purchasers — For the New Hi-Road Master Supply Agreement: Hi-Road and Hi-morse Food
	— For the Teaheals Master Supply Agreement: Teaheals

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## LETTER FROM OPUS CAPITAL

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**Subject matter**

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:

For the New Hi-Road Master Supply Agreement:

Sucrose esters, vanillin, condensed milk, frozen cream and other food ingredients and additives

For the Teaheals Master Supply Agreement:

Non-dairy creamer, cheese powder, resistant dextrin and other food ingredients and additives

**Term**

From 1 January 2022 to 31 December 2024

**Conditions precedent**

For the New Hi-Road Master Supply 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 ChiNext of the Shenzhen Stock Exchange. As at the Latest Practicable Date, condition (ii) had been fulfilled and only condition (i) remained outstanding.

For the Teaheals Master Supply 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. As at the Latest Practicable Date, this condition had not been fulfilled.

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## LETTER FROM OPUS CAPITAL

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### **Pricing policy**

The selling prices of the relevant products under the New Master Supply Agreement 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 the selling prices of the same product offered by the sellers (and/or its subsidiaries) to its third-party customers based on normal commercial terms and in the ordinary and usual course of business. The Group will compare the selling price offered to Hi-Road Group with not less than three selling prices offered to its independent third-party customers with the same or comparable products with similar specifications (such as similar quantity, length of credit period and delivery method, etc) to ensure the selling price offered to Hi-Road Group are at the rates no more favourable than those offered to the Group’s 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.

We have reviewed the New Master Supply Agreements and noted that the pricing basis and the other key terms are in line with the Existing Hi-Road Master Supply Agreement. We have also conducted a random sample review of 30 historical individual sales records (the “**Historical Sales Records**”) which were: (i) entered into by the Group with each of Hi-Road and Hi-morse Food (24 orders) or Teaheals (6 orders) during the eight months ended 31 August 2021; (ii) of higher value items with contract sums ranging between approximately RMB131,000 to approximately RMB400,000 for those orders placed with Hi-Road and Hi-morse and contract sums ranging between approximately RMB260 to approximately RMB2,053 for those orders placed with Teaheals; (iii) a mixture of product categories with very little overlaps of product features; and (iv) providing a sample coverage of at least 55% (i.e. being the total amount of the sample selected divided by the total amount of the during the period). We compared the selling prices of these sales records against the historical sales records offered to the Group’s independent third-party customers (the “**Historical Independent Sales Records**”) of same or similar products obtained

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## LETTER FROM OPUS CAPITAL

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from the Group to independent third-party customers and noted that the selling prices of the Historical Sales Records are no less favourable than the prevailing market prices quoted in the Historical Independent Sales Records.

Based on the above, and in particular, (i) the transactions under the New Master Supply Agreements are based on a non-exclusive basis and the selling prices are no less favourable than available to the independent third-party customers; (ii) the selling prices of the relevant products under the New Master Supply Agreement 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; (iii) our sample review of the Historical Sales Records as mentioned above which shows that the selling prices of the Historical Sales Records are not less favourable than the prevailing market prices quoted in the Historical Independent Sales Records; and (iv) the Company's internal control measures to be discussed below, we consider the pricing and other principal terms of the New Master Supply Agreements to be on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **(II) New Master Purchase Agreements**

With respect to the principal terms of the New Master Purchase Agreements, 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 substantially the same, the principal terms of which are as follows:

<b>Date</b>	25 October 2021 (after trading hours)
<b>Parties</b>	Purchaser — Shineroad Food
	Sellers — For the New Hi-Road Master Purchase Agreement: Hi-Road and Hi-morse Food — For the New Teaheals Master Purchase Agreement: Teaheals

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## LETTER FROM OPUS CAPITAL

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**Subject matter**

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 the New Hi-Road Master Purchase Agreement:

Food flavourings, chocolate, dairy-based compound, fruit jam and other food ingredients and additives

For the New Teaheals Master Purchase Agreement:

Tea powder, herbal powder and fruit powder products

**Term**

From 1 January 2022 to 31 December 2024

**Conditions precedent**

For the 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 ChinNext of the Shenzhen Stock Exchange. As at the Latest Practicable Date, condition (ii) had been fulfilled and only condition (i) remained outstanding.

For the 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. As at the Latest Practicable Date, this condition had not been fulfilled.



