Shineroad International Holdings Limited

欣融國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1587)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHT

- The Group's unaudited revenue for the six months ended 30 June 2020 was RMB277.7 million, representing an increase of 11.5% as compared to that of RMB249.0 million for the corresponding period in 2019.

- The unaudited gross profit of the Group for the six months ended 30 June 2020 was RMB39.6 million, representing a decrease of 9.0% as compared to that of RMB43.5 million for the corresponding period in 2019.

- The unaudited profit for the period and attributable to owners of the parent for the six months ended 30 June 2020 was RMB8.3 million, representing a decrease of 39.0% as compared to that of RMB13.6 million for the corresponding period in 2019.

- The unaudited basic and diluted earnings per share was RMB0.01 (30 June 2019: RMB0.02).

- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Shineroad International Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2020 (the "**Period**"), together with the comparative figures for the corresponding period in 2019 (the "**Previous Period**").

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

		For the six months ended 30 June	
	Notes	**2020**	2019
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	4	**277,714**	249,039
Cost of sales		**(238,121)**	(205,490)
Gross profit		**39,593**	43,549
Other income and gains, net	4	**2,358**	4,342
Selling and distribution expenses		**(12,630)**	(13,754)
Administrative expenses		**(16,889)**	(15,410)
Other expenses		**(386)**	(39)
Finance costs		**(227)**	(168)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**11,819**	18,520
Income tax expense	5	**(3,527)**	(4,901)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**8,292**	13,619
PROFIT FOR THE PERIOD		**8,292**	13,619

	Notes	For the six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Attributable to:			
Owners of the parent		**8,292**	13,619
Non-controlling interests		**—**	—
		8,292	13,619
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted, profit for the period (expressed in RMB)	7	**0.01**	0.02
OTHER COMPREHENSIVE INCOME			
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements into presentation currency		**421**	74
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**421**	74
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**8,713**	13,693
Attributable to:			
Owners of the parent		**8,713**	13,693
Non-controlling interests		**—**	—
		8,713	13,693

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**988**	1,148
Right-of-use assets		**3,552**	4,413
Other intangible assets		**10**	35
Deferred tax assets		**325**	683
Total non-current assets		**4,875**	6,279
CURRENT ASSETS			
Inventories		**59,917**	69,222
Trade receivables	8	**74,880**	93,531
Prepayments, deposits and other receivables		**9,975**	19,692
Due from related parties		**384**	959
Structured deposits		**—**	33,800
Pledged deposits		**21,705**	12,861
Cash and cash equivalents		**198,539**	144,124
Total current assets		**365,400**	374,189
CURRENT LIABILITIES			
Trade and bills payables	9	**33,965**	47,708
Other payables and accruals		**12,820**	16,460
Amounts due to related parties		**4,645**	4,117
Lease liabilities		**1,948**	2,724
Tax payable		**2,879**	3,928
Total current liabilities		**56,257**	74,937
NET CURRENT ASSETS		**309,143**	299,252
TOTAL ASSETS LESS CURRENT LIABILITIES		**314,018**	305,531

	Notes	**30 June 2020 (Unaudited)** *RMB'000*	31 December 2019 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**1,219**	1,445
Total non-current liabilities		**1,219**	1,445
NET ASSETS		**312,799**	304,086
EQUITY			
Equity attributable to owners of the parent			
Share capital		**5,681**	5,681
Reserves		**307,118**	298,405
Total equity		**312,799**	304,086

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated as an investment holding company under the laws of the Cayman Islands on 26 November 2015. The registered office of the Company is located at the offices of Appleby Trust (Cayman) Ltd., P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1–1109, Cayman Islands. The Group is principally engaged in the distribution of food ingredients and food additives.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with HKASs 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied, for the first time, the following amendments to Hong Kong Accounting Standards ("**HKASs**") issued by HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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

3. OPERATING SEGMENT INFORMATION

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

Information about geographical area

Since over 99% of the Group's revenue was generated from the distribution of food ingredients and food additives in Mainland China and over 91% of the Group's identifiable non-current assets were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 Operating Segments.

