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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **FINANCIAL HIGHLIGHT**

- The Group's unaudited revenue for the six months ended 30 June 2021 was RMB369.5 million, representing an increase of 33.1% as compared to that of RMB277.7 million for the corresponding period in 2020.
- The unaudited gross profit of the Group for the six months ended 30 June 2021 was RMB69.5 million, representing an increase of 75.5% as compared to that of RMB39.6 million for the corresponding period in 2020.
- The unaudited profit for the period and attributable to owners of the parent for the six months ended 30 June 2021 was RMB43.1 million, representing an increase of 419.3% as compared to that of RMB8.3 million for the corresponding period in 2020.
- The unaudited basic and diluted earnings per share was RMB0.06 (30 June 2020: RMB0.01).
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (corresponding period in 2020: Nil).

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Shineroad International Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020 (the “**Previous Period**”).

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2021*

	<i>Notes</i>	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 <b>(Unaudited)</b> <b>RMB'000</b>
REVENUE	4	<b>369,461</b>	277,714
Cost of sales		<u><b>(299,979)</b></u>	<u>(238,121)</u>
Gross profit		<b>69,482</b>	39,593
Other income and gains, net	4	<b>16,621</b>	2,358
Selling and distribution expenses		<b>(16,562)</b>	(12,630)
Administrative expenses		<b>(17,834)</b>	(16,889)
Other expenses		<b>(5)</b>	(386)
Finance costs		<b>(474)</b>	(227)
Share of profits and losses of:			
Associates		<u><b>4,536</b></u>	<u>—</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		<b>55,764</b>	11,819
Income tax expense	5	<u><b>(12,687)</b></u>	<u>(3,527)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<u><b>43,077</b></u>	<u>8,292</u>
PROFIT FOR THE PERIOD		<u><b>43,077</b></u>	<u>8,292</u>

	<i>Notes</i>	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 (Unaudited) RMB'000
Attributable to:			
Owners of the parent		<b>43,077</b>	8,292
Non-controlling interests		<u>—</u>	<u>—</u>
		<b><u>43,077</u></b>	<b><u>8,292</u></b>
 <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:</b>			
Basic and diluted, profit for the period (expressed in RMB)	7	<b>0.06</b>	0.01
 <b>OTHER COMPREHENSIVE INCOME</b> Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements into presentation currency		<u>(166)</u>	<u>421</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b><u>(166)</u></b>	<b><u>421</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>42,911</u></b>	<b><u>8,713</u></b>
Attributable to:			
Owners of the parent		<b>42,911</b>	8,713
Non-controlling interests		<u>—</u>	<u>—</u>
		<b><u>42,911</u></b>	<b><u>8,713</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,233</b>	785
Right-of-use assets		<b>6,537</b>	8,426
Other intangible assets		<b>13</b>	20
Investments in associates		<b>94,715</b>	—
Deferred tax assets		<b>569</b>	531
		<hr/>	<hr/>
Total non-current assets		<b>103,067</b>	9,762
<b>CURRENT ASSETS</b>			
Inventories		<b>76,794</b>	51,864
Trade receivables	8	<b>94,106</b>	87,657
Prepayments, deposits and other receivables		<b>28,461</b>	12,656
Due from related parties		<b>1,031</b>	1,323
Pledged deposits		<b>36,406</b>	34,949
Cash and cash equivalents		<b>143,381</b>	223,362
		<hr/>	<hr/>
Total current assets		<b>380,179</b>	411,811
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>49,566</b>	46,752
Other payables and accruals		<b>24,203</b>	19,740
Amounts due to related parties		<b>2,099</b>	3,605
Interest-bearing bank and other borrowings		<b>20,000</b>	—
Lease liabilities		<b>3,777</b>	3,548
Tax payable		<b>8,008</b>	4,901
		<hr/>	<hr/>
Total current liabilities		<b>107,653</b>	78,546
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>272,526</b>	333,265
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>375,593</b>	343,027
		<hr/>	<hr/>