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## LETTER FROM OPUS CAPITAL

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### **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;

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## LETTER FROM OPUS CAPITAL

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- (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), an online B2B trading platform under the Alibaba Group with a major focus in the PRC domestic market and a widespread of users (including sellers which offer same or similar products across the country), which allows the Group to source the transaction price of the relevant products more effectively and comprehensively; 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.

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## LETTER FROM OPUS CAPITAL

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### **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.

We have reviewed the New Master Purchase Agreements and noted that the pricing basis and the other key terms are in line with the Existing Master Purchase Agreements. We have also conducted a random sample review of 12 historical individual purchase records (the “**Historical Purchase Records**”) which were: (i) entered into by the Group with each of Hi-Road (6 orders) or Teaheals (6 orders) during the eight months ended 31 August 2021; (ii) of higher value items with contract sums ranging between approximately RMB11,000 to approximately RMB381,000 for those orders placed with Hi-Road and contract sums ranging between approximately RMB530,000 to approximately RMB1,767,000 for those orders placed with Teaheals; (iii) a mixture of product categories with very little overlaps of product features; and (iv) providing a sample coverage of at least 51% (i.e. being the total amount of the sample selected divided by the total amount of the purchase records during the period). We compared the purchase prices of these purchase records against the quotation slips (the “**Historical Independent Purchase Quotation Slips**”) of same or similar products obtained by the Group from independent third-party suppliers in the same or neighbourhood regions and noted that the purchase prices of the Historical Purchase Records are no less favourable than the prevailing market prices quoted in the Historical Independent Purchase Quotation Slips.

Based on the above, and in particular, (i) the transactions under the New Master Purchase Agreements are based on a non-exclusive basis and the purchase prices are no less favourable than available from the independent third party suppliers; (ii) 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; (iii) our sample review of the Historical Purchase Records as mentioned above which shows that the purchase prices of the Historical Purchase Records are not less favourable than the prevailing market prices quoted in the Historical Independent Quotation Slips; and (iv) the Company’s internal control measures to be discussed below, we consider the pricing and other principal terms of the New Master Purchase Agreements to be on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **5. Internal control procedures**

To ensure prices and payment terms of relevant products or services under the New Master Supply Agreements and the New Master Purchase Agreements are in line with the prevailing market practice, on normal commercial terms, fair and reasonable and no less favourable than

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## LETTER FROM OPUS CAPITAL

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available to/from (as the case maybe) 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 business director from the commercial department 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 finance department of the Group will closely monitor the transaction amounts under the New Master Supply Agreements to ensure that the proposed annual caps will not be exceeded. The chief financial officer 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.

Having regard to the abovementioned procedures, we note that the Group has adopted internal control mechanism to ensure that the selling price of each of the transactions contemplated under the New Master Supply Agreements will not be less favourable than those available to the independent third-party purchasers. Such internal control mechanism includes: (i) the assessment of selling prices to be conducted by business management centre; (ii) ongoing monitor and quarterly review of the transactions by the financial department; (iii) the review of the transactions

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## LETTER FROM OPUS CAPITAL

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under the New Master Supply Agreements by all the independent non-executive Directors and independent auditors; and (iv) the abstaining of Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) from voting in respect of the relevant resolution(s).

We are of the view that the Company's internal control measures are effective, which was evidenced through our satisfactory sample review of 30 Historical Sales Records against the Historical Independent Sales Records whereby the pricing basis are in compliance with those pricing principles set out in the New Master Supply Agreements. We have also performed a walk-through of the internal control measures with the Management regarding the transactions performed under the abovementioned individual sales records and sample-checked the Company's internal approval records.

### ***(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 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 “(II) New Master Purchase Agreements — Pricing policy” 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;

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## LETTER FROM OPUS CAPITAL

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- (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.

Having regard to the abovementioned procedures, we note that the Group has adopted internal control mechanism to ensure that the purchase price of each of the transactions contemplated under the New Master Purchase Agreements will not be less favourable than those available from the independent third-party suppliers. Such internal control mechanism includes: (i) the assessment of purchase prices to be conducted by various levels; (ii) ongoing monitor and quarterly review of the transactions by the head of the supply chain and the product management centre; (iii) the review of the transactions under the New Master Purchase Agreements by all the independent non-executive Directors and independent auditors; and (iv) the abstaining of Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) from voting in respect of the resolution(s).

We are of the view that the Company's internal control measures are effective, which was evidenced through our satisfactory sample review of 12 Historical Purchase Records against the Historical Independent Purchase Quotation Slips whereby the pricing basis are in compliance with those pricing principles set out in the New Master Purchase Agreements. We have also performed a walk-through of the internal control measures with the Management regarding the transactions performed under the abovementioned individual purchase records and sample-checked the Company's internal approval records.

