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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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Reference is made to the Company's announcement dated 25 October 2021 in relation to, among others, the Existing Master Service Agreement. In view that the Existing Master Service Agreement will expire on 31 December 2022, Shanghai Shineroad (as purchaser) and Taoyuan (as provider) entered into the New Master Service Agreement.

LISTING RULES IMPLICATIONS

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

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

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THE NEW MASTER SERVICE AGREEMENT

Principal terms of the New Master Service Agreement are as follows:

Date 22 December 2022 (after trading hours)

Parties Purchaser — Shanghai Shineroad

Service provider — Taoyuan

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

Logistics & warehouse service

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

Online sales platform service

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

Term From 1 January 2023 to 31 December 2023

Condition Precedent

Effectiveness of the New Master Service Agreement is conditional upon approval by the Independent Shareholders (if applicable) in accordance with the requirements of the Company's articles of association and the Listing Rules.

Pricing policy

The prices of each of the logistics & warehouse service and online sales platform service under the New Master Service Agreement shall be determined with reference to the prevailing market prices of the same or comparable services, or the price to be agreed between the parties after having considered the market price.

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

- (i) the prevailing market price of the same or similar service obtained from third-party service providers in the same or neighbourhood regions based on normal commercial terms and in the ordinary and usual course of business;
- (ii) if (i) is not applicable, the service fee of the same or similar service obtained from third-party service providers in the PRC based on normal commercial terms and in the ordinary and usual course of business;
- (iii) if (ii) is not applicable, the service fees of the same services offered by Taoyuan to its third-party customers based on normal commercial terms and in the ordinary and usual course of business. The procurement team of the Group shall obtain the service fee of the same or similar service from Taoyuan to its third-party customers by requiring the standard pricing lists from Taoyuan upon commercial negotiations. The service provided by Taoyuan to the Group are at the rates no less favourable than those offered to its third-party customers.

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

Logistics & warehouse service

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

Online sales platform service

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

Payment manner

Logistics & warehouse service

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

Online sales platform service

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

PROPOSED ANNUAL CAP

In light of the economic hardships caused by the pandemic and with a view to maintain the business relationship with the Group, Taoyuan has waived all the fees receivable from the Group under the Existing Master Service Agreement for the year ending 31 December 2022. As such, the historical transaction amount for the said period is nil. In the event Taoyuan did not grant such waiver, it is expected the fees for the logistics & warehouse service and online sales platform service would be approximately RMB0.4 million and RMB0.7 million, respectively.

The proposed annual cap for the transactions contemplated under the Master Service Agreement for the year ending 31 December 2023 are set out below:

Proposed annual caps:

	For the year ending 31 Dec 2023 <i>RMB'000</i>
Logistics & warehouse service	500
Online sales platform service	<u>11,500</u>
Total	<u><u>12,000</u></u>

The proposed annual cap for the logistics & warehouse service under the New Master Service Agreement was significantly lower than the annual cap for year ending 31 December 2022 under the Existing Master Service Agreement of RMB4.8 million since (i) the expected payable service fee for year ending 31 December 2022 is much lower than the previous annual cap; and (ii) the Group also expected to use the logistics & warehouse services of its own and/or other Independent Third Parties.

Despite the expected payable service fee for year ending 31 December 2022 is lower than the previous annual cap of RMB7.2 million, the parties has agreed on the proposed annual cap for the online sales platform service under the New Master Service Agreement at RMB11.5 million since the transaction amount of in 2022 was greatly impacted by the pandemic and it is anticipated that the demand of the Group's customers for the relevant products sold through Taoyuan's platform will increase as the PRC government has been easing its pandemic restrictions lately, and the economy is expected to experience post-pandemic recovery in the coming year.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

The Directors believe that the renewal of the transactions under the New Master Service Agreement is in the interest of the Company and its Shareholders since the Company has already established a stable business relationship with Taoyuan using Taoyuan as the Group's online sale platform can help to explore new sales channel, develop new customers and therefore can develop the new market competitiveness of the Group. Moreover, the use of Taoyuan logistics & warehouse service can also increase the Group's supply chain competitiveness as a whole.

