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 2019

FINANCIAL HIGHLIGHT

- The Group's revenue for the year ended 31 December 2019 was RMB579.9 million, representing an increase of 10.3% as compared to that of RMB525.6 million in 2018.
- The gross profit of the Group for the year ended 31 December 2019 was RMB100.2 million, representing an increase of 2.3% as compared to that of RMB97.9 million in 2018.
- The profit for the year and attributable to owners of the parent for the year ended 31 December 2019 was RMB30.0 million, representing an increase of 6.8% as compared to that of RMB28.1 million in 2018.
- The basic and diluted earnings per share was RMB0.04 (2018: RMB0.05).
- The Board did not recommend the payment of final dividend for the year ended 31 December 2019 (2018: 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 2019, together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**579,885**	525,578
Cost of sales		**(479,640)**	(427,718)
Gross profit		**100,245**	97,860
Other income and gains	*4*	**6,184**	7,117
Selling and distribution expenses		**(30,349)**	(26,572)
Administrative expenses		**(33,162)**	(35,195)
Finance costs		**(367)**	(862)
Other expenses		**(1,497)**	(1,545)
PROFIT BEFORE TAX		**41,054**	40,803
Income tax expense	*5*	**(11,053)**	(12,672)
PROFIT FOR THE YEAR		**30,001**	28,131
Profit for the year			
Attributable to:			
Owners of the parent		**30,001**	28,131
Non-controlling interests		**—**	—
		30,001	28,131

	Notes	For the year ended 31 December **2019** *RMB'000*	2018 *RMB'000*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**649**	4,139
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**649**	4,139
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**649**	4,139
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**30,650**	32,270
Total comprehensive income attributable to:			
Owners of the parent		**30,650**	32,270
Non-controlling interests		**—**	—
		30,650	32,270
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted	*7*	**0.04**	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		For the year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,148**	798
Right-of-use assets		**4,413**	—
Other intangible assets		**35**	106
Deferred tax assets		**683**	585
Total non-current assets		**6,279**	1,489
CURRENT ASSETS			
Inventories		**69,222**	38,756
Trade receivables	*8*	**93,531**	70,206
Prepayments, other receivables and other assets		**19,692**	10,400
Amounts due from related parties		**959**	575
Structured deposits		**33,800**	—
Pledged deposits		**12,861**	25,760
Cash and bank balances		**144,124**	181,235
Total current assets		**374,189**	326,932
CURRENT LIABILITIES			
Trade and bills payables	*9*	**47,708**	30,293
Other payables and accruals		**16,460**	18,997
Amounts due to related parties		**4,117**	1,736
Lease liabilities		**2,724**	—
Tax payable		**3,928**	3,959
Total current liabilities		**74,937**	54,985
NET CURRENT ASSETS		**299,252**	271,947
TOTAL ASSETS LESS CURRENT LIABILITIES		**305,531**	273,436

	Notes	For the year ended 31 December **2019** ***RMB'000***	2018 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**1,445**	—
Total non-current liabilities		**1,445**	—
NET ASSETS		**304,086**	273,436
EQUITY			
Equity attributable to owners of the parent			
Share capital		**5,681**	5,681
Other reserves		**298,405**	267,755
Total equity		**304,086**	273,436

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 Direct	Indirect	Principal activities
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	11 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 November 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$1	—	100%	Investment holding
Qingdao Shineroad Food Technology Co., Ltd. (a)(b)	The PRC/ Mainland China	22 May 2019	RMB5,200,000	—	100%	Distribution of food ingredients
Xian Shineroad Food Technology Co., Ltd. (a)(b)	The PRC/ Mainland China	28 May 2019	RMB15,000,000	—	100%	Distribution of food ingredients
Xiamen Shineroad Food Technology Co., Ltd. (a)(b)	The PRC/ Mainland China	4 June 2019	RMB5,000,000	—	100%	Distribution of food ingredients
Wuhan Shineroad Food Technology Co., Ltd. (a)(b)	The PRC/ Mainland China	2 December 2019	RMB600,000	—	100%	Distribution of food ingredients
Shineroad Food Technology (Thailand) Co., Ltd. (b)	Thailand	1 October 2019	THB2,250,000	—	99%	Distribution of food ingredients
Shineroad Food Holdings (Thailand) Co., Ltd. (b)	Thailand	3 April 2019	THB3,000,000	—	99%	Investment holding

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 Direct	Indirect	Principal activities
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%	Distribution of food ingredients

Notes:

(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 2019.

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 Group for the year ended 31 December 2019. 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 HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and Annual Improvements to HKFRSs 2015–2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) 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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in Lease liabilities. The right-of-use assets were 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 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	4,998
Increase in total assets	4,998
Liabilities	
Increase in lease liabilities	4,998
Increase in total liabilities	4,998

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	5,200
Weighted average incremental borrowing rate as at 1 January 2019	5.46%
Discounted operating lease commitments as at 1 January 2019	4,998
Lease liabilities as at 1 January 2019	4,998

(b) 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING 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. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. 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 are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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.