	<i>Notes</i>	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>3,039</b>	4888
Deferred tax liabilities		<b>849</b>	858
		<hr/>	<hr/>
Total non-current liabilities		<b>3,888</b>	5,746
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b><u>371,705</u></b>	<u>337,281</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>5,681</b>	5,681
Reserves		<b>366,024</b>	331,600
		<hr/>	<hr/>
Total equity		<b><u>371,705</u></b>	<u>337,281</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Shineroad International Holdings Limited was incorporated as an investment holding company in the Cayman Islands with limited liability under the laws of the Cayman Islands. The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

During the Period, the Group was principally engaged in the distribution of food ingredients, food additives and packing materials in PRC.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with HKASs 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period's financial information.

Amendments to HKFRS 9 HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions (see page (13))
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The application of the above amendments to HKASs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in the Group's interim condensed consolidated financial statements.

### 3. OPERATING SEGMENT INFORMATION

The Group's principal business is the distribution of food ingredients and food additives. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the distribution of food additives.

#### *Information about geographical area*

Since all of the Group's revenue was generated from the distribution of food ingredients and food additives in Mainland China and over 95% of the Group's identifiable non-current assets were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 Operating Segments.

#### *Information about major customers*

Revenue from continuing operations of approximately RMB13,363,000 and RMB28,038,000 in the six months ended 30 June 2020 and 2021, respectively was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

### 4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Revenue from contract with customers</i>		
<i>Sale of goods</i>	<b><u>369,461</u></b>	<b><u>277,714</u></b>

## Revenue from contracts with customers

### (i) Disaggregated revenue information

#### For the year ended 30 June 2021

Segments	Food ingredients RMB'000 (Unaudited)	Food additives RMB'000 (Unaudited)	Packaging materials RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Type of goods or services</b>				
Sales of goods	<u>165,464</u>	<u>196,841</u>	<u>7,156</u>	<u>369,461</u>
<b>Geographical markets</b>				
Mainland China	164,580	192,651	7,156	364,387
Thailand	298	—	—	298
Vietnam	<u>586</u>	<u>4,190</u>	<u>—</u>	<u>4,776</u>
	<u>165,464</u>	<u>196,841</u>	<u>7,156</u>	<u>369,461</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	<u>165,464</u>	<u>196,841</u>	<u>7,156</u>	<u>369,461</u>

#### For the year ended 30 June 2020

Segments	Food ingredients RMB'000 (Unaudited)	Food additives RMB'000 (Unaudited)	Packaging materials RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Type of goods or services</b>				
Sales of goods	<u>138,372</u>	<u>115,985</u>	<u>23,357</u>	<u>277,714</u>
<b>Geographical markets</b>				
Mainland China	137,018	115,391	23,357	275,766
Vietnam	<u>1,354</u>	<u>594</u>	<u>—</u>	<u>1,948</u>
	<u>138,372</u>	<u>115,985</u>	<u>23,357</u>	<u>277,714</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	<u>138,372</u>	<u>115,985</u>	<u>23,357</u>	<u>277,714</u>



	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Other income and gains</b>		
Bank interest income	1,235	1,372
Interest income from structured deposits	—	257
Government grants*	2,110	502
Reversal of impairment of trade receivables	1,117	—
Investment income	11,388	—
Exchange gains	462	—
Others	309	227
	<u>16,621</u>	<u>2,358</u>

\* There were no unfulfilled conditions and other contingencies attaching to government grants that had been recognised.

## 5. INCOME TAX EXPENSE

The major components of income tax expense of the Group in the interim condensed consolidated statement of profit or loss and other comprehensive income are:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Current income tax in the PRC	12,734	3,169
Deferred income tax expense relating to origination and reversal of temporary differences	(47)	358
	<u>12,687</u>	<u>3,527</u>
Total tax charge for the period	<u>12,687</u>	<u>3,527</u>

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Company and certain of its subsidiaries are not subject to any income tax in the Cayman Islands and BVI.

