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 2018

FINANCIAL HIGHLIGHT

- The Group's revenue for the year ended 31 December 2018 was RMB525.6 million, representing a decrease of 0.4% as compared to that in 2017 of RMB527.9 million.
- The gross profit of the Group for the year ended 31 December 2018 was RMB97.9 million, an increase of 14.9% as compared to that in 2017 of RMB85.2 million.
- The profit for the period and attributable to owners of the parent for the year ended 31 December 2018 was RMB28.1 million, an increase of 3.0% as compared to that in 2017 of RMB27.3 million.
- The basic and diluted earnings per share remained stable of RMB0.05 (2017: RMB0.05).
- The Board did not recommend the payment of final dividend for the year ended 31 December 2018 (2017: 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 2018, together with the comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
REVENUE	*4*	**525,578**	527,935
Cost of sales		**(427,718)**	(442,727)
Gross profit		**97,860**	85,208
Other income and gains	*4*	**7,117**	3,457
Selling and distribution expenses		**(26,572)**	(20,894)
Administrative expenses		**(35,195)**	(25,470)
Finance costs		**(862)**	(2,102)
Other expenses		**(1,545)**	(1,700)
PROFIT BEFORE TAX		**40,803**	38,499
Income tax expense	*5*	**(12,672)**	(11,209)
PROFIT FOR THE YEAR		**28,131**	27,290
Profit for the year			
Attributable to:			
Owners of the parent		**28,131**	27,219
Non-controlling interests		**—**	71
		28,131	27,290

	Notes	**2018**	2017
		RMB'000	*RMB'000*
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**4,139**	(1,361)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**4,139**	(1,361)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF TAX		**4,139**	(1,361)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32,270**	25,929
Total comprehensive income attributable to:			
Owners of the parent		**32,270**	25,858
Non-controlling interests		**—**	71
		32,270	25,929
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted			
— For profit for the year	*7*	**0.05**	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**798**	717
Other intangible assets	*8*	**106**	—
Deferred tax assets		**585**	225
Total non-current assets		**1,489**	942
CURRENT ASSETS			
Inventories		**38,756**	37,906
Trade receivables	*9*	**70,206**	85,633
Prepayments, other receivables and other assets		**10,400**	10,736
Due from related parties		**575**	—
Pledged deposits		**25,760**	18,955
Cash and cash equivalents		**181,235**	88,690
Total current assets		**326,932**	241,920
CURRENT LIABILITIES			
Trade and bills payables	*10*	**30,293**	38,394
Other payables and accruals		**18,997**	14,695
Amounts due to related parties		**1,736**	2,172
Tax payable		**3,959**	3,788
Total current liabilities		**54,985**	59,049
NET CURRENT ASSETS		**271,947**	182,871
TOTAL ASSETS LESS CURRENT LIABILITIES		**273,436**	183,813

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**—**	40,000
Total non-current liabilities		**—**	40,000
NET ASSETS		**273,436**	143,813
EQUITY			
Equity attributable to owners of the parent			
Share capital		**5,681**	—
Other reserves		**267,755**	143,813
Total equity		**273,436**	143,813

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1109, Cayman Islands.

During the year, the Group was principally engaged in the distribution of 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.[(a)(b)] ("**Shanghai Shineroad**")	People's Republic of China (The "**PRC**")/ Mainland China	10 January 2011	RMB150,202,000	—	100%	Distribution of food ingredients
Beijing Shineroad Food Additives Co., Ltd. [(a)(b)] ("**Beijing Shineroad**")	The PRC/ Mainland China	10 July 2011	RMB15,000,000	—	100%	Distribution of food ingredients
Guangzhou Jieyang Food Technology Co., Ltd. [(a)(b)] ("**Guangzhou Jieyang**")	The PRC/ Mainland China	16 December 2010	RMB20,000,000	—	100%	Distribution of food ingredients
Zhengzhou Shineroad Food Technology Co., Ltd. [(a)(b)] ("**Zhengzhou Shineroad**")	The PRC/ Mainland China	19 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	
Chengdu Shineroad Food Co., Ltd. [(a)(b)] ("**Chengdu Shineroad**")	The PRC/ Mainland China	21 December 2018	RMB5,000,000	—	100%	Distribution of food ingredients
Shineroad Holding Limited[(b)]	British Virgin Islands	1 December 2015	USD50,000	100%	—	Investment holding
Shineroad Food Holding Limited	Hong Kong	9 December 2015	HK$6,800,000	—	100%	Investment holding

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

(b) No audited financial statements have been prepared for the year ended 31 December 2018.

