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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

#### **FINANCIAL HIGHLIGHT**

- The Group's unaudited revenue for the six months ended 30 June 2022 was RMB392.9 million, representing an increase of 6.3% as compared to that of RMB369.5 million for the corresponding period in 2021.
- The unaudited gross profit of the Group for the six months ended 30 June 2022 was RMB60.9 million, representing a decrease of 12.4% as compared to that of RMB69.5 million for the corresponding period in 2021.
- The unaudited profit for the period and attributable to owners of the parent for the six months ended 30 June 2022 was RMB23.8 million, representing a decrease of 44.8% as compared to that of RMB43.1 million for the corresponding period in 2021.
- The unaudited basic and diluted earnings per share was RMB0.03 (30 June 2021: RMB0.06).
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (corresponding period in 2021: 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 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021 (the “**Previous Period**”).

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

*For the six months ended 30 June 2022*

	<i>Notes</i>	<b>2022</b> <b>(Unaudited)</b> <b>RMB'000</b>	2021 <b>(Unaudited)</b> <b>RMB'000</b>
REVENUE	4	<b>392,903</b>	369,461
Cost of sales		<b>(332,006)</b>	(299,979)
Gross profit		<b>60,897</b>	69,482
Other income and gains, net	4	<b>4,028</b>	16,621
Selling and distribution expenses		<b>(13,183)</b>	(16,562)
Administrative expenses		<b>(20,033)</b>	(17,834)
Other expenses		<b>(2,541)</b>	(5)
Finance costs		<b>(297)</b>	(474)
Share of profits and losses of: Associates		<b>2,410</b>	4,536
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		<b>31,281</b>	55,764
Income tax expense	5	<b>(7,501)</b>	(12,687)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<b>23,780</b>	43,077
PROFIT FOR THE PERIOD		<b>23,780</b>	43,077

	<i>Notes</i>	<b>2022</b> <b>(Unaudited)</b> <b>RMB'000</b>	2021 (Unaudited) RMB'000
Attributable to:			
Owners of the parent		<b>23,780</b>	43,077
Non-controlling interests		—	—
		<u>23,780</u>	<u>43,077</u>
		<b><u>23,780</u></b>	<b><u>43,077</u></b>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted, profit for the period (expressed in RMB)	7	<b>0.03</b>	0.06
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		<u>(5,776)</u>	<u>(166)</u>
Net other comprehensive income that may not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements into presentation currency		<u>8,699</u>	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>2,923</u>	<u>(166)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<b><u>26,703</u></b>	<b><u>42,911</u></b>
Attributable to:			
Owners of the parent		<b>26,703</b>	42,911
Non-controlling interests		—	—
		<u>26,703</u>	<u>42,911</u>
		<b><u>26,703</u></b>	<b><u>42,911</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	<b>30 June 2022 (Unaudited) RMB'000</b>	31 December 2021 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,176</b>	1,051
Right-of-use assets		<b>4,903</b>	5,903
Other intangible assets		<b>8</b>	10
Investments in an associate		<b>99,682</b>	97,235
Deferred tax assets		<b>822</b>	469
Pledged deposits		<b>2,513</b>	—
Other non-current assets		<b>6,282</b>	—
		<hr/>	<hr/>
Total non-current assets		<b>115,386</b>	104,668
<b>CURRENT ASSETS</b>			
Inventories		<b>79,916</b>	60,067
Trade receivables	8	<b>141,023</b>	156,853
Prepayments, deposits and other receivables		<b>19,127</b>	28,169
Due from related parties		<b>10,076</b>	11,623
Pledged deposits		<b>16,325</b>	37,906
Cash and cash equivalents		<b>136,756</b>	134,855
		<hr/>	<hr/>
Total current assets		<b>403,223</b>	429,473
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>61,369</b>	50,864
Other payables and accruals		<b>18,242</b>	30,335
Amounts due to related parties		<b>2,159</b>	5,182
Interest-bearing bank and other borrowings		<b>—</b>	20,000
Lease liabilities		<b>1,230</b>	2,057
Tax payable		<b>5,002</b>	7,339
		<hr/>	<hr/>
Total current liabilities		<b>88,002</b>	115,777
<b>NET CURRENT ASSETS</b>			
		<hr/> <b>315,221</b>	<hr/> 313,696
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/> <b>430,607</b>	<hr/> 418,364

