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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 TRANSACTION IN RELATION TO THE NEW MASTER SUPPLY AGREEMENT

INTRODUCTION

Reference is made to the prospectus of the Company dated 14 June 2018 in relation to, amongst other things, the continuing connected transaction under the Existing Master Supply Agreement.

RENEWAL OF CONTINUING CONNECTED TRANSACTION

The Existing Master Supply Agreement will expire on 31 December 2018. As the Group intends to continue carrying out the transactions under the Existing Master Supply Agreement in the ordinary and usual course of business of the Group, the Company (for itself and other group companies) entered into the New Master Supply Agreement on 31 October 2018 with Hi-Road and Hi-morse Food for a term of three years ending 31 December 2021.

The Proposed Annual Cap for the transactions under and contemplated under the New Master Supply Agreement for the three years ending 31 December 2021 will not exceed RMB11.66 million, RMB13.44 million and RMB14.04 million, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Hi-Road is a company established in the PRC with limited liability which is owned as to 57.6% by Mr. Huang and 38.4% by Mr. Huang Haihu (a brother of Mr. Huang); Hi-morse Food is a company established in the PRC with limited liability which is wholly-owned by Hi-Road.

Mr. Huang is an executive Director and a Controlling Shareholder, hence Hi-Road and Hi-morse Food are considered as associates of Mr. Huang and connected persons of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) (other than the profit ratio) for the transactions contemplated under the New Master Supply Agreement for each of the three financial years ending 31 December 2021 will exceed 0.1% but all are less than 5% on an annual basis, the New Master Supply Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

RENEWAL OF CONTINUING CONNECTED TRANSACTION

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The Existing Master Supply Agreement will expire on 31 December 2018. As the Group intends to continue carrying out the transactions under the Existing Master Supply Agreement in the ordinary and usual course of business of the Group, the Company (for itself and other group companies) entered into the New Master Supply Agreement on 31 October 2018 with Hi-Road and Hi-morse Food for a term of three years ending 31 December 2021.

New Master Supply Agreement

The major terms of the New Master Supply Agreement are as follows:

Date

31 October 2018

Parties

- (i) Shanghai Shineroad, Beijing Shineroad and Guangzhou Jieyang (as sellers); and
- (ii) Hi-Road and Hi-morse Food (as purchasers)

Subject Matter

Pursuant to the New Master Supply Agreement, Shanghai Shineroad, Beijing Shineroad and Guangzhou Jieyang agreed to sell and/or supply and Hi-Road and Hi-morse Food agreed to purchase on a non-exclusive basis sucrose esters (蔗糖酯), vanillin (香蘭素) and other food ingredients and additives. 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.

Pricing basis

The selling prices of the food ingredients and additives under the New Master Supply Agreement are calculated with reference to the prevailing market prices of the same or comparable kind of food ingredients and additives, or the price to be agreed between the parties after having considered the market price. The market price under the New Master Supply Agreement shall be determined with reference to (i) the prevailing market price of the same or similar food ingredients and additives obtained from third-party suppliers 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 selling prices of the same or similar food ingredients and additives obtained from third-party suppliers in the PRC based on normal commercial terms and in the ordinary and usual course of business; or (iii) if both (i) and (ii) are not available, the selling prices of the same food ingredients and additives offered by the sellers to its third-party customers based on normal commercial terms and in the ordinary and usual course of business.

THE ANNUAL CAPS

Historical figures

The historical transaction amounts for supply of food ingredients and additives by the Group to Hi-Road and its subsidiaries and the annual caps for each of the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 are set out below:

Historical amounts

	For the year ended 31 December			For the six months ended 30 June
	2015	2016	2017	2018 (note)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Supply to Hi-Road and Its Subsidiaries	<u>8,241</u>	<u>5,084</u>	<u>7,592</u>	<u>4,241</u>

Note: based on the unaudited management accounts of the Company for the six months ended 30 June 2018.

Existing annual cap

**For the year ending
31 December 2018**
RMB'000

Existing Master Supply Agreement 9,100

For further details, please refer to the section headed “Connected Transactions” in the prospectus of the Company dated 14 June 2018.

Proposed annual caps

For the year ending 31 December
2019 **2020** **2021**
RMB'000 *RMB'000* *RMB'000*

New Master Supply Agreement 11,660 13,440 14,040

The Proposed Annual Caps under the New Master Supply Agreement are determined by the Company after arm’s length negotiation with Hi-Road, which were estimated based on: (i) historical transaction amounts; (ii) expected increase demand for sucrose esters by Hi-Road and its subsidiaries due to the growth and expansion of Hi-Road; and (iii) an expected increase of the market demand for sucrose ester in China in the next few years due to the growing awareness towards health among Chinese consumers.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW MASTER SUPPLY AGREEMENT

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

The food ingredients and additives to be supplied by the Group under the New Master Supply Agreement are mainly sucrose esters (蔗糖酯) and vanillin (香蘭素) which would be used by Hi-Road and Hi-morse Food 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 Agreement will help to ensure a steady income of the Group.