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. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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 2018. 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 following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 2	*Classification and Measurement of Share-based Payment Transaction*
Amendments to HKAS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarification to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement and impairment.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement				HKFRS 9 measurement	
	Category	Amount	Re-classification	ECL	Amount	Category
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets						
Trade and bills receivables	L&R[1]	85,633	—	(300)	85,333	AC[2]
Financial assets included in prepayments, other receivables and other assets	L&R	108	—	—	108	AC
Pledged deposits	L&R	18,955	—	—	18,955	AC
Cash and cash equivalents	L&R	88,690	—	—	88,690	AC
		193,386	—	(300)	193,086	AC

	HKAS 39 measurement				HKFRS 9 measurement	
	Category	Amount	Re-classification	ECL	Amount	Category
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Other assets						
Deferred tax assets		225	—	75	300	AC
Total assets		193,611	—	(225)	193,386	
Financial liabilities						
Trade and bills payables	AC	38,394	—	—	38,394	AC
Financial liabilities included in other payables and accruals	AC	8,245	—	—	8,245	AC
Amounts due to related parties	AC	2,172	—	—	2,172	AC
Interest-bearing bank and other borrowings	AC	40,000	—	—	40,000	AC
Total liabilities		88,811	—	—	88,811	

1 L&R: Loans and receivables
2 AC: Financial assets or financial liabilities at amortised cost

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowances under HKFRS 9 at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	900	300	1,200

(b) HKFRS 15 Revenue from Contracts with Customers and its amendments replace HKAS 11 Construction Contracts and HKAS 18 Revenue and related interpretations. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has assessed the effects of adoption of HKFRS 15 on the financial statements and identified the following areas that have been affected:

HKFRS 15 requires separate presentation of contract liabilities. Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15 and, accordingly, advances received from customers of RMB2,185,000 were reclassified from advances from customers under other payables and accruals to contract liabilities.

Taking into account the impact disclosed above, the Group considers that the adoption of HKFRS 15 did not have significant impact on our financial position and performance during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

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 expects to adopt the amendments prospectively from 1 January 2020.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that that right-of-use assets of RMB4,999,000 and lease liabilities of RMB4,999,000 will be recognised at 1 January 2019.

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. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's 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 ingredients and food additives.

Information about geographical area

Since all of the Group's revenue was generated from the distribution of 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 a major customer

Revenue from continuing operations of approximately RMB44,599,000 (2017: RMB40,269,000) was derived from sales by the industrial products segment 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:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contract with customers		
Sale of goods	**525,578**	527,935

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	**Food ingredients**	**Food additives**	**Packaging materials**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Type of goods or services				
Sales of goods	292,914	227,390	5,274	525,578
Geographical markets				
Mainland China	292,914	227,390	5,274	525,578
Timing of revenue recognition				
Goods transferred at a point in time	292,914	227,390	5,274	525,578

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**1,364**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**1,400**	469
Government grants*	**4,866**	2,381
Consultancy service income	**641**	146
Others	**210**	461
	7,117	3,457

* 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.

	2018	2017
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**12,957**	11,413
Deferred tax	**(285)**	(204)
Total tax charge for the year	**12,672**	11,209

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 Reporting period.

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:

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**40,803**	38,499
Tax at the statutory tax rate (25%)	**10,201**	9,625
Adjustments in respect of current tax of previous periods	**(60)**	79
Tax effect of non-deductible expenses	**119**	185
Tax effect of tax rate difference between PRC and overseas entities	**1,413**	931
Tax losses not recognised	**999**	389
Tax charge at the Group's effective rate	**12,672**	11,209

6. DIVIDENDS

No dividend has been paid or declared by the Company for the year.