Based on the above, we concur with the views of the Directors that the internal control measures can result in the transactions contemplated under the New Master Supply Agreements and the New Master Purchase Agreements to be conducted in the ordinary and usual course of the Group's business, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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**LETTER FROM OPUS CAPITAL**

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**6. Annual Caps**

*(I) New Master Supply Agreements*

During the past three year, 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:*

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

*Historical annual caps:*

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

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## LETTER FROM OPUS CAPITAL

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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:*

	<b>For the year ending 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<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
<b>Total</b>	<b>30,558</b>	<b>42,784</b>	<b>59,902.5</b>

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 food ingredients and additives by Hi-Road and its subsidiaries: Hi-Road has raised net proceeds of approximately RMB967.74 million from the listing of its shares on ChiNext of the Shenzhen Stock Exchange in December 2020, among which it intended to apply approximately RMB240.62 million in construction and expansion of its factories for producing non-dairy cream, chocolates, jam, frozen dessert materials, etc. to be used for surface decoration for making bakery food and cake, etc. In light that such construction and expansion of its factories will gradually take place and completed from 2022 onwards, it is expected that Hi-Road's demand for the Group's food ingredients and additives, in particular sucrose esters (an ingredient for making whipping cream), will have a significant increase as compared to the actual transaction amounts during the period from 2018 to 2021, and such increasing trend is expected to continue throughout the term of the New Hi-Road Master Supply Agreement; and
- (iii) newly added food ingredient: The Group has commenced selling frozen cream in 2021 and therefore has included the same under the New Hi-Road Master Supply Agreement. Frozen cream was one of the major ingredients for making food materials for decoration of bakery food and cake. Hi-Road has a stable demand of it and has been purchasing considerable amount from other third-party suppliers in previous period. Based on the



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## LETTER FROM OPUS CAPITAL

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annual report of Hi-Road for the year ended 31 December 2020, the amount of costs of goods sold by Hi-Road associated with cream products (being the products processed and sold by Hi-Road with frozen cream as the key food ingredient) in 2020 amounted to approximately RMB234.1 million, representing approximately 87.1% out of the total costs of goods sold by Hi-Road in 2020. Hi-Road's demand for frozen cream is significantly higher than the other products under the New Hi-Road Master Sale Agreement since frozen cream is one of the major ingredients or components in the production of the cream which is used in the bakery food and cake. On the other hand, the other products under the New Hi-Road Master Sale Agreement, such as sucrose esters and vanillin, are food additives which only a comparatively smaller amount are used in the production of cream. As such, among other food ingredients and additives under the New Hi-Road Master Supply Agreement, the proposed maximum transaction amounts of frozen cream for the three years ending 31 December 2024 are approximately RMB13,500,000, RMB18,900,000 and RMB26,640,000, respectively, representing approximately 44% of the proposed annual cap for each year from 2022 to 2024 and resulted in a significant growth in the annual caps.

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

Our analysis:

With respect to the proposed annual caps under the New Hi-Road Master Supply Agreement, we start by first obtaining the relevant business plan calculation worksheet (the "**Supply Business Plan**") from the Management and noted the breakdown of the relevant proposed annual cap for the year ending 31 December 2022 of approximately RMB30.6 million as follows: (i) the projected supply of sucrose esters which amounts to approximately RMB11.1 million; (ii) the projected supply of frozen cream which amounts to approximately RMB13.5 million; and (iii) the remaining food ingredients and additives such as vanillin and condensed milk made up of the residual projected amount of approximately RMB6.0 million. We note that for group (i) above, the highest annual historical sales amount during the three years ended 31 December 2020 (the "**Historical Period**") took place in 2019 which amounted to approximately RMB8.0 million and the annualised historical sales amount for 2021, based on the actual sales amounts for the eight months ended 31 August 2021, would be approximately RMB8.3 million, exceeding that of the highest level seen during the Historical Period. We are of the view that the relevant projection of approximately RMB11.1 million is not aggressive compared to the previous sales hikes. We note that for group (iii) above, being the remaining food ingredients and additives such as vanillin and condensed milk, the highest annual historical sales amount during the Historical Period took place in 2020 which

