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## **Shineroad International Holdings Limited**

**欣融國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1587)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHT**

- The Group's revenue for the year ended 31 December 2021 was RMB863.6 million, representing an increase of 31.8% as compared to that of RMB655.3 million in 2020.
- The gross profit of the Group for the year ended 31 December 2021 was RMB150.6 million, representing an increase of 40.1% as compared to that of RMB107.5 million in 2020.
- The profit for the year and attributable to owners of the parent for the year ended 31 December 2021 was RMB86.1 million, representing an increase of 146.7% as compared to that of RMB34.9 million in 2020.
- The basic and diluted earnings per share was RMB0.13 (2020: RMB0.05).
- The Board recommends the payment of final dividend of HK\$0.0225 (equivalent to approximately RMB0.0190) per ordinary share at HK\$15.3 million (equivalent to approximately RMB12.9 million) for the year ended 31 December 2021 (2020: HK\$0.015 per ordinary share).

## 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 2021 (the “**Reporting Year**”), together with the comparative figures for the year ended 31 December 2020 (the “**Previous Year**”).

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

*Year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
REVENUE	4	<b>863,616</b>	655,318
Cost of sales		<u><b>(712,975)</b></u>	<u>(547,794)</u>
Gross profit		<b>150,641</b>	107,524
Other income and gains	4	<b>20,140</b>	7,991
Selling and distribution expenses		<b>(29,689)</b>	(30,978)
Administrative expenses		<b>(36,980)</b>	(33,820)
Finance costs		<b>(1,056)</b>	(748)
Other expenses		<b>(1,054)</b>	(634)
Share of profit of an associate		<u><b>6,239</b></u>	<u>—</u>
<b>PROFIT BEFORE TAX</b>		<b>108,241</b>	49,335
Income tax expense	5	<u><b>(22,180)</b></u>	<u>(14,437)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>86,061</b></u>	<u>34,898</u>
Profit for the year			
Attributable to:			
Owners of the parent		<b>86,061</b>	34,898
Non-controlling interests		<u>—</u>	<u>—</u>
		<u><b>86,061</b></u>	<u>34,898</u>

	<i>Notes</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>4,640</u>	<u>(1,703)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>4,640</u>	<u>(1,703)</u>
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of an associate		(54)	—
Exchange differences on translation of foreign operations		<u>(5,632)</u>	<u>—</u>
Net other comprehensive income that may not be reclassified to profit or loss in subsequent periods		<u>(5,686)</u>	<u>—</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<u>(1,046)</u>	<u>(1,703)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>85,015</b></u>	<u><b>33,195</b></u>
Total comprehensive income attributable to:			
Owners of the parent		85,015	33,195
Non-controlling interests		<u>—</u>	<u>—</u>
		<u><b>85,015</b></u>	<u><b>33,195</b></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:</b>			
Basic and diluted			
— For profit for the year	7	<u><b>0.13</b></u>	<u><b>0.05</b></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		<b>31 December 2021</b>	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,051</b>	785
Right-of-use assets		<b>5,903</b>	8,426
Other intangible assets		<b>10</b>	20
Investments in an associate		<b>97,235</b>	—
Deferred tax assets		<b>469</b>	531
		<hr/>	<hr/>
Total non-current assets		<b>104,668</b>	9,762
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>60,067</b>	51,864
Trade receivables	8	<b>156,853</b>	87,657
Prepayments, other receivables and other assets		<b>28,169</b>	12,656
Due from related parties		<b>11,623</b>	1,323
Pledged deposits		<b>37,906</b>	34,949
Cash and bank balances		<b>134,855</b>	223,362
		<hr/>	<hr/>
Total current assets		<b>429,473</b>	411,811
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>50,864</b>	46,752
Other payables and accruals		<b>30,335</b>	19,740
Amounts due to related parties		<b>5,182</b>	3,605
Interest-bearing bank and other borrowings		<b>20,000</b>	—
Lease liabilities		<b>2,057</b>	3,548
Tax payable		<b>7,339</b>	4,901
		<hr/>	<hr/>
Total current liabilities		<b>115,777</b>	78,546
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>313,696</b>	333,265
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>418,364</b>	343,027
		<hr/>	<hr/>