The provision for current income tax in the PRC is based on a statutory rate of 25% of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

The statutory tax rate for subsidiaries in Hong Kong is 16.5%. No Hong Kong profits tax on the Group's subsidiary has been provided as there is no assessable profit arising in Hong Kong during the six months ended 30 June 2020 and 2021.

## 6. DIVIDENDS

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Final declared — HK1.5 cent (approximately RMB1.3 cent) (30 June 2020: Nil) per ordinary share	<b>8,487</b>	—

On 20 May 2021, the board of directors declared the final dividend of HK1.5 cent (six months ended 30 June 2020: Nil) per ordinary share, amounting to a total of approximately RMB8,487,000 (six months ended 30 June 2020: Nil) for the year ended 31 December 2020.

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of 680,000,000 (2020: 680,000,000), and the weighted average number of ordinary shares of 680,000,000 (2020: 680,000,000) in issue during the period, as adjusted to reflect the rights issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

The calculations of basic and diluted earnings per share are based on:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	<b><u>43,077</u></b>	<u>8,292</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>680,000,000</b>	680,000,000
Basic earnings per share (RMB)	<b><u>0.06</u></b>	<u>0.01</u>
Diluted earnings per share (RMB)	<b><u>0.06</u></b>	<u>0.01</u>

## 8. TRADE RECEIVABLES

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>94,528</b>	89,196
Impairment	<b><u>(422)</u></b>	<u>(1,539)</u>
	<b><u>94,106</u></b>	<u>87,657</u>

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within 3 months	88,359	79,887
3 to 6 months	5,710	7,766
Over 6 months	37	4
	<u>94,106</u>	<u>87,657</u>

## 9. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of reporting period, based on the transaction date, is as follows:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within 3 months	48,742	46,752
3 to 6 months	824	—
	<u>49,566</u>	<u>46,752</u>

The trade payables are non-interest-bearing and are normally settled on terms of 7 to 90 days.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

The Group is one of the leading distributors and manufacturers of food ingredients and food additives in Asia with outstanding and innovative research and development capacity, which distinguishes us from other competitors in the industry and provides us with a unique edge to develop our reputation and diversified customer networks. Leveraging on our research and development capability, we will continue to build long-term strategic alliance and co-develop with our customers, so as to stick with our mission “To be the Most Reliable Partner in Food Industry”.

For the Period, our Group recorded a revenue of approximately RMB369.5 million, representing an increase of 33.1% as compared with that of RMB277.7 million for the Previous Period. The profit for the Period increased by RMB34.8 million, or 419.3%, from RMB8.3 million for the Previous Period to RMB43.1 million for the Period; while our Group’s basic earnings per share were RMB0.06, representing an increase of RMB0.05 as compared with the Previous Year (RMB0.01).

Such increase was primarily attributable to:

- (i) the continued recovery of the People’s Republic of China’s (the “**PRC**”) economy in the first half of 2021;
- (ii) the Group steadfastly implementing its business model of being a professional and comprehensive one-stop food ingredients application solutions provider for customers;
- (iii) stable development across all the Group’s major business segments;
- (iv) investment income and share of profits of acquisition of approximately 11.72% equity interest in Tianye Innovation Corporation (田野創新股份有限公司) (“**Tianye**”).

## China Operations

The novel coronavirus pandemic (“COVID-19”) outbreak in China was brought under control by the first quarter of 2020 through efficient control measures, making the country one of the few to be able to maintain ordinary social and economic activities. China was one of a few major economies to achieve positive growth around the globe.

In 2021, our Group has recovered from the pandemic situation and proactively deployed strategic measures to boost the business. With six newly set up PRC subsidiaries in Xiamen, Qingdao, Xi’an, Chengdu, Wuhan, and Zhengzhou led by sales force in Shanghai, Beijing, and Guangzhou, we together markedly broadened the geographical coverage of the sales and distribution of products by penetrating the markets more extensively in the PRC.