3. OPERATING SEGMENT INFORMATION

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

Information about geographical area

Since all of the Group's revenue was generated from the distribution of food 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 RMB43,149,000 (2018: RMB44,599,000) 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:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contract with customers	**579,885**	525,578

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	**Food ingredients** *RMB'000*	**Food additives** *RMB'000*	**Packaging materials** *RMB'000*	**Total** *RMB'000*
Type of goods or services				
Sales of goods	317,443	243,669	18,773	579,885
Geographical markets				
Mainland China	317,443	243,669	18,773	579,885
Timing of revenue recognition				
Goods transferred at a point in time	317,443	243,669	18,773	579,885

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:

	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of industrial products	**2,185**

(ii) Other income and gains

	2019 *RMB'000*	2018 *RMB'000*
Bank interest income	**2,579**	1,400
Interest income from structured deposits	**1,180**	—
Government grants*	**2,089**	4,866
Consultancy service income	**155**	641
Others	**181**	210
	6,184	7,117

* 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.

	For the year ended 31 December	
	2019 *RMB'000*	2018 *RMB'000*
Current — PRC		
Charge for the year	**11,151**	12,957
Deferred tax	**(98)**	(285)
Total tax charge for the year	**11,053**	12,672

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:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**41,054**	40,803
Tax at the statutory tax rate (25%)	**10,264**	10,201
Tax effect of tax rate difference of subsidiaries	**328**	1,413
Adjustments in respect of current tax of previous periods	**(323)**	(60)
Tax effect of non-deductible expenses	**168**	119
Tax losses not recognised	**616**	999
Tax charge at the Group's effective rate	**11,053**	12,672

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 680,000,000 (2018: 597,562,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

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

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	**30,001**	28,131

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**680,000,000**	597,562,000
Basic earnings per share (RMB)	**0.04**	0.05
Diluted earnings per share (RMB)	**0.04**	0.05

8. TRADE RECEIVABLES

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**91,275**	71,385
Bills receivable	**4,811**	1,108
Impairment	**(2,555)**	(2,287)
	93,531	70,206

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:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**86,470**	62,604
3 to 6 months	**7,053**	6,990
Over 6 months	**8**	612
	93,531	70,206

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

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**2,287**	1,200
Impairment losses recognised	**1,166**	1,087
Amount written off as uncollectible	**(898)**	—
At end of year	**2,555**	2,287

Impairment under HKFRS 9 for the year ended 31 December 2019

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:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**47,654**	30,166
3 to 6 months	**—**	—
6 to 12 months	**—**	—
Over 1 year	**54**	127
	47,708	30,293

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. 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 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 Group will continue to engage in the food ingredients and additives distribution industry. For the year ended 31 December 2019, 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 4 new branches in the PRC, employed 9 more professionals enhancing our product management centre and technology centre, and participated in 6 exhibitions in 2019.

Outlook and prospects

As the beginning of 2020, the novel coronavirus ("**COVID-19**") spread widely in China. The outbreak of COVID-19 has adversely affected the Group's business in the first quarter of 2020 due to the national operational delays after Chinese New Year holiday and the related epidemic control on transportation and logistics. The situation remains fluid and may stall the business growth of 2020. Facing the grim situation of COVID-19 outbreak, the Group has put in place contingency measures to lower the impact caused by the epidemic. The Group has, in a timely manner, adopted various anti-epidemic measures to protect the safety and health of all its employees in different regions. Moreover, our management has taken operational initiatives on promoting overseas business, sourcing competitive food ingredients and additives worldwide, developing new customers and evolving new applications and solutions for food manufacturers.

With the Group's mission to be the most reliable partner for both food manufacturers and suppliers in food industry, our focus will be on maintaining operational resilience in times of unpredictability and challenges. We will continue implementing our business strategies by consolidating market with the new branches, enhancing our research and development capabilities, diversifying product portfolio with more secured distribution rights, and enlarging brand influence by participating in promotional and marketing activities. Moreover, we are setting up new subsidiaries in South East Asian countries to further diversify, build and strengthen our capabilities in food market connectivity. Looking forward, we have faith to diversify and accommodate into this ever changing market.

FINANCIAL REVIEW

For the year ended 31 December 2019 (the "**FY2019**"), the Group's revenue was RMB579.9 million (2018: RMB525.6 million). For the FY2019, the Group recorded profit of RMB30.0 million (2018: RMB28.1 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 FY2019 was RMB579.9 million, representing an increase of 10.3% as compared to that of RMB525.6 million for the year ended 31 December 2018 (the "**FY2018**"). Despite an unstable overall macro-environment, the Group achieved double-digit revenue growth in 2019 driven by the continued development of new customers and growth in effective strategies taken by the Group.

