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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **FINANCIAL HIGHLIGHT**

- The Group's revenue for the year ended 31 December 2020 was RMB655.3 million, representing an increase of 13.0% as compared to that of RMB579.9 million in 2019.
- The gross profit of the Group for the year ended 31 December 2020 was RMB107.5 million, representing an increase of 7.3% as compared to that of RMB100.2 million in 2019.
- The profit for the year and attributable to owners of the parent for the year ended 31 December 2020 was RMB34.9 million, representing an increase of 16.3% as compared to that of RMB30.0 million in 2019.
- The basic and diluted earnings per share was RMB0.05 (2019: RMB0.04).
- The Board recommends the payment of final dividend of HK\$0.015 (equivalent to approximately RMB0.013) per ordinary share at HK\$10.2 million (equivalent to approximately RMB8.6 million) for the year ended 31 December 2020 (2019: Nil).

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Shineroad International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, “**we**”, “**us**”, “**our**” or the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Year**”), together with the comparative figures for the year ended 31 December 2019 (the “**Previous Year**”).

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

*Year ended 31 December*

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
REVENUE	4	<b>655,318</b>	579,885
Cost of sales		<u><b>(547,794)</b></u>	<u>(479,640)</u>
Gross profit		<b>107,524</b>	100,245
Other income and gains	4	<b>7,991</b>	6,184
Selling and distribution expenses		<b>(30,978)</b>	(30,349)
Administrative expenses		<b>(33,820)</b>	(33,162)
Finance costs		<b>(748)</b>	(367)
Other expenses		<u><b>(634)</b></u>	<u>(1,497)</u>
<b>PROFIT BEFORE TAX</b>		<b>49,335</b>	41,054
Income tax expense	5	<u><b>(14,437)</b></u>	<u>(11,053)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>34,898</b></u>	<u>30,001</u>
Profit for the year			
Attributable to:			
Owners of the parent		<b>34,898</b>	30,001
Non-controlling interests		<u>—</u>	<u>—</u>
		<u><b>34,898</b></u>	<u>30,001</u>

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(1,703)</u>	<u>649</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>(1,703)</u>	<u>649</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<u>(1,703)</u>	<u>649</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>33,195</b></u>	<u><b>30,650</b></u>
Total comprehensive income attributable to:			
Owners of the parent		<b>33,195</b>	30,650
Non-controlling interests		<u>—</u>	<u>—</u>
		<u><b>33,195</b></u>	<u><b>30,650</b></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:</b>			
Basic and diluted			
— For profit for the year	7	<u><b>0.05</b></u>	<u>0.04</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

		<b>31 December 2020</b>	31 December 2019
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>785</b>	1,148
Right-of-use assets		<b>8,426</b>	4,413
Other intangible assets		<b>20</b>	35
Deferred tax assets		<b>531</b>	683
		<hr/>	<hr/>
Total non-current assets		<b>9,762</b>	6,279
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>51,864</b>	69,222
Trade receivables	8	<b>87,657</b>	93,531
Prepayments, other receivables and other assets		<b>12,656</b>	19,692
Due from related parties		<b>1,323</b>	959
Structured deposits		<b>—</b>	33,800
Pledged deposits		<b>34,949</b>	12,861
Cash and bank balance		<b>223,362</b>	144,124
		<hr/>	<hr/>
Total current assets		<b>411,811</b>	374,189
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>46,752</b>	47,708
Other payables and accruals		<b>19,740</b>	16,460
Amounts due to related parties		<b>3,605</b>	4,117
Lease liabilities		<b>3,548</b>	2,724
Tax payable		<b>4,901</b>	3,928
		<hr/>	<hr/>
Total current liabilities		<b>78,546</b>	74,937
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>333,265</b>	299,252
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>343,027</b>	305,531
		<hr/>	<hr/>

	<b>31 December</b>	31 December
	<b>2020</b>	2019
<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>4,888</b>	1,445
Deferred tax liabilities	<b>858</b>	—
	<hr/>	<hr/>
Total non-current liabilities	<b>5,746</b>	1,445
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>337,281</b>	304,086
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>5,681</b>	5,681
Other reserves	<b>331,600</b>	298,405
	<hr/>	<hr/>
<b>Total equity</b>	<b>337,281</b>	304,086
	<hr/> <hr/>	<hr/> <hr/>

## 1. CORPORATE AND GROUP INFORMATION

Shineroad International Holdings Limited (the “**Company**”) 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 year, Shineroad International Holdings Limited and its subsidiaries (collectively the “**Group**”) was principally engaged in the distribution of food ingredients and food additives.