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 597,562,000 (2017: 510,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	**28,131**	27,219

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**597,562,000**	510,000,000
Basic earnings per share (RMB)	**0.05**	0.05
Diluted earnings per share (RMB)	**0.05**	0.05

8. OTHER INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	**—**
Additions	**153**
Amortisation provided during the year	**(47)**
At 31 December 2018	**106**
At 31 December 2018:	
Cost	**153**
Accumulated amortisation	**(47)**
Net carrying amount	**106**

	Software
	RMB'000
31 December 2017	
Cost at 1 January 2017, net of accumulated amortisation	81
Additions	15
Amortisation provided during the year	(96)
At 31 December 2017	—
At 31 December 2017:	
Cost	111
Accumulated amortisation	(111)
Net carrying amount	—

9. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**71,385**	76,949
Bills receivable	**1,108**	9,584
Impairment	**(2,287)**	(900)
	70,206	85,633

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:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**62,604**	83,324
3 to 6 months	**6,990**	2,059
Over 6 months	**612**	250
	70,206	85,633

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

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**900**	—
Effect of adoption of HKFRS 9	**300**	—
At beginning of year (restated)	**1,200**	—
Impairment losses recognised	**1,087**	900
At end of year	**2,287**	900

Impairment under HKFRS 9 for the year ended 31 December 2018

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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Less than 3 month	3 to 6 months	6 to 12 months	Over 12 months	Total
Expected credit loss rate	0.62%	6.59%	46.36%	100.00%	3.20%
Gross carrying amount	63,571	6,298	1,141	950	71,960
Expected credit losses	393	415	529	950	2,287

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	83,324
Less than 1 month past due	2,309
	85,633

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The carrying amounts of the trade receivables approximate to their fair values due to their relatively short maturity term.

10. 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:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**30,166**	38,209
3 to 6 months	**—**	7
6 to 12 months	**—**	3
Over 1 year	**127**	175
	30,293	38,394

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 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. Our research and development capacity has distinguished us from other competitors in the industry and provides us a unique edge to develop our reputation and our diversified customer networks. By leveraging our research and development capability on food ingredients application solutions, we strive "To be the Most Reliable Partner in Food Industry".

The shares of the Company (the "**Shares**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 June 2018 (the "**Listing Date**") when 170,000,000 ordinary Shares (comprising a public offer of 68,000,000 Shares and a placing of 102,000,000 Shares) have been offered for subscription at an offer price of HK$0.75 per Share (the "**Listing**").

The Group will continue to engage in the food ingredients and additives distribution industry. For the year ended 31 December 2018, the Group has followed the planned use of the proceeds as stated in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 14 June 2018 (the "**Prospectus**"). We successfully set up two new branches in the PRC, employed five more professionals enhancing our product management centre and technology centre, and participated in seven national and international exhibitions in 2018.

Outlook and prospects

With the Group's mission to be the most reliable partner for both food manufacturers and suppliers in food industry, we will continue implementing our business strategies by setting up new branches in the PRC to expand market coverage, enhancing our research and development capabilities to ensure the core value of the Group, strengthening our purchasing power and securing more distribution rights to diversify our product portfolio, and participating in promotional and marketing activities to strengthen our reputation. Looking forward, we have faith to diversify and accommodate into this rapidly changing market.

FINANCIAL REVIEW

For the year ended 31 December 2018 (the "**Period**"), the Group's revenue was RMB525.6 million (2017: RMB527.9 million). For the year ended 31 December 2018, the Group recorded profit of RMB28.1 million (2017: RMB27.3 million). Excluding the one-off listing expenses recognised, for the year ended 31 December 2018, the Group recorded profit for the year of RMB33.4 million (2017: RMB33.7 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 Period was RMB525.6 million, representing a decrease of 0.4% as compared that of RMB527.9 million for the year ended 31 December 2017 (the "**Previous Period**") and remains relatively stable.

An analysis of revenue, net is as follows:

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(Audited)
REVENUE		
Food ingredients	**292,914**	312,169
Food additives	**227,390**	211,580
Packaging materials	**5,274**	4,186
	525,578	527,935

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 Period was RMB427.7 million, representing a decrease of approximately 3.4% as compared to RMB442.7 million for the Previous Period. The decrease in cost of sales was primarily due to the increase of sales volume in food additives with higher gross profit margin.

Gross profit and gross profit margin

Gross profit of the Group for the Period rose by RMB12.7 million to RMB97.9 million (Previous Period: RMB85.2 million), and the gross profit margin increased to 18.6% (Previous Period: 16.1%). The increase in the gross profit margin was mainly due to the increase of sales volume in food additives with higher gross profit margin result in the growth of the overall gross profit.