The Directors are of opinion that the entering into the New Master Supply 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 are fair and reasonable and in the interests of the Company and the Shareholders as far as the Company and the Shareholders are concerned.

INTERNAL CONTROL MEASURES

To ensure the selling prices and payment terms of relevant products offered to Hi-Road and Hi-morse Food under the New Master Supply 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 annual caps under the Continuing Connected Transaction will not exceed the Proposed Annual Caps, the Group will adopt the following internal control measures:

- (i) the management of the Group is required to 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 "Pricing basis" above;
- (ii) the Company will closely monitor the transaction amounts under the New Master Supply Agreement to ensure that the Proposed Annual Caps will not be exceeded. The management will review the actual purchase amount quarterly;
- (iii) the independent non-executive Directors will review and confirm whether the transactions contemplated under the New Master Supply 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. The independent non-executive Directors will conduct an annual review of the status of the transactions under the Continuing Connected Transaction to ensure the Group has complied with the Listing Rules;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s); and
- (v) the Company will continue to engage the independent auditors to review the transactions under the New Master Supply Agreement in compliance with the annual reporting and review requirements under the Listing Rules.

INFORMATION ON THE GROUP AND THE PURCHASERS

The Group is a distributor in the food ingredients and additives distribution industry with a focus on supplying food ingredients and food additives to food manufacturers in the PRC.

Hi-Road is a company established in the PRC with limited liability which is owned as to 57.6% by Mr. Huang and 38.4% by Mr. Huang Haihu (a brother of Mr. Huang). Hi-morse Food is a company established in the PRC with limited liability which is wholly-owned by Hi-Road. They are primarily 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Hi-Road is a company established in the PRC with limited liability which is owned as to 57.6% by Mr. Huang and 38.4% by Mr. Huang Haihu (a brother of Mr. Huang); Hi-morse Food is a company established in the PRC with limited liability which is wholly-owned by Hi-Road.

Mr. Huang is an executive Director and a Controlling Shareholder, hence Hi-Road and Hi-morse Food are considered as associates of Mr. Huang and connected persons of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) (other than the profit ratio) for the transactions contemplated under the New Master Supply Agreement for each of the three financial years ending 31 December 2021 will exceed 0.1% but all are less than 5% on an annual basis, the New Master Supply Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Mr. Huang is considered to have material interests in the transactions contemplated under the New Master Supply Agreement, he has not voted or been counted in the quorum on the board resolutions for approving the New Master Supply Agreement and the transactions contemplated thereunder. Ms. Huang Xin Rong, being the daughter of Mr. Huang, has also abstained from voting on the said Board resolutions voluntarily for the purpose of good corporate governance. Save as disclosed above, none of the Directors are considered to have any material interests in the New Master Supply Agreement and the transactions contemplated thereunder and are required to abstain from voting on the relevant board resolutions to approve the New Master Supply Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Beijing Shineroad”	北京申欣融食品配料有限公司(Beijing Shineroad Food Additives Co., Ltd.*), a limited company established in the PRC and an indirectly wholly-owned subsidiary of the Company;
“Board”	the board of Directors;
“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;
“Continuing Connected Transaction”	the continuing connected transaction contemplated under the New Master Supply Agreement;
“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 Supply Agreement”	a master supply agreement dated 4 June 2018 entered into between Shanghai Shineroad, Beijing Shineroad and Guangzhou Jieyang (as sellers) and Hi-Road and Hi-morse Food (as purchasers) in relation to the supply of sucrose esters (蔗糖酯), vanillin (香蘭素) and other food ingredients and additives on a non-exclusive basis for the term until 31 December 2018;
“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;
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong;

“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 and 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, and is owned as to 57.6% by Mr. Huang and 38.4% by Mr. Huang Haihu (while the remaining equity interest was owned by Independent Third Parties);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholders”	Shareholder of the Company, other than Mr. Huang and his associates;
“Independent Third Party(ies)”	person(s) or company(ies) and whose ultimate beneficial owner who/which is/are independent of the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and any of their respective associates as defined in the Listing Rules;
“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;
“New Master Supply Agreement”	a new master supply agreement dated 31 October 2018 entered into between Shanghai Shineroad, Beijing Shineroad and Guangzhou Jieyang (as sellers) and Hi-Road and Hi-morse Food (as purchasers) in relation to the supply of sucrose esters (蔗糖酯), vanillin (香蘭素) and other food ingredients and additives on a non-exclusive basis for the term of three years ending 31 December 2021;
“PRC”	the People’s Republic of China;
“Proposed Annual Cap”	the proposed annual cap for the supply of relevant products by the Group to the Purchasers for the each year ending 31 December 2021 under the New Master Supply Agreement;
“Purchasers”	Hi-Road and Hi-morse Food;
“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;
“%”	per cent.

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

Hong Kong, 31 October 2018

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

* *For identification purposes only*