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## LETTER FROM OPUS CAPITAL

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amounted to approximately RMB3.2 million while the annualised historical sales amount for 2021, based on the actual sales amounts for the eight months ended 31 August 2021, would be approximately RMB4.1 million, once again reaching a new sales hike. We therefore hold a similar view that the relevant projection of approximately RMB6.0 million appears to be reasonable. Lastly, we note that for group (ii), being the newly added food ingredient of frozen cream, which is sought after by Hi-Road but was not supplied in large quantities by the Group to them in the past, is projected to supply approximately RMB13.5 million to Hi-Road in 2022 compared to none in the past. We have enquired and as advised by the Management, Hi-Road has all along been producing its bakery products using frozen cream as a food ingredient but the Company previously did not have sources to frozen cream and it wasn't until recently that the Company has acquired its first distributor license for frozen cream from a major dairy producer since July 2021. We were given an indication of the demand size for frozen cream from Hi-Road and the quantities of frozen cream as indicated by the relevant proposed annual caps would only account for a small fraction of the total demand size for frozen cream from Hi-Road. To confirm such understanding we have reviewed the annual report of Hi-Road for the year ended 31 December 2020, and noted that the amount of costs of goods sold by Hi-Road associated with cream products (being the products processed and sold by Hi-Road with frozen cream as the key food ingredient) for the year ended 31 December 2020 was approximately RMB234.1 million. Based on the above, we concur with the Management that the proposed annual cap under the New Hi-Road Master Supply Agreement for the year ending 31 December 2022 of RMB30.6 million is fair and reasonable.

After we have established the reasonableness of the proposed annual cap under the New Hi-Road Master Supply Agreement for the year ending 31 December 2022 of RMB30.6 million, we turned to analyse the reasonableness of the relevant proposed annual caps for the remaining two years ending 31 December 2024. Given that the relevant proposed annual caps for these two years would grow by approximately 40% year-on-year from the year ending 31 December 2021 onwards, we have undertaken the following independent work procedures to analyse the reasonableness of the 40% growth rate by way of the followings: (i) we have reviewed the relevant use of proceeds section of the prospectus of Hi-Road dated 11 November 2020 (the “**Hi-Road Prospectus**”) and we noted that Hi-Road’s stated use of proceeds to be dedicated to construction and expansion of factories for producing non-dairy cream, chocolates, jam, frozen dessert materials, etc does coincide with the reasonings disclosed by the Management above; (ii) we have reviewed the relevant financial information section of the Hi-Road Prospectus and the third quarterly report of Hi-Road for the nine months ended 30 September 2021 and noted that the sales revenue of Hi-Road had grown at a compound annual growth rate (“**CAGR**”) of approximately 11.5% between 2017 and 2021 (annualised figure based on the sales revenue of Hi-Road for the nine months ended 30 September 2021) while the year-on-year growth rate between 2020 and the same 2021

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## LETTER FROM OPUS CAPITAL

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annualised sales revenue was approximately 27.2% as Hi-Road recovered swiftly from COVID-19; and (iii) we have reviewed the interim report of Hi-Road for the six months ended 30 June 2021 and noted that the amount of revenue sold by Hi-Road associated with cream products (being the products processed and sold by Hi-Road with frozen cream as the key food ingredient) for six months ended 30 June 2021 have grown by approximately 53.6%, the increase of which was mainly due to significant production and sales of cream products driven by a surge of market demands. We note that above findings are both supportive of the 40% growth rate applied by the Management for the projection of the relevant proposed annual caps for the remaining two years ending 31 December 2024. Based on the above, we concur with the Management that the proposed annual caps under the New Hi-Road Master Supply Agreement for the two years ending 31 December 2024 of approximately RMB42.8 million and RMB60.0 million respectively are fair and reasonable.

With respect to the proposed annual caps under the Teaheals Master Supply Agreement, as Teaheals would only purchase minimal quantities of food ingredients and additives (i.e. less than RMB70,000 per year) from the Company for the three years ending 31 December 2024, we consider the relevant projection to be negligible.

In conclusion, we concur with the Company that the proposed annual caps under the New Master Supply Agreements are fair and reasonable.