The ultimate controlling shareholder of the Company is Mr. Huang Haixiao (known as the “**Controlling Shareholder**”).

### Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shanghai Shineroad Food Ingredients Co., Ltd. <sup>(a)</sup> (“ <b>Shanghai Shineroad</b> ”)	People’s Republic of China (The “ <b>PRC</b> ”) / Mainland China	10 January 2011	RMB150,202,000	—	100%	Distribution of food ingredients
Beijing Shineroad Food Additives Co., Ltd. <sup>(a)</sup> (“ <b>Beijing Shineroad</b> ”)	The PRC/Mainland China	10 July 2011	RMB15,000,000	—	100%	Distribution of food ingredients
Guangzhou Jieyang Food Technology Co., Ltd. <sup>(a)</sup> (“ <b>Guangzhou Jieyang</b> ”)	The PRC/Mainland China	16 December 2010	RMB20,000,000	—	100%	Distribution of food ingredients
Zhengzhou Shineroad Food Technology Co., Ltd. <sup>(a)</sup> (“ <b>Zhengzhou Shineroad</b> ”)	The PRC/Mainland China	19 December 2018	RMB5,000,000	—	100%	Distribution of food ingredients
Chengdu Shineroad Food Co., Ltd. <sup>(a)</sup> (“ <b>Chengdu Shineroad</b> ”)	The PRC/Mainland China	21 December 2018	RMB5,000,000	—	100%	Distribution of food ingredients

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shineroad Holding Limited	British Virgin Islands	1 December 2015	USD50,000	100%	—	Investment holding
Shineroad Food Holding Limited	Hong Kong	9 December 2015	HK\$1	—	100%	Investment holding
Qingdao Shineroad Food Technology Co., Ltd. <sup>(a)</sup>	The PRC/Mainland China	22 May 2019	RMB5,200,000	—	100%	Distribution of food ingredients
Xian Shineroad Food Technology Co., Ltd. <sup>(a)</sup>	The PRC/Mainland China	28 May 2019	RMB15,000,000	—	100%	Distribution of food ingredients
Xiamen Shineroad Food Technology Co., Ltd. <sup>(a)</sup>	The PRC/Mainland China	4 June 2019	RMB5,000,000	—	100%	Distribution of food ingredients
Wuhan Shineroad Food Technology Co., Ltd. <sup>(a)</sup>	The PRC/Mainland China	2 December 2019	RMB600,000	—	100%	Distribution of food ingredients
Shineroad Food Technology (Thailand) Co., Ltd	Thailand	1 October 2019	THB2,250,000	—	99%	Distribution of food ingredients
Shineroad Food Holdings (Thailand) Co., Ltd	Thailand	3 April 2019	THB3,000,000	—	99%	Investment holding
Shineroad Food Technology (Vietnam) Co., Ltd	Vietnam	5 September 2019	USD500,000	—	100%	Distribution of food ingredients
Shineroad Investment Vietnam Co., Ltd	Vietnam	8 March 2019	USD1,000,000	—	100%	R&D and distribution of food ingredients

Note:

- (a) Registered as domestic companies with limited liability under the laws of the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.



The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## **2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, no lease payments for the leases of the Group’s plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, no reduction in the lease payments arising from the rent concessions has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

### 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 ingredients and 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 about 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 a major customer

Revenue from continuing operations of approximately RMB73,760,000 (2019: RMB61,612,000) 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

An analysis of revenue is as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contract with customers	<u>655,318</u>	<u>579,885</u>

Revenue from contract with customers

### Disaggregated revenue information

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Types of goods or services</b>		
Sales of food ingredients	329,744	317,443
Sales of food additives	302,221	243,669
Sales of packaging materials	23,353	18,773
	<u>655,318</u>	<u>579,885</u>