Over the years, we have built strong relationships with our suppliers worldwide. Major suppliers like Nestlé from Switzerland, Mitsubishi from Japan, Sensient from the US, and Rettenmaier from Germany have been cooperating with us for almost 20 years.

In 2021, the Group further obtained four new distribution rights with focus on the food service industry and the nutrition and care industry:

- Obtained the distribution rights of various food additives products of Samyang from Korea in February 2021
- Obtained the exclusive distribution rights of concentrated fruit juice beverage products under the brand name “Guo Yan Guo Yu” (果言果語) in March 2021
- Obtained the distribution rights of various food ingredients products of Cargill from United States of America in March 2021
- Obtained the distribution rights of various food ingredients products of Yangyuan (養元) from PRC in June 2021

On the other hand, our Group has established and maintained a solid customer base over the years across different provinces in the PRC. Comprised with leading players as well as new retails enterprises in food industry, our core customers, categorised by food applications, are as follows:

<b>Categories</b>	<b>Business nature</b>	<b>Key Customers</b>
Dairy products manufacturers	manufacturing dairy products and ice cream	Bright Dairy (光明), Nestlé (雀巢), New Hope (新希望), and Yili (伊利)
Beverage manufacturers	manufacturing beverage	Coca-Cola (可口可樂), Suntory (三得利), Wahaha (娃哈哈), Want Want (旺旺), and Uni-President (統一)
Snacks manufacturers	manufacturing confectionery, chocolate, and snacks	Fujiya (不二家), Hsu Fu Chi (徐福記), Mars (瑪氏), Orion (好麗友), and PepsiCo (百事)
Oil and grease manufacturers	manufacturing margarine and shortening	AAK, Cargill (嘉吉), COFCO (中糧), and Kerry Grain and Oil (嘉里糧油)
Food service providers	Catering providers (mainly restaurants and teahouses) and upstream suppliers	Boduo (博多), Tsit Wing (捷榮), McCormick (味可美), Jidong (悸動), inm (一鳴), Babi Mantou (巴比饅頭)

Leveraging on our extensive network and variety of customers, we are able to generate strong revenue and profit growth in this emerging and competitive market.

### **South East Asia Operations**

2021 remains challenging in terms of international environment and economy. The aggravating outbreak of COVID-19 is disrupting our business operations in Ho Chi Minh City of Vietnam and Bangkok of Thailand. We anticipate our local offices will provide us a competitive edge by introducing more local South East Asian tastes and appetites to the PRC market going forward. However, the operation and sourcing are subject to the local policies and the recovery from COVID-19 worldwide.

## **Outlook and prospects**

We remain confident in our future prospects. Despite the global economic uncertainty as a result of the COVID-19, we anticipate we will continue to achieve strong revenue growth and to create value for our shareholders.

Going forward, our development initiatives mainly include:

- Continue to increase the sales of products with existing and new distribution rights:

With focus on the food service industry and the nutrition and care industry, we are looking into cooperations with distinctive brands to reinforce our competitive advantage

- Continue to widen our brands and portfolio of self-developed formulated products and potential food ingredients.
- Continue to enhance our research and development capabilities of application and innovation.
- Continue to extensively identify potential strategic investment opportunities and seek to acquire high-quality target businesses and assets that create synergies for the Group.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue of the Group represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The Group derives its revenue mainly from the distribution of food ingredients, food additives and packaging materials in the PRC. The Group's revenue for the Period was RMB369.5 million, representing an increase of 33.1% as compared with that of RMB277.7 million for the Previous Period. The increase in revenue is due to the expansion and diversification of our product portfolio as compared to the Previous Period.



An analysis of revenue, net is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>		
Food ingredients	<b>165,464</b>	138,372
Food additives	<b>196,841</b>	115,985
Packaging materials	<b>7,156</b>	23,357
	<b>369,461</b>	277,714

### **Cost of sales**

The Group's cost of sales solely represented cost of goods sold, which mainly represented the cost of food ingredients and food additives purchased from suppliers. The Group's cost of sales for the Period was RMB300.0 million, representing an increase of 26.0% as compared with that of RMB238.1 million for the Previous Period. The increase in cost of sales is in line with the increase of sale revenue.