	<b>31 December</b>	31 December
	<b>2021</b>	2020
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>3,807</b>	4,888
Deferred tax liabilities	<b>750</b>	858
	<hr/>	<hr/>
Total non-current liabilities	<b>4,557</b>	5,746
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>413,807</b>	337,281
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>5,681</b>	5,681
Other reserves	<b>408,126</b>	331,600
	<hr/>	<hr/>
<b>Total equity</b>	<b>413,807</b>	337,281
	<hr/> <hr/>	<hr/> <hr/>

## 1. CORPORATE AND GROUP INFORMATION

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

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

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

### Information about subsidiaries

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

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

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

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

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

## 2.1 BASIS OF PREPARATION

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

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021. 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9,  
HKAS 39, HKFRS 7,  
HKFRS 4 and HKFRS 16

*Interest Rate Benchmark Reform — Phase 2*

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any HIBOR-based borrowings.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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

#### Information about a major customer

Revenue from continuing operations of approximately RMB62,084,000 (2020: RMB73,760,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue from contract with customers	<b><u>863,616</u></b>	<u>655,318</u>

## Revenue from contract with customers

### (i) Disaggregated revenue information

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Types of goods or services</b>		
Sales of Food ingredients	366,736	329,744
Sales of Food additives	489,729	302,221
Sales of Packaging materials	7,151	23,353
	<u>863,616</u>	<u>655,318</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<u>863,616</u>	<u>655,318</u>
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Other income and gains</b>		
Bank interest income	1,950	2,125
Government grants*	3,485	3,048
Interest income from structured deposits	—	1,268
Gain on bargain purchase of the acquisition of an associate	13,281	—
Consultancy service income	—	14
Exchange gains	669	1,121
Others	755	415
	<u>20,140</u>	<u>7,991</u>

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

## 5. INCOME TAX

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

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current — PRC		
Charge for the year	<b>22,226</b>	13,427
Deferred tax	<b>(46)</b>	1,010
	<hr/>	<hr/>
Total tax charge for the year	<b><u>22,180</u></b>	<b><u>14,437</u></b>

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

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

The statutory tax rate for subsidiaries in Hong Kong is 16.5%. No Hong Kong profits tax on the Group's subsidiary has been provided as there is no assessable profit arising in Hong Kong during the year.

## 6. DIVIDENDS

The Board recommends the payment of final dividend of HK\$0.0225 (equivalent to approximately RMB0.0190) per ordinary share at HK\$15.3 million (equivalent to approximately RMB12.9 million) for the year ended 31 December 2021. The payment of the final dividend is subject to the approval to be obtained at the forthcoming annual general meeting of the Company. The final dividend will be paid in Hong Kong dollars and is expected to be paid on or around 27 July 2022.

On 30 March 2021, the Directors proposed to declare the final dividend of HK\$0.015 (approximately RMB0.013) per ordinary share at HK\$10.2 million (equivalent to approximately RMB8.6 million) for the year ended 31 December 2020.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 680,000,000 (2020: 680,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	<u><u>86,061</u></u>	<u><u>34,898</u></u>
	<b>Number of shares</b>	
	<b>2021</b>	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>680,000,000</b>	680,000,000
Basic earnings per share ( <i>RMB</i> )	<u><u>0.13</u></u>	<u><u>0.05</u></u>
Diluted earnings per share ( <i>RMB</i> )	<u><u>0.13</u></u>	<u><u>0.05</u></u>

## 8. TRADE RECEIVABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	<b>157,949</b>	89,196
Impairment	<b>(1,096)</b>	(1,539)
	<b><u>156,853</u></b>	<b><u>87,657</u></b>