### Timing of revenue recognition

Goods transferred at a point in time	<u>655,318</u>	<u>579,885</u>
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	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Other income and gains</b>		
Government grants*	3,048	2,089
Bank interest income	2,125	2,579
Interest income from structured deposits	1,268	1,180
Exchange gains	1,121	—
Consultancy service income	14	155
Others	415	181
	<u>7,991</u>	<u>6,184</u>

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

## 5. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Current — PRC		
Charge for the year	<b>13,427</b>	11,151
Deferred tax	<b>1,010</b>	(98)
	<hr/>	<hr/>
Total tax charge for the year	<b><u>14,437</u></b>	<b><u>11,053</u></b>

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 year.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit before tax	<b>49,335</b>	41,054
Tax at the statutory tax rate (25%)	<b>12,334</b>	10,264
Tax effect of tax rate difference of subsidiaries	<b>529</b>	328
Adjustments in respect of current tax of previous periods	<b>(105)</b>	(323)
Tax effect of non-deductible expenses	<b>124</b>	168
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	<b>858</b>	—
Tax losses not recognised	<b>697</b>	616
	<u><b>14,437</b></u>	<u>11,053</u>
Tax charge at the Group's effective rate	<u><b>14,437</b></u>	<u>11,053</u>

## **6. DIVIDENDS**

No dividend has been paid or declared by the Company to its shareholders during the year ended 31 December 2020.

The Board recommends the payment of final dividend of HK\$0.015 (equivalent to approximately RMB0.013) per ordinary share at HK\$10.2 million (equivalent to approximately RMB8.6 million) for the year ended 31 December 2020. The payment of the final dividend is subject to the approval to be obtained at the forthcoming annual general meeting of the Company. The final dividend will be paid in Hong Kong dollars and is expected to be paid on or around 27 July 2021.

## **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 year attributable to owners of the parent, and the weighted average number of ordinary shares of 680,000,000 (2019: 680,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	<u><b>34,898</b></u>	<u>30,001</u>

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<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 ( <i>RMB</i> )	<u><b>0.05</b></u>	<u>0.04</u>
Diluted earnings per share ( <i>RMB</i> )	<u><b>0.05</b></u>	<u>0.04</u>

## 8. TRADE RECEIVABLES

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Trade receivables	<b>89,196</b>	91,275
Bills receivable	—	4,811
Impairment	<u><b>(1,539)</b></u>	<u>(2,555)</u>
	<u><b>87,657</b></u>	<u>93,531</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 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 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>Year ended 31 December</b>	
	<b>2020</b>	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	<b>79,887</b>	86,470
3 to 6 months	<b>7,766</b>	7,053
Over 6 months	<b>4</b>	8
	<u><b>87,657</b></u>	<u>93,531</u>

The movements in provision for impairment of trade receivables are as follows:

	<b>2020</b>	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	<b>2,555</b>	2,287
Impairment losses recognised, net	<b>597</b>	1,166
Amount written off as uncollectible	<b>(1,613)</b>	(898)
	<u><b>1,539</b></u>	<u>2,555</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

## 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>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	<b>46,752</b>	47,654
Over 3 months	<u>—</u>	<u>54</u>
	<b><u>46,752</u></b>	<b><u>47,708</u></b>

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 of food ingredients and food additives in Asia with outstanding 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”.

2020 is a challenging year in terms of the global outbreak of COVID-19. Despite the pandemic adversity, fierce market competition and slowing economic growth, the Group confronted the challenges and turned the tables by achieving a healthy and strong growth.

Moreover, the Group started to invest in food service industry and related food ingredients that will support its long-term growth and sustainable profitability. In particular, the Group entered into a share transfer agreement on 28 December 2020 in relation to the acquisition of approximately 11.72% equity interest in Tianye Innovation Corporation (田野創新股份有限公司) (“**Tianye**”), a company established in the PRC with limited liability and the shares of which are listed on the National Equities Exchange and Quotations Co., Ltd (“**NEEQ**”) to expand into the tropical fruit sector of the food industry in the PRC. Such acquisition was completed on 4 February 2021.

For the Reporting Year, the Group has followed and fully utilized the planned use of the proceeds as stated in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

### Outlook and prospects

Starting from 2020, the Group anticipates that it will continue to sustain positive revenue growth with healthy profitability, despite the headwinds ahead.