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**LETTER FROM OPUS CAPITAL**

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**(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:*

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

*Historical annual caps:*

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

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## LETTER FROM OPUS CAPITAL

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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:*

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

The proposed annual caps under the New Hi-Road Master Purchase Agreement were estimated based on:

- (i) historical transaction amounts which show a 17.4% year-on-year growth in 2020. The transaction amount for the eight months ended 31 August 2021, which is lower than the transaction amount for the year ended 31 December 2020, is not preferred to be used for analysing the trend of the Group's demand since the peak season for the trade of the products under the New Hi-Road Master Purchase Agreement, such as chocolate and fruit jam, is in the fourth quarter of each year (i.e. around Christmas and Chinese New Year when the market will have higher consumption of chocolates and confectionary products). As the peak season of 2021 has not ended as at the Latest Practicable Date, the most up-to-date historical data would be the historical transaction amounts for the two years ended 31 December 2020;
- (ii) based on the aforesaid historical growth rate of 17.4% and the market recovery from the control of COVID-19, the Group expected the demand from the Group's existing customers for the three years ending 31 December 2024 would be stable and maintain at an annual growth rate of 20%; and
- (iii) the new project of the Group in relation to expansion of its distribution business to new customers namely food service providers comprising catering providers (mainly restaurants and teahouses) and upstream suppliers, pursuant to which the Group will procure, among others, a new type of food ingredient (dairy-based compound) from

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## LETTER FROM OPUS CAPITAL

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Hi-Road and for distribution purpose. The proposed maximum transaction amounts of dairy-based compound for the three years ending 31 December 2024 are approximately RMB10,000,000, RMB18,000,000 and RMB25,000,000, respectively, representing approximately 77%, 83% and 85% of the proposed annual cap for the three years ending 31 December 2024. Dairy-based compound is mostly used in milk-related beverages. Given the continuous growth in the PRC beverage market, the Group plans to promote dairy-based compound as a key product and gain new customers and distribution channels in the related industry in the coming years. For instance, during the first half of 2021, the Group had further obtained four new distribution rights with focus on the food service industry and the nutrition and care industry. Based on the above, it is expected that the Group's demand as well as the purchase amount of dairy-based compound will continue to increase along with the growth of market and new customers throughout 2022 to 2024.

The proposed annual caps under the New Teaheals Master Purchase Agreement were estimated based on:

Historical transaction amounts for the four years ended 31 December 2018 as follows:

	<b>For the year ended 31 December</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase from Teaheals	<u>7,846</u>	<u>12,807</u>	<u>20,517</u>	<u>22,191</u>

With the increasing popularity of tea beverages in the PRC, the market of tea powder, herbal powder and fruit powder has been increasing over recent years, which in turn boosted up the Group's demand over Teaheals' products. As shown in the above table, The Group's demand over Teaheals' product has been growing at an annual rate of approximately 60% during the period from 2015 to 2017. Such growing trend had become unstable and fluctuated from 6% to 43% during 2018 to 2021 since Teaheals has undergone a products adjustment project during 2018 to 2021, pursuant to which Teaheals was focused on the research, adjustment and improvement of its products, and was not able to provide certain products to the Group from time to time during such progress. Nonetheless, given the products adjustment project was completed in 2021, it is expected that the Group's purchase from Teaheals can resume back to normal scale at the expected maximum amount of RMB39,700,000 in 2022 with a steady growth rate of 40% in each of 2023 and 2024. As set out in the 2021 Interim Report, the Group aims to, among others, focus on the nutrition and care industry in the upcoming future. The PRC nutrition and care industry, which adheres to the trait of the homology of medicine and food (藥食同源), has a high demand in

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## LETTER FROM OPUS CAPITAL

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natural food ingredients such as tea powder, herbal powder and fruit powder, etc. As such, the Group expects its purchase amount from Teaheals in 2022 will have a significant increase as compared to the previous periods.

Our analysis:

With respect to the proposed annual caps under the New Hi-Road Master Purchase Agreement, we start by first obtaining the relevant business plan calculation worksheet from the Management and noted the breakdown of the relevant proposed annual cap for the year ending 31 December 2022 of approximately RMB13.0 million as follows: (i) the projected purchase of chocolate and flavor which amounts to approximately RMB3.0 million; and (ii) the projected purchase of dairy-based compound which amounts to approximately RMB10.0 million. We note that for group (i) above, the highest annual historical sales amount during the Historical Period took place in 2018 which amounted to approximately RMB2.1 million and the projected sales amount for 2021, based on the actual sales amounts for the eight months ended 31 August 2021 plus the Management's own projections for the four months ended 31 December 2021, would be approximately RMB2.5 million, exceeding that of the highest level seen during the Historical Period. The Management explained that the typical peak season for the purchases of chocolate and fruit jam under the New Hi-Road Master Purchase Agreement is in the fourth quarter of each year to support its projection for the four months ended 31 December 2021. As such, we have obtained from the Management the monthly actual purchases of chocolate and fruit jam under the Existing Hi-Road Master Purchase Agreement for the two years ended 31 December 2020 and noted such phenomenon. Given the smaller gap between RMB2.5 million and RMB3.0 million, we are minded to consider the relevant projection reasonable. Lastly, we note that for group (ii), being the newly added food ingredient of dairy-based compound, which as explained by the Management, is a new project of the Group in relation to expansion of its distribution business to new customers namely food service providers comprising catering providers (mainly restaurants and teahouses) and upstream suppliers. The proposed maximum transaction amounts of dairy-based compound for the three years ending 31 December 2024 are approximately RMB10.0 million, RMB18.0 million and RMB25.0 million, respectively, representing approximately 77%, 83% and 85% of the relevant proposed annual cap for the three years ending 31 December 2024. Given it is a new project of the Group, we have conducted the following independent work procedures: (i) we have obtained from the Management the relevant business product plans for dairy-based compound as well as the annual budget and review meeting minutes from the Management both indicating the Group's plan to promote dairy-based compound as a key product in the coming years; (ii) we have reviewed the 2021 Interim Report and noted that the Group had further obtained four new distribution rights with focus on the food service industry and the nutrition and care industry, suggesting the Group's solid track record of gaining new customers and distribution channels;

