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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)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF APPROXIMATELY 11.72% EQUITY INTEREST IN TIANYE INNOVATION CORPORATION AND GRANT OF WAIVER FROM STRICT COMPLIANCE WITH RULES 14.67(6)(a)(i) AND 14.67(7) OF THE LISTING RULES

THE ACQUISITION

The Board is pleased to announce that on 28 December 2020 (after trading hours), the Purchaser, an indirect wholly owned subsidiary of the Company, and the Vendor entered into the Share Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing approximately 11.72% equity interest in the Target Company, at the Consideration of RMB78,750,560 (equivalent to approximately HK\$93.71 million).

Upon Completion, the Company will through the Purchaser be interested in approximately 11.72% equity interest of the Target Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company, and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and is required to abstain from voting if the Company was to convene an extraordinary general meeting for approval of the Acquisition. In accordance with Rule 14.44 of the Listing Rules, in lieu of holding a general meeting for approving the Acquisition, the Company will obtain an irrevocable and unconditional written approval for the Acquisition from Shineroad Group Limited, which holds 510,000,000 Shares, representing 75.00% of the total issued Shares as at the date of this announcement.

WAIVER FROM STRICT COMPLIANCE WITH RULES 14.67(6)(a)(i) AND 14.67(7) OF THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Circular must contain, among others, an accountants' report on the Target Company in accordance with Chapter 4 of the Listing Rules.

Pursuant to Rule 14.67(7) of the Listing Rules, the Company is also required to include in the Circular a discussion and analysis of results of the Target Company covering all those matters set out in paragraph 32 of Appendix 16 to the Listing Rules for the period reported in the accountants' report must be contained.

The Company has applied for and the Stock Exchange has agreed to grant the Company waiver from strict compliance with Rules 14.67(6)(a)(i) and 14.67(7) of the Listing Rules such that the Company is not required to include an accountants' report on the Target Company or a management discussion and analysis of the financial results of the Target Company in the Circular.

DESPATCH OF CIRCULAR

It is anticipated that a circular containing further information relating to the Acquisition and other information required by the Listing Rules will be despatched to the Shareholders on or before 19 January 2021.

Shareholders and potential investors of the Company should be aware that the Acquisition is subject to certain conditions being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

The Board is pleased to announce that on 28 December 2020, the Purchaser, an indirect wholly owned subsidiary of the Company, and the Vendor entered into the Share Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares representing approximately 11.72% equity interest in the Target Company at the Consideration of RMB78,750,560 (equivalent to approximately HK\$93.71 million).

The principal terms of the Share Transfer Agreement are summarised as follows:

Date	28 December 2020
Parties	(i) the Purchaser; and (ii) the Vendor

Assets to be acquired

Immediately before the Completion, the Target Company is owned as to approximately 11.72% by the Vendor. Upon the Completion, the Company will through the Purchaser be interested in approximately 11.72% equity interest of the Target Company.

Consideration

Pursuant to the Share Transfer Agreement, the Consideration shall be RMB78,750,560 (equivalent to approximately HK\$93.71 million). The Group currently expects to finance the Consideration by internal resources.

Basis of Consideration

The Consideration was determined between the Purchaser and the Vendor after arm's length negotiation with reference to, among other things, (i) the historical financial performance of the Target Company including the net profits after tax of the Target Company for the year ended 31 December 2019; (ii) the preliminary valuation of the per share equity interest of the Target Company compiled by an independent valuer; (iii) the prospect of the tropical fruit industry in the PRC; and (iv) the factors as set out in the section headed "Reasons for and Benefits of the Acquisition".

Conditions precedent of the Share Transfer Agreement

Completion is subject to the following conditions precedent being fulfilled, including but not limited to:

- (a) the Purchaser and the Vendor having executed the Share Transfer Agreement;
- (b) the Vendor is the beneficial owner of the Sale Shares and the Sale Shares are fully paid;
- (c) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Acquisition having been obtained, including the approval from its board of directors and shareholders and/or the approval from the Stock Exchange (if required);
- (d) all necessary consents and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Acquisition having been obtained, including the approval from the board of directors and the shareholders of the Target Company, the NEEQ and the China Securities Regulatory Commission (if required);
- (e) all representations, warranties and undertakings given by the Vendor remaining true, accurate and not misleading in all material aspects from the date of the Share Transfer Purchase Agreement until the date of Completion;
- (f) the Vendor diligently discharging its duties and obligations as a shareholder in accordance with the Company Law of the PRC and the articles of the Target Company without harming the Target Company's interest prior to Completion; and
- (g) the Vendor shall not transfer any part or all of the Sale Shares to third party other than the Purchaser or have any encumbrance imposed on the Sale Shares prior to Completion.