Information about major customers

Revenue from continuing operations of approximately RMB16,121,000 and RMB13,363,000 in the six months ended 30 June 2019 and 2020, respectively was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contract with customers		
Sale of goods	**277,714**	249,039

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 30 June 2020

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

For the year ended 30 June 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	132,905	101,763	14,371	249,039
Geographical markets				
Mainland China	132,905	101,763	14,371	249,039
Timing of revenue recognition				
Goods transferred at a point in time	132,905	101,763	14,371	249,039

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Bank interest income	**1,372**	1,969
Interest income from structured deposits	**257**	—
Government grants*	**502**	1,451
Consultancy service income	**—**	115
Foreign exchange differences, net	**—**	223
Reversal of impairment of trade receivables	**—**	445
Others	**227**	139
	2,358	4,342

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

5. INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax in the PRC	**3,169**	4,617
Deferred income tax expense relating to origination and reversal of temporary differences	**358**	284
Total tax charge for the period	**3,527**	4,901

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

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

The statutory tax rate for subsidiaries in Hong Kong is 16.5%. No Hong Kong profits tax on the Group's subsidiary has been provided as there is no assessable profit arising in Hong Kong during the six months ended 30 June 2019 and 2020.

6. DIVIDENDS

The company did not recommend the payment of an interim dividend for the six months ended 30 June 2020. (30 June 2019: Nil)

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of 680,000,000 (2019: 680,000,000), and the weighted average number of ordinary shares of 680,000,000 (2019: 680,000,000) in issue during the period, as adjusted to reflect the rights issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	**8,292**	13,619
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**680,000,000**	680,000,000
Basic earnings per share (RMB)	**0.01**	0.02
Diluted earnings per share (RMB)	**0.01**	0.02

8. TRADE RECEIVABLES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**76,143**	91,275
Bills receivable	**—**	4,811
Impairment	**(1,263)**	(2,555)
	74,880	93,531

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:

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Within 3 months	**68,890**	86,470
3 to 6 months	**5,990**	7,053
Over 6 months	**—**	8
	74,880	93,531

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:

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Within 3 months	**33,911**	47,654
3 to 6 months	**—**	—
6 to 12 months	**—**	—
Over 1 year	**54**	54
	33,965	47,708

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

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

2020 is a challenging year in terms of the international environment and domestic economy. The outbreak of novel coronavirus pneumonia ("**COVID-19**") has triggered unprecedented disruptions in economy and business operations on a global scale, including the food industry. As the epidemic situation improves, food manufacturers in the People's Republic of China (the "**PRC**" or "**China**") gradually resumed operation and production since the second quarter of 2020. Our Group has swiftly responded to the situation and proactively deployed strategic measures to stabilise the business including the management of our inventory of short life-span products.

China Operations

In addition to our Shanghai, Beijing, and Guangzhou offices, the Group has established six subsidiaries in Xiamen, Qingdao, Xi'an, Chengdu, Wuhan, and Zhengzhou respectively since our listing (the "**Listing**") of the shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in June 2018. We anticipate, along with the establishment of these new subsidiaries, the demand for our products to increase as the sales personnel deployed in each of these subsidiaries will ensure effective implementation of sales and marketing strategies in the region.

Over the years, we have built strong relationships with our suppliers worldwide. Major suppliers like Nestlé from Switzerland, Mitsubishi from Japan, Sensient from the US, and Rettenmaier from Germany have been cooperating with us for almost 20 years. Meanwhile, the Group successfully obtained new distribution rights and became strategic partner with the following suppliers in recent years:

Year

2019	—	Obtained the distribution rights of various food additives products of Kerry from Ireland
2020	—	Obtained the distribution rights of various food ingredients and food additives products of Tai Wah from Thailand

Each new distribution right gained sets a milestone for the Group, representing a broader product portfolio, an enhancement on the research and development technique and greater market shares in the food industry.