Going forward, our development initiatives mainly include:

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

To aim at the food service industry and the nutrition and care industry, the Group has recently obtained three international and domestic renowned distribution rights of Cargill from United States of America, Samyang from Korea, and Tianye from PRC for their natural food ingredients and functional food additives.

- Further establishing own brands of self-developed formulated products and potential food ingredients.
- Continue to invest in technology to enhance our research and development capabilities:

A land of approximately 20,937m<sup>2</sup> was granted by the government of Jinhui District of Shanghai in early 2021 where we plan to establish an one-stop Asia-Pacific innovation center with food solution laboratory, production, sales and logistics functions by 2023.

- Continue to extensively identify potential strategic investment opportunities and seek to acquire high-quality businesses and assets that create synergies for the Group.

## **FINANCIAL REVIEW**

For the Reporting Year, the Group's revenue was RMB655.3 million (Previous Year: RMB579.9 million). For the Reporting Year, the Group recorded profit of RMB34.9 million (Previous Year: RMB30.0 million).

### **Revenue**

Revenue 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 Reporting Year was RMB655.3 million, representing an increase of 13.0% as compared that of RMB579.9 million for the Previous Year. Despite situation of COVID-19 outbreak, the group achieved double-digit revenue growth rate in 2020 driven by the continued development of new products and new customers.

An analysis of revenue, net is as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Audited)</b>	(Audited)
<b>REVENUE</b>		
Food ingredients	<b>329,744</b>	317,443
Food additives	<b>302,221</b>	243,669
Packaging materials	<b>23,353</b>	18,773
	<u><b>655,318</b></u>	<u>579,885</u>

### **Cost of sales**

The Group's cost of sales solely represents cost of goods sold, which mainly represents the cost of food ingredients and food additives purchased from suppliers. The Group's cost of sales for the Reporting Year was RMB547.8 million, representing an increase of approximately 14.2% as compared to RMB479.6 million for the Previous Year. The increase in cost of sales was primarily due to the increase of sales volume.

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

Gross profit of the Group for the Reporting Year rose by RMB7.3 million to RMB107.5 million (Previous Year: RMB100.2 million), and the gross profit margin decreased to 16.4% (Previous Year: 17.3%). The decrease in the gross profit margin was mainly due to increase of sales volume in packaging materials with lower gross profit margin and the increase of import cost from exchange rate fluctuation.

### **Other income and gains**

Other income and gains primarily consist of bank interest income, government grants, services fee income, consultancy service income and others. Other income increased by RMB1.8 million or 29.0% from RMB6.2 million for the Previous Year to RMB8.0 million for the Reporting Year, which is mainly due to the increase from government grants and exchange gains.

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

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Audited)</b>	(Audited)
Other income and gains, net		
Government grants*	<b>3,048</b>	2,089
Bank interest income	<b>2,125</b>	2,579
Interest income from structured deposits	<b>1,268</b>	1,180
Exchange gains	<b>1,121</b>	—
Consultancy service income	<b>14</b>	155
Others	<b>415</b>	181
	<hr/>	<hr/>
	<b>7,991</b>	6,184
	<hr/> <hr/>	<hr/> <hr/>

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

### **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 RMB0.7 million, or approximately 2.3% increase to RMB31.0 million for the Reporting Year from RMB30.3 million for the Previous Year. The increase was mainly attributed to the increase from staff salaries and benefits.

### **Administrative expenses**

Administrative expenses primarily consist of depreciation, entertainment, rent and rates, research and development, staff salaries and benefits and others. The administrative expenses increased by RMB0.6 million, or approximately 1.8% increase to RMB33.8 million for the Reporting Year from RMB33.2 million for the Previous Year. The increase was mainly attributed to operation of new subsidiaries.

### **Finance costs**

The finance costs represent interests on other loans. Finance costs increased by RMB0.3 million to RMB0.7 million for the Reporting Year from RMB0.4 million for the Previous Year. The increase was mainly due to the increase of interest expense arising from lease liabilities.