Completion

Completion of the Acquisition is conditional upon the fulfilment of all the above conditions precedents and shall take place five business days after the despatch of Circular.

INFORMATION ABOUT THE PARTIES

The Company and the Purchaser

The Group is a distributor in the food industry with a focus on supplying food ingredients and food additives to food manufacturers. The Company acts as an investment holding company. The principal business of the Group is carried out through the Purchaser and its subsidiaries.

The Vendor

The Vendor is a partnership registered in the PRC with limited liability and the owner of 28,125,200 shares in the Target Company, representing approximately 11.72% equity interest in the Target Company as at the date of this announcement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is an Independent Third Party.

The Target Company

The Target Company is a company established in the PRC with limited liability and the shares of which are listed on the NEEQ (stock code: 832023). The Target Company is principally engaged in planting, processing and sales of agricultural food including tropical fruits and vegetables.

As at the date of this announcement, the Target Company is owned by the Vendor as to approximately 11.72%. It is expected that immediately after completion of the Acquisition, the Company will, through the Purchaser, hold approximately 11.72% equity interest of the Target Company.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of the financial information of the Target Group for the three years ended 31 December 2019 and the six months ended 30 June 2020:

	For the year ended 31 December			For the six months ended 30 June
	2017 (RMB) (audited)	2018 (RMB) (audited)	2019 (RMB) (audited)	2020 (RMB) (unaudited)
Revenue	203,133,324.85	258,435,753.75	290,342,840.35	106,668,616.97
Net profit before tax	43,181,657.30	27,269,824.34	25,683,840.91	7,860,633.30
Net profit after tax	42,082,668.58	23,941,884.70	24,381,734.95	7,388,220.26

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the distribution of food ingredients and food additives in the PRC. It has been the Company's objective to explore investment opportunities in the food industry in the PRC and other overseas countries, with an aim to deliver returns for Shareholders. The Company considers that the Acquisition is in line with the overall business direction of the Group and is a good investment opportunity to expand into the tropical fruit sector of the food industry in the PRC.

Upon Completion, it is the common understanding between the Company and the Target Company that certain products of the Target Company will be distributed through the Group's established distribution network and thus generating revenue in future. On the other hand, as the operation of the Group in Thailand and Vietnam expands, the Target Company is also one of the potential customers for the Group's import sales of tropical fruits sourced from Southeast Asia to the PRC market.

It is envisaged that the overall competitiveness of the Group will be further enhanced through the synergetic effect resulting from the Acquisition, which will expand channels for the growth of the Group and enhance the market competitiveness of the Group in the PRC.

Having regard to the nature and benefits of the Acquisition and the prospect of the tropical fruit industry in the PRC, the Directors believe that the Acquisition is in the interests of the Company and the Shareholders as a whole, and the terms of the Share Transfer Agreement are on normal commercial terms, fair and reasonable.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company, and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and is required to abstain from voting if the Company was to convene an extraordinary general meeting for approval of the Acquisition. In accordance with Rule 14.44 of the Listing Rules, in lieu of holding a general meeting for approving the Acquisition, the Company will obtain an irrevocable and unconditional written approval for the Acquisition from Shineroad Group Limited, which holds 510,000,000 Shares, representing 75.00% of the total issued Shares as at the date of this announcement. As such, no Shareholders' meeting will be convened by the Company to approve the Acquisition after obtaining such approval from Shineroad Group Limited.

WAIVER FROM STRICT COMPLIANCE WITH RULES 14.67(6)(a)(i) AND 14.67(7) OF THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Circular must contain, among others, an accountants' report on the Target Company in accordance with Chapter 4 of the Listing Rules.

Pursuant to Rule 14.67(7) of the Listing Rules, the Company is also required to include in the Circular a discussion and analysis of results of the Target Company covering all those matters set out in paragraph 32 of Appendix 16 to the Listing Rules for the period reported in the accountants' report must be contained.