An analysis of revenue, net is as follows:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
REVENUE		
Food ingredients	**317,443**	292,914
Food additives	**243,669**	227,390
Packaging materials	**18,773**	5,274
	579,885	525,578

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 FY2019 was RMB479.6 million, representing an increase of approximately 12.1% as compared to RMB427.7 million for the FY2018. The increase in cost of sales was primarily due to the increase of sales volume in food ingredients.

Gross profit and gross profit margin

Gross profit of the Group for the FY2019 rose by RMB2.3 million to RMB100.2 million (FY2018: RMB97.9 million), and the gross profit margin decreased to 17.3% (FY2018: 18.6%). The decrease in the gross profit margin was mainly due to the 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, interest income from structured deposits, consultancy service income and others. Other income decreased by RMB0.9 million or 12.7% from RMB7.1 million for the FY2018 to RMB6.2 million for the FY2019 mainly due to the decrease in government grants and consultancy service income.

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

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Other income and gains, net		
Bank interest income	**2,579**	1,400
Interest income from structured deposits	**1,180**	—
Government grants*	**2,089**	4,866
Consultancy service income	**155**	641
Others	**181**	210
	6,184	7,117

* 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 RMB3.7 million, a 13.9% increase to RMB30.3 million for the FY2019 from RMB26.6 million for the FY2018. The increase was mainly attributed to the increase in transportation expenses.

Administrative expenses

Administrative expenses primarily consist of depreciation, entertainment, rent and rates, research and development, staff salaries and benefits and others. Since there is no listing expense incurred for the FY2019, the administrative expenses decreased by RMB2.0 million, a 5.7% decrease to RMB33.2 million for the FY2019 from RMB35.2 million for the FY2018.

Finance costs

The finance costs represent interests on other loans. Finance costs decreased by RMB0.5 million to RMB0.4 million for the FY2019 from RMB0.9 million for the FY2018. The decrease was mainly due to the decrease in principal amount of other loans during the FY2019.

Income tax expenses

The Group's income tax expenses decreased by RMB1.6 million from RMB12.7 million for the FY2018 to RMB11.1 million for the FY2019. The decrease was primarily due to the decrease in the administrative expense. In specific, there is no non-deductible listing expense according to PRC Corporate income tax incurred in the FY2019.

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	
	2019	2018
	RMB'000	*RMB'000*
Current income tax in the PRC	**11,151**	12,957
Deferred income tax expense relating to origination and reversal of temporary differences	**(98)**	(285)
Total tax charge for the year	**11,053**	12,672

Profit for the year

As a result of the foregoing, the profit for the FY2019 increased by RMB1.9 million, or 6.8%, from RMB28.1 million for the FY2018 to RMB30.0 million for the FY2019. The Group remains in a healthy and sound liquidity position during the year ended 31 December 2019.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2019.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have any significant capital commitments (2018: Nil).

CAPITAL STRUCTURE

The Shares were listed on the Main Board of the Stock Exchange on 27 June 2018. The capital of the Company was RMB304 million as at 31 December 2019.

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	15.0	15.0	0
(iii) Procuring the required level of inventories for the distribution of the relevant products	12.0	12.0	0
(iv) Expanding technology centre	4.1	2.1	2 *(Note 1)*
(v) Participating in promotional and marketing activities	2.0	1.6	0.4 *(Note 2)*
(vi) General working capital	7.9	7.9	0
Total	76.8	74.4	2.4

Notes:

1. As to approximately RMB2 million will be used for expanding technology centre and recruiting professionals in or around 2020.

2. As to approximately RMB0.4 million will be used for participating in promotional and marketing activities in or around 2020.

As at the date of this announcement, the Directors are not aware of any 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 2019 decreased to 52 days as compared to 54 days as at 31 December 2018, mainly due to improvement of credit control.

The Group's cash and bank balances as at 31 December 2019 amounted to RMB144.1 million, representing a decrease of RMB37.1 million as compared to RMB181.2 million as at 31 December 2018, which was attributable to the purchase of food ingredients, namely the increase in inventory.

As at 31 December 2019, the gearing ratio, calculated as debt divided by total assets, was 20.1% as compared with 16.7% as at 31 December 2018. The increase of gearing ratio was mainly due to the decrease in cash and bank balances.

The Group's equity balance increased to RMB304 million as at 31 December 2019 from that of RMB273 million as at 31 December 2018, which was attributable to the growth of profits.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the FY2019. 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.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2019, there were no charges on the Group's assets (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

The Group had 148 employees as at 31 December 2019. 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 wide spread of COVID-19 in China since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has assessed the overall impact of the situation on the operation of the Group and taken contingency measures and responses to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future. The Group does not have other significant subsequent events.

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 during the FY2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the FY2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the FY2019, 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 FY2019.

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 FY2019.

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, Mr. Meng Yuecheng and an executive Director Mr. Dai Yihui, has reviewed with the management the annual results for the year ended 31 December 2019, 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 year ended 31 December 2019 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*** and the website of the Company at ***www.shineroad.com***. The annual report of the Company for the year ended 31 December 2019 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 2020

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