## Income tax expenses

The Group's income tax expenses increased by RMB3.3 million from RMB11.1 million for the Previous Year to RMB14.4 million for the Reporting Year. 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 condensed consolidated statement of profit or loss are:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Audited)</b>	<b>(Audited)</b>
Current income tax in the PRC	<b>13,427</b>	11,151
Deferred income tax expense relating to origination and reversal of temporary differences	<b>1,010</b>	(98)
	<hr/>	<hr/>
Total tax charge for the period	<b><u>14,437</u></b>	<b><u>11,053</u></b>

## Profit for the Reporting Year

As a result of the foregoing, the profit for the Reporting Year increased by RMB4.9 million, or 16.3%, from RMB30.0 million for the Previous Year to RMB34.9 million for the Reporting Year. This strong growth was mostly attributed to the increase of sales volume and improved operational efficiency.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2020 (as at 31 December 2019: Nil).

## CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any significant capital commitments (as at 31 December 2019: Nil).

## CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the Reporting Year. The capital of the Company comprises RMB337 million as at 31 December 2020, representing an increase of RMB33 million as compared to RMB304 million as at 31 December 2019, which was attributable to the growth of profits.

## USE OF PROCEEDS

The Company successfully listed its Shares on the Main Board of the Stock Exchange on 27 June 2018 and issued a total of 170,000,000 Shares by way of share offer at the offer price of HK\$0.75 per Share. The net proceeds from the share offer in association with the Listing amounted to HK\$93.7 million (equivalent to RMB76.8 million).

	Net proceeds (RMB million)		
	Available	Utilised	Unutilised
(i) Setting up seven branch offices at different provinces in the PRC	35.8	35.8	0
(ii) Repaying the entrusted loans with an outstanding amount of RMB15 million	15	15	0
(iii) Procuring the required level of inventories for the distribution of the relevant products	12	12	0
(iv) Expanding technology centre	4.1	4.1	0
(v) Participating in promotional and marketing activities	2.0	2.0	0
(vi) General working capital	7.9	7.9	0
<b>Total</b>	<b><u>76.8</u></b>	<b><u>76.8</u></b>	<b><u>0</u></b>

As at the date of this announcement, the Directors are not aware of material change to the planned use of the proceeds as stated in the Prospectus. During the Reporting Year, the proceeds were fully utilized pursuant to the planned use of the proceeds as stated in the Prospectus.



## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash Flows

The following table is a condensed summary of the combined statements of cash flows of the Group for the years indicated:

	For the year ended 31 December	
	2020 <i>RMB'000</i> (Audited)	2019 <i>RMB'000</i> (Audited)
Net cash flow generated from/(used in) operating activities	<b>47,276</b>	(2,863)
Net cash flow generated from/(used in) investing activities	<b>3,179</b>	2,884
Net cash flow generated from/(used in) financing activities	<b>(3,340)</b>	(3,763)
Cash and cash equivalents at end of year	<b>223,362</b>	177,924

### Cash flows generated from operating activities

For the Reporting Year, the Company had net cash from operating activities of approximately RMB47.3 million, which was primarily contributed by our profit before tax of approximately RMB49.3 million, a decrease in trade and bills receivables RMB4.9 million and an increase in other payables and accruals of approximately RMB3.3 million. These cash inflow was partially offset by an increase in pledged deposits of approximately RMB22.1 million, a decrease in prepayment of approximately RMB7.0 million and a decrease in trade payables of approximately RMB1.5 million.

### Cash flows generated from investing activities

For the Reporting Year, net cash from investing activities amounted to RMB3.2 million which was primarily attributable to the interest received from our cash at the bank of approximately RMB3.4 million. The cash inflow was partially offset by the purchases of items of property, plant and equipment of approximately RMB0.2 million.

### Cash flows generated used in financing activities

For the Reporting Year, the net cash from financing activities amounted to RMB3.3 million, which was primarily attributable to the principal portion of lease payments of approximately RMB3.3 million.