Waiver Sought

The Company has applied to the Stock Exchange for waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules on the following grounds:

- (a) the Vendor is unable to grant and the Target Company refused to grant the Company any access to the financial information and underlying books and accounts of the Target Company. Therefore, without the access to information required for preparation of accountants' report, strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules is impossible and unduly burdensome to the Company;

- (b) approximately 11.72% of the shareholding of the Target Company will be acquired by the Company. The Target Company will not become a subsidiary or an associate of the Company and the financial results of the Target Company will not be consolidated in the financial statements of the Group nor be equity accounted for in the Group's consolidated financial statements as an associate. Requiring the Company to arrange for an accountants' report will be out of proportion to the size of the Acquisition in terms of time and costs involved; and
- (c) the audited annual financial results and unaudited interim results of the Target Company are publicly available and will be reproduced in the Circular as alternative disclosure.

Since the Company is not able to obtain the necessary non-public financial information of the Target Company for the purpose of preparing the required accountants' report for the reasons given above, the Company is similarly unable to obtain the necessary non-public financial information of the Target Company for the purpose of preparing, and it is impracticable and unduly burdensome to require the Company to prepare, the relevant management discussion and analysis. The Company has therefore applied for waiver to dispense with the requirements to comply with Rule 14.67(7) in relation to the Circular.

Alternative Disclosure

In order to facilitate the shareholders and potential investors of the Company to evaluate the Acquisition, the Company will include the following in the Circular to be issued:

- (1) the audited annual financial statements of the Target Company for the year ended 31 December 2017;
- (2) the audited annual financial statements of the Target Company for the year ended 31 December 2018;
- (3) the audited annual financial statements of the Target Company for the year ended 31 December 2019; and
- (4) the unaudited consolidated statement of financial position of the Target Company as at 30 June 2020, the unaudited consolidated statement of profit and loss of the Target Company for the six months ended 30 June 2020, the unaudited consolidated statement of cash flow of the Target Company for the six months ended 30 June 2020, and the notes to the unaudited consolidated financial statements of the Target Company for the six months ended 30 June 2020,

all of which were prepared in accordance with the China Accounting Standards for Business Enterprises (CASBE).

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange granted the waiver from strict compliance with Rules 14.67(6)(a)(i) and 14.67(7) under the Listing Rules.

DESPATCH OF CIRCULAR

It is anticipated that a circular containing further information relating to the Acquisition and other information required by the Listing Rules will be despatched to the Shareholders on or before 19 January 2021.

Shareholders and potential investors of the Company should be aware that the Acquisition is subject to certain conditions being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions under the Share Transfer Agreement
“Board”	the board of Directors
“Circular”	a circular containing, among other things, further details relating to the Share Purchase Agreement and the Acquisition to be despatched to the Shareholders in accordance with Rule 14.41(a) of the Listing Rules
“Company”	Shineroad International Holdings Limited (欣融國際控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (Stock Code: 1587)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Share Transfer Agreement
“connected person(s)”	has the meanings ascribed thereto under the Listing Rules

“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NEEQ”	The National Equities Exchange And Quotations Co., Ltd.
“PRC”	The People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Shanghai Shineroad Food Ingredients Co., Ltd.* (上海欣融食品原料有限公司), a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency in the PRC
“Sale Shares”	28,125,200 shares held by the Vendor in the Target Company, representing approximately 11.72% equity interest in the Target Company immediately prior to the Completion

“Share(s)”	ordinary share(s) of a nominal value of HK\$0.01 each in the share capital of the Company
“Share Transfer Agreement”	the conditional share transfer agreement and supplemental agreement both dated 28 December 2020 entered into among the Vendor and the Purchaser in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Tianye Innovation Corporation (田野創新股份有限公司), a company established in the PRC with limited liability and the shares of which are listed on the NEEQ (stock code: 832023)
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Hefei Fangfu Equity Investment Partnership Enterprise (Limited Partnership)* (合肥方富股權投資合夥企業(有限合夥)), a partnership registered in the PRC with limited liability which owns 28,125,200 shares in the Target Company, representing approximately 11.72% equity interest of the Target Company as at the date of this announcement
“%”	per cent.

Amounts denominated in RMB in this announcement have been converted into HK\$ at the rate of RMB1 to HK\$1.19 for illustrative purposes only. The English translation of the names in Chinese marked with “” in this announcement is for identification purpose only.*

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

Hong Kong, 28 December 2020

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.