On the other hand, our Group has established and maintained a solid customer base over the years across the PRC. Our core customers, categorised by food applications, are as follows:

Categories	**Business nature**	**Key Customers**
Dairy products manufacturers	manufacturing dairy products and ice cream	Bright Dairy (光明), Nestlé (雀巢), New Hope (新希望), and Yili (伊利)
Beverage manufacturers	manufacturing beverage	Coca-Cola (可口可樂), Suntory (三得利), Wahaha (娃哈哈) , Want Want (旺旺), and Uni-President (統一)
Snacks manufacturers	manufacturing confectionery, chocolate, and snacks	Fujiya (不二家), Hsu Fu Chi (徐福記), Mars (瑪氏), Orion (好麗友) , and PepsiCo (百事)
Oil and grease manufacturers	manufacturing margarine and shortening	AAK, Cargill (嘉吉) , COFCO (中糧), and Kerry Grain and Oil (嘉里糧油)

Leveraging on our extensive network of customers, we are able to sustain constant revenue in a competitive market.

South East Asia Operations

Outside China, we have been actively looking for investment opportunities and business expansion in South East Asian countries. In October 2019, we established our first overseas subsidiary in Ho Chi Minh City, Vietnam, a sales office fully equipped with an innovation center for developing new solution and application of food ingredients and additives. Subject to the COVID-19 situation, our plan to invest and operate Thailand subsidiary remains fluid.

Outlook and prospects

Facing the unresolved situation of COVID-19 outbreak, our energy and resources will be placed on maintaining operational resilience in times of unpredictability and challenges. We will continue implementing our business strategies by increasing our market shares through the new subsidiaries established both in PRC and abroad, 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.

Looking forward, the Board remains confident in the core competencies and prospect of the Group and is committed in creating long-term value to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

Revenue of the Group represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The Group derives its revenue mainly from the distribution of food ingredients, food additives and packaging materials in the PRC. The Group's revenue for the Period was RMB277.7 million, representing an increase of 11.5% as compared with that of RMB249.0 million for the Previous Period. The increase in revenue was due to the expansion and diversification of our product portfolio resulting in better sales performance as compared to the Previous Period.

An analysis of revenue, net is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
REVENUE		
Food ingredients	**138,372**	132,905
Food additives	**115,985**	101,763
Packaging materials	**23,357**	14,371
	277,714	249,039

Cost of sales

The Group's cost of sales solely represented cost of goods sold, which mainly represented the cost of food ingredients and food additives purchased from suppliers. The Group's cost of sales for the Period was RMB238.1 million, representing an increase of 15.9% as compared with that of RMB205.5 million for the Previous Period. The increase in cost of sales was due to the increase of sale revenue and exchange rate fluctuation.

Gross profit and gross profit margin

Gross profit of the Group for the Period declined by RMB3.9 million to RMB39.6 million (Previous Period: RMB43.5 million), and the gross profit margin decreased to 14.3% for the Period (Previous Period: 17.5%). The decrease in the gross profit margin was mainly due to the inventory management of the short term products sold at discount and the increase of sales in packaging materials with lower gross profit margin.

Other income and gains

Other income and gains primarily consist of bank interest income, government grants, services fee income and others. Other income decreased by RMB1.9 million or 44.2% from RMB4.3 million for the Previous Period to RMB2.4 million for the Period primarily due to the decrease of bank interest income and government grants.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**1,372**	1,969
Interest income from structured deposits	**257**	—
Government grants*	**502**	1,451
Others	**227**	139
Consultancy service income	**—**	115
Foreign exchange differences, net	**—**	223
Reversal of impairment of trade receivables	**—**	445
	2,358	4,342

* *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 decreased by RMB1.2 million, a 8.7% decrease to RMB12.6 million for the Period from RMB13.8 million for the Previous Period. The decrease was mainly attributed to the decrease in business travel and marketing events as a result of the outbreak of COVID-19.