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	<b>149,258</b>	79,887
3 to 6 months	<b>7,530</b>	7,766
Over 6 months	<b>65</b>	4
	<b><u>156,853</u></b>	<b><u>87,657</u></b>

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	<b>1,539</b>	2,555
Impairment losses net	<b>(443)</b>	597
Amount written off as uncollectible	<u>—</u>	<u>(1,613)</u>
At end of year	<b><u>1,096</u></b>	<b><u>1,539</u></b>

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

## 9. TRADE AND BILLS PAYABLES

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	<b><u>50,864</u></b>	<b><u>46,752</u></b>

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

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

### Outlook and prospects

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

Going forward, our development initiatives mainly include:

- Continue to increase the sales of products with existing and new distribution rights:  
  
With focus on the food service industry and the nutrition and care industry, we are looking into cooperations with distinctive brands to reinforce our competitive advantage;
- Continue to widen our brands and portfolio of self-developed formulated products and potential food ingredients;
- Continue to enhance our research and development capabilities of application and innovation;
- Continue to extensively identify potential strategic investment opportunities and seek to acquire high-quality target businesses and assets that create synergies for the Group.

## FINANCIAL REVIEW

For the Reporting Year, the Group's revenue was RMB863.6 million (Previous Year: RMB655.3 million). For the Reporting Year, the Group recorded profit of RMB86.1 million (Previous Year: RMB34.9 million).

### Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The Group derives its revenue mainly from the distribution of food ingredients, food additives and packaging materials in the PRC. The Group's revenue for the Reporting Year was RMB863.6 million, representing an increase of 31.8% as compared that of RMB655.3 million for the Previous Year. The increase in revenue is due to strong growth in demand from our customers and diversification of our product portfolio as compared to the previous period.

An analysis of revenue, net is as follows:

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
<b>REVENUE</b>		
Food ingredients	366,736	329,744
Food additives	489,729	302,221
Packaging materials	7,151	23,353
	<u>863,616</u>	<u>655,318</u>

### Cost of sales

The Group's cost of sales solely represents cost of goods sold, which mainly represents the cost of food ingredients and food additives purchased from suppliers. The Group's cost of sales for the Reporting Year was RMB713.0 million, representing an increase of approximately 30.2% as compared to RMB547.8 million for the Previous Year. The increase in cost of sales was primarily due to the increase of sales volume.

## Gross profit and gross profit margin

Gross profit of the Group for the Reporting Year rose by RMB43.1 million to RMB150.6 million (Previous Year: RMB107.5 million), and the gross profit margin increased to 17.44% (Previous Year: 16.4%). The increase in the gross profit margin was mainly due to decrease of sales in packaging materials with lower gross profit margin and decrease in short term products sold at discount.

## Other income and gains

Other income and gains primarily consist of bank interest income, government grants, services fee income, consultancy service income and others. Other income increased by RMB12.1 million or 151.3% from RMB8.0 million for the Previous Year to RMB20.1 million for the Reporting Year, which is mainly due to the increase of investment income.

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

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Other income and gains, net		
Bank interest income	1,950	2,125
Interest income from structured deposits	—	1,268
Government grants*	3,485	3,048
Gain on bargain purchase of the acquisition of an associate	13,281	—
Consultancy service income	—	14
Exchange gains	669	1,121
Others	755	415
	<u>20,140</u>	<u>7,991</u>

\* 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 RMB1.3 million, or approximately 4.2% decrease to RMB29.7 million for the Reporting Year from RMB31.0 million for the Previous Year.

## **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 RMB3.2 million, or approximately 9.5% increase to RMB37.0 million for the Reporting Year from RMB33.8 million for the Previous Year. The increase was mainly attributed to The increase was mainly attributed to the increase from staff salaries and operation of new subsidiaries.

## **Finance costs**

The finance costs represent interests on other loans. Finance costs increased by RMB0.4 million to RMB1.1 million for the Reporting Year from RMB0.7 million for the Previous Year. The increase was mainly attributed to increase of short loan from bank.