## NET CURRENT ASSETS

The following table sets forth the current assets and current liabilities as at the years and dates indicated:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
	(Audited)	(Audited)
<b>Current assets</b>		
Inventories	51,864	69,222
Trade and bills receivables	87,657	93,531
Prepayment, deposits and other receivables	12,656	19,692
Amounts due from related parties	1,323	959
Structured deposits	—	33,800
Pledged deposits	34,949	12,861
Cash and bank balance	223,362	144,124
	<u>          </u>	<u>          </u>
<b>Total current assets</b>	<b>411,811</b>	<b>374,189</b>
	<u>          </u>	<u>          </u>
<b>Current liabilities</b>		
Trade payables	46,752	47,708
Other payables and accruals	19,740	16,460
Amounts due to related parties	3,605	4,117
Lease Liabilities	3,548	2,724
Tax payable	4,901	3,928
	<u>          </u>	<u>          </u>
<b>Total current liabilities</b>	<b>78,546</b>	<b>74,937</b>
	<u>          </u>	<u>          </u>
<b>Net current assets</b>	<b>333,265</b>	<b>299,252</b>
	<u>          </u>	<u>          </u>

The net current assets increased from RMB299.3 million as at 31 December 2019 to RMB333.3 million as at 31 December 2020. The increase was primarily due to an increase in cash and cash equivalents of approximately RMB45.4 million.

## **CASH POSITION**

The Group's cash and bank balances as at 31 December 2020 amounted to RMB223.4 million, representing an increase of RMB79.3 million as compared to RMB144.1 million as at 31 December 2019, which was attributable to increase of profit and improve of management efficiency.

As at 31 December 2020, the gearing ratio, calculated as debt divided by total assets, was 20.0%, as compared with 20.1% as at 31 December 2019.

## **TREASURY POLICIES**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Year. 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.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

On 28 December 2020, Shanghai Shineroad Food Ingredients Co., Ltd.\* (上海欣融食品原料有限公司) (the “**Purchaser**”), a wholly-owned subsidiary of the Company, entered into a conditional share transfer agreement and the supplemental agreement thereto with Hefei Fangfu Equity Investment Partnership Enterprise (Limited Partnership)\* (合肥方富股權投資合夥企業(有限合夥)) (the “**Vendor**”), pursuant to which the Purchaser agreed to acquire approximately 11.72% equity interest in Tianye Innovation, a limited company incorporated in the PRC whose shares are listed on the NEEQ at the consideration of RMB78,750,560. The said acquisition was completed on 4 February 2021. For details of the acquisition, please refer to the Company’s announcements dated 28 December 2020 and 4 February 2021 respectively and circular dated 25 January 2021.

Save for the above, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Year.

## **SIGNIFICANT INVESTMENTS HELD**

The Group did not have other significant investments held as at 31 December 2020.

## **CHARGES ON THE GROUP’S ASSETS**

As at 31 December 2020, there were no charges on the Group’s assets (as at 31 December 2019: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had 167 employees as at 31 December 2020. 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.

## **SUBSEQUENT EVENTS**

Save as disclosed in this announcement, there was no important event affecting the Group that had occurred since the end of the Reporting Year.

## **SHARE OPTION SCHEME**

On 31 May 2019, the then sole shareholder 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 of the Company dated 14 June 2018. No option has been granted during the Reporting Year.

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

During the Reporting Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **CORPORATE GOVERNANCE**

During the Reporting Year, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard as set out in the Model Code during the Reporting Year.

## **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 recommended the declaration and payment of a final dividend of HK\$0.015 (equivalent to approximately RMB0.013) per ordinary share at HK\$10.2 million (equivalent to approximately RMB8.6 million) for the year ended 31 December 2020 based on 680,000,000 shares in issue as at 31 December 2020. The payment of the final dividend is subject to the approval to be obtained at the forthcoming annual general meeting of the Company. The final dividend will be paid in Hong Kong dollars and is expected to be paid on or around 27 July 2021. A notice convening the annual general meeting will be published and dispatched in the manner as required by the Listing Rules and information regarding the record date and book close date to determine the entitlement to the final dividend will be announced in due course.

## **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 annual results for the Reporting Year, accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the annual financial information.

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

## **SCOPE OF WORK OF ERNST & YOUNG**

The figures above in respect of this annual results announcement for the Reporting Year have been agreed with the Company’s auditor, Ernst & Young, certified public accountants, to be consistent with the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

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

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.shineroad.com](http://www.shineroad.com). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be despatched 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, 30 March 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.*