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 RMB3.6 million or 105.8% from RMB3.5 million for the Previous Period to RMB7.1 million for the Period mainly due to the increase from government grants and bank interest income.

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

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(Audited)
Other income and gains, net		
Bank interest income	**1,400**	469
Government grants*	**4,866**	2,381
Consultancy service income	**641**	146
Others	**210**	461
	7,117	3,457

* 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 RMB5.7 million, a 27.3% increase to RMB26.6 million for the Period from RMB20.9 million for the Previous Period. The increase was mainly attributed to the increase from staff salaries and benefits.

Administrative expenses

Administrative expenses primarily consist of depreciation, entertainment, listing expense, rent and rates, research and development, staff salaries and benefits and others. The administrative expenses increased by RMB9.7 million, a 38.0% increase to RMB35.2 million for the Period from RMB25.5 million for the Previous Period. The increase was mainly attributed to the listing expenses incurred in the Listing.

Finance costs

The finance costs represent interests on other loans. Finance costs decreased by RMB1.2 million to RMB0.9 million for the Period from RMB2.1 million for the Previous Period. The decrease was mainly due to the decrease in principal amount of other loans during the Period.

Income tax expenses

The Group's income tax expenses increased by RMB1.5 million from RMB11.2 million for the Previous Period to RMB12.7 million for the Period. The increase was primarily due to the increase in gross profit and the non-deductible listing expense according to PRC Corporate income tax.

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

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(Audited)
Current income tax in the PRC	**12,957**	11,413
Deferred income tax expense relating to origination and reversal of temporary differences	**(285)**	(204)
Total tax charge for the period	**12,672**	11,209

Profit for the Period

As a result of the foregoing, the profit for the Period increased by RMB0.8 million, or 3.0%, from RMB27.3 million for the Previous Period to RMB28.1 million for the Period. The Group remains in a healthy and sound liquidity position during the year ended 31 December 2018.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2018.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group did not have any significant capital commitments (2017: Nil).

CAPITAL STRUCTURE

The Shares were listed on the Main Board of the Stock Exchange on 27 June 2018. The capital of the Company comprises RMB273 million as at 31 December 2018.

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	10.0	25.8 *(Note 1)*
(ii) Repaying the entrusted loans with an outstanding amount of RMB15 million	15.0	15.0	0
(iii) Procuring the required level of inventories for the distribution of the relevant products	12.0	4.7	7.3 *(Note 2)*
(iv) Expanding technology centre	4.1	0.1	4.0 *(Note 3)*
(v) Participating in promotional and marketing activities	2.0	0.5	1.5
(vi) General working capital	7.9	0	7.9
Total	**76.8**	**30.3**	**46.5**

Notes:

1. As to approximately HK$25.8 million will be used to set up five branch offices in the PRC by December 2019.

2. As to approximately HK$7.3 million will be used for procuring the required level of inventories for the distribution by June 2019.

3. As to approximately HK$4.0 million will be used for expanding technology centre and recruiting professionals in or around June 2020.

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.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group's receivable turnover days as at 31 December 2018 decreased to 54 days as compared to 57 days as at 31 December 2017, mainly due to improvement of credit control.

The Group's cash and cash equivalents balances as at 31 December 2018 amounted to RMB181.2 million, representing an increase of RMB92.5 million as compared to RMB88.7 million as at 31 December 2017, which was attributable to the proceeds from the Listing.

As at 31 December 2018, the Group's total other borrowings decreased to nil from RMB40.0 million as at 31 December 2017, which was primarily due to the repayment of other borrowings.

As at 31 December 2018, the gearing ratio, calculated as debt divided by total assets, was 16.7% as compared with 40.8% as at 31 December 2017.

The Group's equity balance increased to RMB267 million as at 31 December 2018 from that of RMB143.8 million as at 31 December 2017, which was attributable to the proceeds from the Listing.

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 31 December 2018, there were no charges on the Group's assets (2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

The Group had 140 employees as at 31 December 2018. 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 up to the date of this announcement.

SHARE OPTION SCHEME

On 31 May 2018, 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. No option has been granted up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the Listing Date and up to 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Since the Listing Date and up to 31 December 2018, 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 since the Listing Date and up to 31 December 2018.

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, 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 year ended 31 December 2018, 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.

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*** and the website of the Company at ***www.shineroad.com***. The annual report of the Company for the year ended 31 December 2018 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, 26 March 2019

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