### **Gross profit and gross profit margin**

Gross profit of the Group for the Period increased by RMB29.9 million to RMB69.5 million (Previous Period: RMB39.6 million), and the gross profit margin increased to 18.8% for the Period (Previous Period: 14.3%). The increase in the gross profit margin was mainly due to decrease of sales in packaging materials with lower gross profit margin and decrease in short term products sold at discount.

### **Other income and gains**

Other income and gains primarily consist of bank interest income, government grants, services fee income and others. Other income increased by RMB14.2 million or 591.7% from RMB2.4 million for the Previous Period to RMB16.6 million for the Period primarily due to the increase of investment income, approximately RMB11.4 million as a result of investment in associate.

An analysis of other income and gains, net is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Bank interest income	<b>1,235</b>	1,372
Interest income from structured deposits	<b>—</b>	257
Government grants*	<b>2,110</b>	502
Others	<b>309</b>	227
Investment income	<b>11,388</b>	—
Exchange gains	<b>462</b>	—
Reversal of impairment of trade receivables	<b>1,117</b>	—
	<b>16,621</b>	2,358

\* *There were no unfulfilled conditions and other contingencies attaching to government grants that had been recognised.*

### **Share of profits and losses of associates**

Share of profits of associates increased to approximately RMB4.5 million for the Period from nil for the Previous Period which was primarily due to the increase in profits shared from Tianye.

### **Selling and distribution expenses**

Selling and distribution expenses primarily consist of staff salaries and benefits, transportation expenses, travelling expenses, rent and rates and others. The selling and distribution expenses increased by RMB4.0 million, a 31.7% increase to RMB16.6 million for the Period from RMB12.6 million for the Previous Period. The increase was inline with the increase of sales revenue.

### **Administrative expenses**

Administrative expenses primarily consist of depreciation, rent and rates, research and development, staff salaries and benefits and others. The administrative expenses increased by RMB0.9 million, a 5.3% increase to RMB17.8 million for the Period from RMB16.9 million for the Previous Period. The increase was mainly attributed to the six newly set up PRC subsidiaries in Xiamen, Qingdao, Xi'an, Chengdu, Wuhan and Zhengzhou.

## Finance costs

The finance costs represented interests on other loans. Finance costs increased by RMB0.24 million to RMB0.47 million for the Period from RMB0.23 million for the Previous Period. The increase was mainly due to the increase of short term loan from bank.

## Income tax expenses

The Group's income tax expenses increased by RMB9.2 million from RMB3.5 million for the Previous Period to RMB12.7 million for the Period. The increase was primarily due to pre-tax profit of the Period was higher than that of the Previous Period.

The major components of income tax expense of the Group in the interim condensed consolidated statement of profit or loss are:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax in the PRC	12,734	3,169
Deferred income tax expense relating to origination and reversal of temporary differences	(47)	358
Total tax charge for the period	<u>12,687</u>	<u>3,527</u>

## Profit for the Period

As a result of the foregoing, the profit for the Period increased by RMB34.8 million, or 419.3%, from RMB8.3 million for the Previous Period to RMB43.1 million for the Period. The Group remains in a healthy and sound liquidity position during the Period.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2021.

## CAPITAL COMMITMENTS

As at 30 June 2021, the Group did not have any significant capital commitments.

## **CAPITAL STRUCTURE**

There has been no change in the capital structure of the Company during the Period. As at 30 June 2021, the capital of the Company comprises RMB371.7 million, representing an increase of RMB34.4 million as compared to RMB337.3 million as at 31 December 2020, which was attributable to increase of net profit during the Period.

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

The Group's receivable turnover days as at 30 June 2021 decreased to 45 days as compared to 50 days as at 31 December 2020, mainly due to the improvement of account receivable management.