## **Income tax expenses**

The Group's income tax expenses increased by RMB7.8 million from RMB14.4 million for the Previous Year to RMB22.2 million for the Reporting Year. The increase was primarily due to pre-tax profit of the period was higher than that of the previous period.

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

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Audited)</b>	(Audited)
Current income tax in the PRC	<b>22,226</b>	13,427
Deferred income tax expense relating to origination and reversal of temporary differences	<b>(46)</b>	1,010
	<u><b>22,180</b></u>	<u>14,437</u>
Total tax charge for the period	<u><b>22,180</b></u>	<u>14,437</u>

### **Profit for the Reporting Year**

As a result of the foregoing, the profit for the Reporting Year increased by RMB51.2 million, or 146.7%, from RMB34.9 million for the Previous Year to RMB86.1 million for the Reporting Year. The Group remains in a healthy and sound liquidity position during the Reporting Year.

### **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 December 2021 (as at 31 December 2020: Nil).

### **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group did not have any significant capital commitments (as at 31 December 2020: Nil).

### **CAPITAL STRUCTURE**

There has been no change in the capital structure of the Company during the Reporting Year. The capital of the Company comprises RMB414 million as at 31 December 2021, representing an increase of RMB77 million as compared to RMB337 million as at 31 December 2020, which was attributable to the growth of profit.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash Flows

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

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Net cash flow generated (used in)/from operating activities	<b>(17,232)</b>	47,276
Net cash flow generated (used in)/from investing activities	<b>(77,578)</b>	3,179
Net cash flow generated from/(used in) financing activities	<b>7,288</b>	(3,340)
Cash and cash equivalents at end of year	<b>134,855</b>	223,362

### Cash flows generated (used in)/from operating activities

For the Reporting Year, the Company had net cash used in operating activities of approximately RMB17.2 million, which was primarily due to our profit before tax of approximately RMB108.2 million, income tax paid of approximately RMB19.8 million, an increase in prepayment of approximately RMB25.9 million and an increase in trade and bills receivables of approximately RMB68.7 million.

### Cash flows generated (used in)/from investing activities

For the Reporting Year, net cash used in investing activities amounted to RMB77.6 million which was primarily attributable to the acquisition of investment in an associate of approximately RMB78.8 million. The cash inflow was partially offset by the interest received from our cash at our bank of approximately RMB2.0 million.

## Cash flows generated from/(used in) financing activities

For the Reporting Year, the net cash from financing activities amounted to RMB7.3 million, which was primarily attributable to new bank loans of approximately RMB20.0 million.

## NET CURRENT ASSETS

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
	(Audited)	(Audited)
<b>Current assets</b>		
Inventories	60,067	51,864
Trade and bills receivables	156,853	87,657
Prepayment, deposits and other receivables	28,169	12,656
Amounts due from related parties	11,623	1,323
Pledged deposits	37,906	34,949
Cash and bank balance	134,855	223,362
<b>Total current assets</b>	<b>429,473</b>	<b>411,811</b>
<b>Current liabilities</b>		
Trade payables	50,864	46,752
Other payables and accruals	30,335	19,740
Amounts due to related parties	5,182	3,605
Interest-bearing bank and other borrowings	20,000	—
Lease Liabilities	2,057	3,548
Tax payable	7,339	4,901
<b>Total current liabilities</b>	<b>115,777</b>	<b>78,546</b>
<b>Net current assets</b>	<b>313,696</b>	<b>333,265</b>

The net current assets decreased from RMB333.3 million as at 31 December 2020 to RMB313.7 million as at 31 December 2021. The decrease was primarily due to investment in associate.

## **CASH POSITION**

The Group's cash and cash equivalents balances as at 31 December 2021 amounted to RMB134.9 million, representing a decrease of RMB88.5 million as compared to RMB223.4 million as at 31 December 2020, which was attributable to which was attributable to investment in associate.