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## LETTER FROM OPUS CAPITAL

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and (iii) we have conducted a reasonableness check on the size of the relevant proposed maximum transaction amounts of dairy-based compound for the three years ending 31 December 2024 are approximately RMB10.0 million, RMB18.0 million and RMB25.0 million relative to the Group's cost of sales for the year ended 31 December 2020 of RMB547.8 million and noted that the relevant projected annual purchase amounts are relatively insignificantly compared to the Group's overall cost of materials therefore we conclude that it is not unreasonable for the Management to assign a higher projection for purchases which would benefit the Group in a new product campaign. Based on the above, we concur with the Management that the proposed annual cap under the New Hi-Road Master Purchase Agreement for the year ending 31 December 2022 of RMB13.0 million is fair and reasonable.

After we have established the reasonableness of the proposed annual cap under the New Hi-Road Master Purchase Agreement for the year ending 31 December 2022 of RMB13.0 million, we turned to analyse the reasonableness of the relevant proposed annual caps for the remaining two years ending 31 December 2024. Given that the relevant proposed annual caps (excluding those related to dairy-based compound which we have commented above) for these two years would grow by approximately 20% year-on-year from the year ending 31 December 2021 onwards, we have undertaken the following independent work procedures to analyse the reasonableness of the 20% growth rate by way of the followings: (i) we have reviewed the 2020 Annual Report and noted that the revenue of the Group had grown at a CAGR of approximately 11.7% between 2018 and 2020; and (ii) we have reviewed the 2021 Interim Report and noted that the revenue of the Group for the six months ended 30 June 2021 had increased by approximately 33.1% when compared to the corresponding period last year as the Group recovered from COVID-19. We note that above findings are both supportive of the 20% growth rate applied by the Management for the projection of the relevant proposed annual caps for the remaining two years ending 31 December 2024. Based on the above, we concur with the Management that the proposed annual caps under the New Hi-Road Master Purchase Agreement for the two years ending 31 December 2024 of approximately RMB21.6 million and RMB29.3 million respectively are fair and reasonable.

With respect to the proposed annual caps under the New Teaheals Master Purchase Agreement, we start by first obtaining the relevant business plan calculation worksheet from the Management and noted the breakdown of the relevant proposed annual cap for the year ending 31 December 2022 of approximately RMB39.7 million as follows: (i) the projected purchase of tea powder which amounts to approximately RMB17.7 million; and (ii) the projected purchase of fruit powder which amounts to approximately RMB22.0 million. We note that for both group (i) and (ii) above, the highest annual historical sales amounts during the Historical Period took place in 2020 which amounted to approximately RMB17.0 million and RMB16.6 million respectively and the relevant proposed annual cap for the year ending 31 December 2022 in terms of tea powder is almost at par with the corresponding historical



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## LETTER FROM OPUS CAPITAL

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purchase hike. However, the relevant proposed annual cap for the year ending 31 December 2022 in terms of fruit powder is higher than the corresponding historical purchase hike. We are however of the view that given the fact that there isn't much head-room for the relevant proposed annual cap for the year ending 31 December 2022 in terms of tea powder and since both products share the same annual cap under the New Teaheals Master Purchase Agreement, the annual cap head-room available with fruit powder can be better utilised by that of tea powder. Based on the above, we concur with the Management that the proposed annual cap under the New Teaheals Master Purchase Agreement for the year ending 31 December 2022 of RMB39.7 million is fair and reasonable.