### **Cash position**

The Group's cash and cash equivalents balances as at 30 June 2021 amounted to RMB143.4 million, representing an decrease of RMB80.0 million as compared to RMB223.4 million as at 31 December 2020, which was attributable to investment in associate.

As at 30 June 2021, the Group's indebtedness comprised bank borrowings of RMB20.0 million and amount due to related companies of RMB2.1 million. The Group's bank loans were in the amount of RMB0 million as at 31 December 2020. None of the indebtedness was secured at 30 June 2021 and 31 December 2020.

As at 30 June 2021, the gearing ratio, calculated as debt divided by total assets, was 23.1%, as compared with 20.0% as at 31 December 2020. Debt includes interest-bearing loan and other borrowings. Total equity includes equity attributable to owners of the parent and non-controlling interests.

The Group's equity balance increased to RMB371.7 million as at 30 June 2021 from that of RMB337.3 million as at 31 December 2020, which was attributable to increase of net profit during the Period.

### **Treasury policies**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **Foreign Currency Risk**

The Group's operational activities are mainly denominated in RMB. The Group is exposed to foreign currency risk primarily arising from purchase of goods by foreign currencies and bank deposits denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy but it monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **CHARGES ON THE GROUP'S ASSETS**

As at 30 June 2021, there were no charges on the Group's assets (as at 30 June 2020: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had 168 employees as at 30 June 2021. Remuneration is determined by reference to prevailing market terms and in accordance with the job scope, responsibilities, and performance of each individual employee.

The Company has adopted a share option scheme pursuant to which the Directors and employees of the Group are entitled to participate. The local employees are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group has no significant events after the Period and up to the date of the approval of the unaudited interim condensed consolidated financial statements.

## **SHARE OPTION SCHEME**

On 31 May 2018, the then shareholders of the Company approved and conditionally adopted a share option scheme (the "**Share Option Scheme**") to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The principal terms of the Share Option Scheme were summarized in the section headed "Share Option Scheme" in Appendix IV to the Prospectus. No option has been granted during the Period.

## **SIGNIFICANT INVESTMENTS HELD**

During the Period, the Group holds 28,125,200 shares, representing approximately 11.72% equity interest in Tianye, a company listed on the National Equities Exchange And Quotations Co., Ltd. (stock code: 832023) which principally engages in planting, processing and sales of agricultural food including tropical fruits and vegetables. The investment cost incurred by the Group, being the consideration for acquiring the said shares in Tianye, was RMB78,750,560.

As at 30 June 2021, the Group's investments in associates of Tianye was RMB94,715,206, amounted to approximately 19.6% of the Group's total asset as at 30 June 2021.

According to the interim report of Tianye for the six months ended 30 June 2021, it recorded revenue of RMB218,886,914 and a net profit of RMB38,665,093 during the Period. The Group recorded realised gain of RMB4,536,354 and did not receive any dividend during the Period. The Group considers the performance of Tianye was satisfactory during the Period. Looking forward, the Group holds positive view on the prospect of this investment and have no plan to change in the current investment.

Save as disclosed above, the Company did not hold any other significant investment with a value greater than 5% of the Company's total assets as at 30 June 2021.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group did not have other plans for material investments and capital assets. Going forward the Company will continue to look for and assess new investment opportunities which will bring synergies to the Group.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

For the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to maintain high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules for the Period. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code for the Period.

## **DIVIDEND**

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend payment of any dividend in respect of the Period.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "**Audit Committee**"), comprising three independent non-executive Directors, namely Mr. Tan Wee Seng, Mr. Chan Ka Kit and Mr. Meng Yuecheng, has reviewed with the management the interim results for the Period, accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the unaudited interim financial information.

The Audit Committee considered that the interim results had complied with all applicable accounting standard and the Listing Rules. The audit committee has also reviewed this interim announcement.

## **PUBLICATION OF THE DETAILED INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.shineroad.com](http://www.shineroad.com). The 2021 interim report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

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

Hong Kong, 10 August 2021

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