As at 31 December 2021, the Group's total interest-bearing bank and other borrowings increased to RMB20.0 million from nil as at 31 December 2020, which was primarily due to increase in short term loan.

As at 31 December 2021, the gearing ratio, calculated as debt divided by total assets, was 22.5%, as compared with 20.0% as at 31 December 2020.

## **TREASURY POLICIES**

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

## **FOREIGN CURRENCY RISK**

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

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

As at 31 December 2021, there were no charges on the Group's assets (as at 31 December 2020: Nil).



## MATERIAL ACQUISITIONS AND DISPOSALS

On 28 December 2020, Shanghai Shineroad Food Ingredients Co., Ltd.\* (上海欣融食品原料有限公司) (the “**Purchaser**”), a wholly-owned subsidiary of the Company, entered into a conditional share transfer agreement and the supplemental agreement thereto with Hefei Fangfu Equity Investment Partnership Enterprise (Limited Partnership)\* (合肥方富股權投資合夥企業(有限合夥)) (the “**Vendor**”), pursuant to which the Purchaser agreed to acquire approximately 11.72% equity interest in Tianye Innovation, a limited company incorporated in the PRC whose shares are listed on the NEEQ at the consideration of RMB78.8 million. The said acquisition was completed on 4 February 2021. For details of the acquisition, please refer to the Company’s announcement dated 28 December 2020 and circular dated 25 January 2021.

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

## SIGNIFICANT INVESTMENTS HELD

As at 31 December 2021, the Group holds 28,125,200 shares, representing approximately 10.42% equity interest in Tianye, a company listed on the National Equities Exchange And Quotations Co., Ltd. (stock code: 832023) which principally engages in planting, processing and sales of agricultural food including tropical fruits and vegetables. The investment cost incurred by the Group, being the consideration for acquiring the said shares in Tianye, was RMB78.8 million.

As at 31 December 2021, the Group’s investments in associates of Tianye was RMB97.2 million, amounted to approximately 18.2% of the Group’s total asset as at 31 December 2021. According to the interim report of Tianye for the six months ended 30 June 2021 (being the latest available financial information of Tianye as at the date of this annual report), it recorded revenue of RMB218.9 million and a net profit of RMB38.7 million during the six months ended 30 June 2021. The Group did not receive any dividend during the Reporting Year. The Group considers the performance of Tianye was satisfactory during the Reporting Year.

Looking forward, the Group holds positive view on the prospect of this investment and have no plan to change in the current investment.

Save as disclosed above, the Company did not hold any other significant investment with a value greater than 5% of the Company’s total assets as at 31 December 2021.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had 166 employees as at 31 December 2021. Remuneration is determined by reference to prevailing market terms and in accordance with the job scope, responsibilities, and performance of each individual employee.

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

## **SUBSEQUENT EVENTS**

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

## **SHARE OPTION SCHEME**

On 31 May 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 of the Company dated 14 June 2018. No option has been granted during the Reporting Year.

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

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

## **CORPORATE GOVERNANCE**

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

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

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

## **DIVIDEND**

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board recommended the declaration and payment of a final dividend of HK\$0.0225 (equivalent to approximately RMB0.0190) (2020: HK\$0.015 (equivalent to approximately RMB0.013)) per ordinary share at HK\$15.3 million (equivalent to approximately RMB12.9 million) for the year ended 31 December 2021 based on 680,000,000 shares in issue as at 31 December 2021. The payment of the final dividend is subject to the approval to be obtained at the forthcoming annual general meeting of the Company. The final dividend will be paid in Hong Kong dollars and is expected to be paid on or around 27 July 2022. A notice convening the annual general meeting will be published and dispatched in the manner as required by the Listing Rules and information regarding the record date and book close date to determine the entitlement to the final dividend will be announced in due course.

## **AUDIT COMMITTEE**

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

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

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

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

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

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.shineroad.com](http://www.shineroad.com). The annual report of the Company for the year ended 31 December 2021 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 2022

*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.*