After we have established the reasonableness of the proposed annual cap under the New Teaheals Master Purchase Agreement for the year ending 31 December 2022 of RMB39.7 million, we turned to analyse the reasonableness of the relevant proposed annual caps for the remaining two years ending 31 December 2024. Given that the relevant proposed annual caps for these two years would grow by approximately 40% year-on-year from the year ending 31 December 2021 onwards, we have undertaken the following independent work procedures to analyse the reasonableness of the 40% growth rate by way of reviewing the industry overview section of the prospectus of Nayuki Holdings Limited (stock code: 2150) dated 18 June 2018, a leading premium modern teahouse chain in the PRC serving freshly-made tea drinks. and noted that with the emergence of the new tea-drinking experience, the PRC has witnessed rapid growth of the tea-drinking market with freshly-made tea drink products recording a historical CAGR of approximately 21.9% between 2015 and 2020 and with a forecasted CAGR of approximately 24.5% between 2020 and 2025. Furthermore, we note that with the popularity of mobile internet, mobile payment and the digitalization process of the PRC's catering industry, the retail consumption value of freshly-made tea products through delivery services in all portals increased from RMB0.7 billion in 2015 to RMB28.4 billion in 2020, with a CAGR of 107.6%. It was also forecasted that such growth will persist at a forecasted CAGR of approximately 31.8% for the period between 2020 and 2025. We note that above findings are both supportive of the 40% growth rate applied by the Management for the projection of the relevant proposed annual caps for the remaining two years ending 31 December 2024. Based on the above, we concur with the Management that the proposed annual caps under the New Teaheals Master Purchase Agreement for the two years ending 31 December 2024 of approximately RMB55.6 million and RMB77.8 million respectively are fair and reasonable.

In conclusion, we concur with the Company that the proposed annual caps under the New Master Purchase Agreements are fair and reasonable.

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## LETTER FROM OPUS CAPITAL

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### OPINION AND RECOMMENDATION

Having taking into account the above principal factors and reasons, we considered that: (i) the entering into of the New Master Supply Agreements and the New Master Purchase Agreements and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the New Master Supply Agreements and the New Master Purchase Agreements and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the New Master Supply Agreements and the New Master Purchase Agreements and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,  
For and on behalf of  
**Opus Capital Limited**  
**Cheung On Kit Andrew**  
*Executive Director*

*Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 13 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the Shares and the underlying Shares and debentures of the Company and its associated corporations as at the Latest Practicable Date

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company and/or its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO); (b) to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) to otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the “**Model Code**”), were as follows:

#### (i) Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/interested in	Percentage of interest
Mr. Huang ( <i>Note</i> )	Interest in controlled corporation	510,000,000	75%

*(ii) Long position in the ordinary shares of associated corporations*

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/ interested in	Percentage of interest
Mr. Huang ( <i>Note</i> )	Ocean Town Company Limited (“ <b>Ocean Town</b> ”)	Beneficial owner	1	100%
Mr. Huang ( <i>Note</i> )	Shineroad Group Limited (“ <b>Shineroad Group</b> ”)	Interest in controlled corporation	1	100%

*Note:* Mr. Huang beneficially owns the entire issued share capital of Ocean Town, which beneficially owns the entire issued share capital of Shineroad Group. Therefore, each of Mr. Huang and Ocean Town is deemed to be interested in 510,000,000 Shares held by Shineroad Group for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests, in the long position or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which he/she was taken or deemed to have under such provisions of the SFO); (b) which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(b) Directors’ service contracts**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any other member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

**(c) Others**

Save as disclosed in this circular, as at the Latest Practicable Date:

- (i) none of the Directors had any interest, direct or indirect, in any asset which had, since 31 December 2020, being the date of the latest published audited accounts of the Company were made up, been acquired or disposed of by, or leased to, the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group taken as a whole.

**(d) Substantial Shareholders' interests and short positions in the Shares and the underlying Shares as at the Latest Practicable Date**

As at the Latest Practicable Date, so far as the Directors are aware, the following persons, other than the Directors or the chief executive of the Company, have beneficial interests or short positions in any Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

<b>Name</b>	<b>Capacity/Nature</b>	<b>Number of Shares held/interested in</b>	<b>Percentage of interest</b>
Ocean Town ( <i>Note 1</i> )	Interest in controlled corporation	510,000,000	75%
Shineroad Group ( <i>Note 1</i> )	Beneficial owner	510,000,000	75%
Ms. Chen Dongying ( <i>Note 2</i> )	Interest of spouse	510,000,000	75%