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

Since (i) Mr. Huang is considered to have material interests in the transactions contemplated under the New Master Service Agreement, and (ii) Ms. Huang Xin Rong, being the daughter of Mr. Huang, is also deemed to be interested in the aforesaid agreement. Both Mr. Huang and Ms. Huang Xin Rong have abstained from voting on the Board resolutions for approving the New Master Service Agreement. Save for the aforesaid Directors, none of the Directors are deemed to have material interest in the transactions contemplated under the New Master Service Agreement and is required to abstain from voting on the relevant Board resolutions.

INTERNAL CONTROL MEASURES

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

- (i) The supply chain team of the Group will be responsible for establishing the procedures of purchase prices management, to ensure that the pricing standard conforms to the market principle;
- (ii) The management of the Group will calculate the service fees with reference to the prevailing market prices of the same or comparable kind of services, or the price to be agreed between the parties after having considered the market price as discussed in the paragraph headed "New Master Service Agreement" above;

- (iii) The management of the Group will closely monitor the transaction amounts under the “New Master Service Agreement” to ensure that the proposed annual cap will not be exceeded. The management will review the actual transaction amount quarterly;
- (iv) the independent non-executive Directors will review and confirm whether the transactions contemplated under the New Master Service Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. They will conduct an annual review of the status of the transactions under the New Master Service Agreement to ensure the Group has complied with the Listing Rules;
- (v) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s); and
- (vi) the Company will continue to engage the independent auditors to review the transactions under the New Master Service Agreement in compliance with the annual reporting and review requirements under the Listing Rules.

INFORMATION ON THE PARTIES TO THE NEW MASTER SERVICES AGREEMENT

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

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

Taoyuan is a company established in the PRC with limited liability which is owned as to 99.8% by Mr. Huang. It principally engages in providing supply chain services such as trading, warehousing, and distribution for suppliers and small business owners of casual dining industry through an online platform.

LISTING RULES IMPLICATIONS

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

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

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“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;
“Existing Master Service Agreement”	a master service agreement dated 25 October 2021 entered into between Shanghai Shineroad (as purchaser) and Taoyuan (as service provider) in relation to the procurement of logistic & warehouse service and online sales platform services by the Group on a non-exclusive basis for a term of one year from 1 January 2022 to 31 December 2022;
“Group”	the Company together with its subsidiaries;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholders”	shareholders of the Company other than Mr. Huang and his associates;
“Independent Third Party(ies)”	party(ies) (together with its ultimate beneficial owner) who is not a connected person of the Company;
“Listing Rules”	the Rule Governing the Listing of Securities on the Stock Exchange;
“Mr. Huang”	Mr. Huang Haixiao (黃海曉), the chairman of the Board, an executive Director and a controlling shareholder of the Company;
“New Master Service Agreement”	a master service agreement dated 22 December 2022 entered into between Shanghai Shineroad (as purchaser) and Taoyuan (as service provider) in relation to the procurement of logistic & warehouse service and online sales platform services by the Group on a non-exclusive basis for a term of one year from 1 January 2023 to 31 December 2023;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Shineroad”	上海欣融食品原料有限公司 (Shanghai Shineroad Food Ingredients Co., Ltd.*), a limited company established in the PRC and an indirectly wholly-owned subsidiary of the Company;
“Share(s)”	Share(s) of HK\$0.01 each in the capital of the Company;
“Shareholders”	holder of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Taoyuan”	上海淘源信息科技有限公司 (Shanghai Taoyuan Information Technology Co., Ltd.*), a limited company established in the PRC and is owned as to 99.8% by Mr. Huang;

“HK\$” Hong Kong Dollar, the lawful currency of Hong Kong; and

“%” per cent.

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

PRC, 22 December 2022

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

* *For identification purposes only*