Administrative expenses

Administrative expenses primarily consist of depreciation, entertainment, rent and rates, research and development, staff salaries and benefits and others. The administrative expenses increased by RMB1.5 million, an 9.7% increase to RMB16.9 million for the Period from RMB15.4 million for the Previous Period. The increase was mainly attributed to establishment and operation of new subsidiaries.

Finance costs

The finance costs represented interests on other loans. Finance costs increased by RMB0.06 million to RMB0.23 million for the Period from RMB0.17 million for the Previous Period. The increase was mainly due to exchange rate fluctuation.

Income tax expenses

The Group's income tax expenses decreased by RMB1.4 million from RMB4.9 million for the Previous Period to RMB3.5 million for the Period. The decrease was primarily due to pre-tax profit of the Period was lower than that of the Previous Period.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax in the PRC	**3,169**	4,617
Deferred income tax expense relating to origination and reversal of temporary differences	**358**	284
Total tax charge for the period	**3,527**	4,901

Profit for the Period

As a result of the foregoing, the profit for the Period decreased by RMB5.3 million, or 39.0%, from RMB13.6 million for the Previous Period to RMB8.3 million for the Period.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2020.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group did not have any significant capital commitments.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the Period. As at 30 June 2020, the capital of the Company comprises RMB313 million.

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 on Listing. The net proceeds from the share offer in association with the Listing amounted to HK$93.7 million (equivalent to RMB78.3 million).

	Net proceeds (RMB million)		
	Available	**Utilised**	**Unutilised**
(i) Setting up six subsidiaries at different provinces in the PRC	35.8	35.8	0
(ii) Repaying the entrusted loans with an outstanding amount of RMB15 million (the effective interest rate being 5.22% per annum and became due in April 2019 at the amount of RMB5 million and April 2020 at the amount of RMB10 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	2.9	1.2 *(Note 1)*
(v) Participating in promotional and marketing activities	2.0	1.9	0.1 *(Note 2)*
(vi) General working capital	7.9	7.9	0
Total	**76.8**	**75.5**	**1.3**

Notes:

1. As to approximately RMB1.2 million will be used for expanding technology centre and recruiting professionals in or around June 2021.

2. As to approximately RMB0.1 million will be used for participating in promotional and marketing activities by 2020 subject to the COVID-19 situation in the PRC.

As of the date of this announcement, the Directors are not aware of material change to the planned use of the proceeds from the plan as stated in the prospectus of the Company dated 14 June 2018 (the "**Prospectus**").

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group's receivable turnover days remained relatively stable, increasing from 52 days as at 31 December 2019 to 55 days as at 30 June 2020.

Cash position

The Group's cash and cash equivalents balances as at 30 June 2020 amounted to RMB198.5 million, representing an increase of RMB54.4 million as compared to RMB144.1 million as at 31 December 2019, which was attributable to the increase of operational cash flow.

As at 30 June 2020, the Group's indebtedness comprised bank borrowings of RMB0 million and amount due to related companies of RMB4.6 million. The Group's bank loans were in the amount of RMB0 million as at 31 December 2019. None of the indebtedness was secured as at 30 June 2020 and 31 December 2019.

As at 30 June 2020, the gearing ratio, calculated as debt divided by total equity plus debt, was 15.5%, as compared with 20.1% as at 31 December 2019. Debt includes interest-bearing loan and other borrowings. Total equity includes equity attributable to owners of the parent and non-controlling interests.

The Group's equity balance increased to RMB313 million as at 30 June 2020 from that of RMB304 million as at 31 December 2019, which was attributable to the net profit during the Period.

Treasury policies

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

Foreign Currency Risk

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

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, there were no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 171 employees as at 30 June 2020. Remuneration is determined by reference to prevailing market terms and in accordance with the job scope, responsibilities, and performance of each individual employee.

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

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

SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, during the Period, the Group did not hold any significant investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

DIVIDEND

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

AUDIT COMMITTEE

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

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

PUBLICATION OF THE DETAILED INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.shineroad.com. The 2020 interim report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

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

Hong Kong, 19 August 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.