*Notes:*

1. Such 510,000,000 Shares are held by Shineroad Group as a registered holder. The entire issued share capital of Shineroad Group is wholly-owned by Ocean Town. Therefore, Ocean Town is deemed to be interested in 510,000,000 Shares held by Shineroad Group for the purpose of the SFO. Mr. Huang, the chairman of the Board and an executive Director, is the director of each of Ocean Town and Shineroad Group.
2. Ms. Chen Dongying is the spouse of Mr. Huang and is therefore deemed to be interested in 510,000,000 Shares in which Mr. Huang has, or is deemed to have, for the purpose of the SFO.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, there was no other person (other than the Directors or chief executive of the Company) who had any interests or short positions in the Shares and the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### **3. MATERIAL ADVERSE CHANGE**

The Directors confirmed that as at the Latest Practicable Date, there was no material adverse change in the financial or trading position or prospects of the Group since 31 December 2020, being the date of the latest published audited accounts of the Company were made up.

### **4. QUALIFICATIONS AND CONSENT OF EXPERT**

The following are the qualifications of the expert who has been named in this circular and whose advice or opinion are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Opus Capital	a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the Independent Financial Adviser

As at the Latest Practicable Date, Opus Capital did not have any shareholding, direct or indirect, in any member of the Group or any right or option, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Opus Capital did not have any direct or indirect interest in any asset which have been acquired, or disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020.

Opus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters and reference to its names, in the form and context in which it is included.

**5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

As at the Latest Practicable Date, none of the Directors and their respective associates has engaged in any business that competes or may compete, directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

In case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

**6. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.shineroad.com>) from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the New Hi-Road Master Supply Agreement;
- (b) the Teaheals Master Supply Agreement;
- (c) the New Hi-Road Master Purchase Agreement; and
- (d) the New Teaheals Master Purchase Agreement.

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Shineroad International Holdings Limited (the “**Company**”) will be held at 3rd Floor, Meeting Room, 666 Jindou Road, Shanghai, the PRC on Monday, 20 December 2021 at 10 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

Words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular dated 30 November 2021 published by the Company (the “**Circular**”).

1. “**THAT** (1) the New Hi-Road Master Supply Agreement dated 25 October 2021 (a copy of which has been produced to the EGM marked “A” and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and (2) any one or more directors of the Company be and are hereby authorised to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the New Hi-Road Master Supply Agreement and the implementation of all the transactions contemplated thereunder.”
2. “**THAT** (1) the Teaheals Master Supply Agreement dated 25 October 2021 (a copy of which has been produced to the EGM marked “B” and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and (2) any one or more directors of the Company be and are hereby authorised to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the Teaheals Master Supply Agreement and the implementation of all the transactions contemplated thereunder.”



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## NOTICE OF EGM

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3. “**THAT** (1) the New Hi-Road Master Purchase Agreement dated 25 October 2021 (a copy of which has been produced to the EGM marked “C” and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and (2) any one or more directors of the Company be and are hereby authorised to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the New Hi-Road Master Purchase Agreement and the implementation of all the transactions contemplated thereunder.”
4. “**THAT** (1) the New Teaheals Master Purchase Agreement dated 25 October 2021 (a copy of which has been produced to the EGM marked “D” and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and (2) any one or more directors of the Company be and are hereby authorised to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the New Teaheals Master Purchase Agreement and the implementation of all the transactions contemplated thereunder.”

By order of the Board  
**Shineroad International Holdings Limited**  
**Huang Haixiao**  
*Chairman*

Hong Kong, 30 November 2021

*Notes:*

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.
4. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company’s branch registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting. Completion and return of the form of proxy shall not preclude members from attending and voting at the Meeting and in such event, the instrument appointing to proxy shall be revoked.
5. For the purpose of identifying shareholders who are entitled to attend the Meeting, the register of members of the Company will be closed from Wednesday, 15 December 2021 to Monday, 20 December 2021 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for attending the Meeting, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 14 December 2021.

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## NOTICE OF EGM

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6. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should you so wish, and in such an event, the form of proxy shall be deemed to be revoked
7. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
8. Taking into account of the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the Meeting against the epidemic to protect the Shareholders from the risk of infection: (i) compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue; (ii) every shareholder or proxy is required to wear surgical facial mask throughout the meeting; and (iii) no refreshment will be served.

Furthermore, the Company wishes to advise the shareholders, particularly shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the Meeting as a proxy to vote on the resolutions, instead of attending the Meeting in person.

*As at the date of this notice, 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.*