	<i>Notes</i>	<b>30 June 2022 (Unaudited) RMB'000</b>	31 December 2021 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>3,238</b>	3,807
Deferred tax liabilities		<u>—</u>	<u>750</u>
Total non-current liabilities		<u><b>3,238</b></u>	<u>4,557</u>
<b>NET ASSETS</b>		<u><b>427,369</b></u>	<u>413,807</u>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>5,681</b>	5,681
Reserves		<u><b>421,688</b></u>	<u>408,126</u>
Total equity		<u><b>427,369</b></u>	<u>413,807</u>

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

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

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

## 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 2022 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 2021.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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/or 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 additives.

#### *Information about geographical area*

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

#### *Information about major customers*

Revenue from continuing operations of approximately RMB28,038,000 and RMB36,940,000 in the six months ended 30 June 2021 and 2022, 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contract with customers</i>		
<i>Sale of goods</i>	<u>392,903</u>	<u>369,461</u>

## Revenue from contracts with customers

### (i) Disaggregated revenue information

#### For the year ended 30 June 2022

Segments	Food ingredients <i>RMB'000</i> (Unaudited)	Food additives <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
<b>Type of goods or services</b>			
Sales of goods	206,452	186,451	392,903
<b>Geographical markets</b>			
Mainland China	202,421	183,979	386,400
Thailand	1,650	986	2,636
Vietnam	2,381	1,486	3,867
	<u>206,452</u>	<u>186,451</u>	<u>392,903</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	<u>206,452</u>	<u>186,451</u>	<u>392,903</u>

#### For the year ended 30 June 2021

Segments	Food ingredients <i>RMB'000</i> (Unaudited)	Food additives <i>RMB'000</i> (Unaudited)	Packaging materials <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
<b>Type of goods or services</b>				
Sales of goods	165,464	196,841	7,156	369,461
<b>Geographical markets</b>				
Mainland China	164,580	192,651	7,156	364,387
Thailand	298	—	—	298
Vietnam	586	4,190	—	4,776
	<u>165,464</u>	<u>196,841</u>	<u>7,156</u>	<u>369,461</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	<u>165,464</u>	<u>196,841</u>	<u>7,156</u>	<u>369,461</u>

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Other income and gains</b>		
Bank interest income	<b>1,163</b>	1,235
Government grants*	<b>2,591</b>	2,110
Reversal of impairment of trade receivables	—	1,117
Investment income	—	11,388
Exchange gains	—	462
Others	<b>274</b>	309
	<u><b>4,028</b></u>	<u>16,621</u>

\* 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:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Current income tax in the PRC	<b>7,050</b>	12,734
Current income tax in the Hong Kong	<b>1,554</b>	—
Deferred income tax expense relating to origination and reversal of temporary differences	<b>(1,103)</b>	(47)
Total tax charge for the period	<u><b>7,501</b></u>	<u>12,687</u>

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 first HK\$2,000,000 of assessable profits of the subsidiary in Hong Kong are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

## 6. DIVIDENDS

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Final declared — HK2.25 cent (approximately RMB1.93 cent) (30 June 2021: HK1.5 cent) per ordinary share	<b><u>13,141</u></b>	<u>8,487</u>

On 18 May 2022, the board of directors declared an interim dividend of HK2.25 cent (six months ended 30 June 2021: HK1.5 cent) per ordinary share, amounting to a total of approximately RMB13,141,000 (six months ended 30 June 2021: 8,487,000).

## 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 (2021: 680,000,000), and the weighted average number of ordinary shares of 680,000,000 (2021: 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 2022 and 2021.

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	<b><u>23,780</u></b>	<u>43,077</u>
<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 (RMB)	<b><u>0.03</u></b>	<u>0.06</u>
Diluted earnings per share (RMB)	<b><u>0.03</u></b>	<u>0.06</u>

## 8. TRADE RECEIVABLES

	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>142,491</b>	157,949
Impairment	<b><u>(1,468)</u></b>	<u>(1,096)</u>
	<b><u>141,023</u></b>	<u>156,853</u>

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade 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:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Within 3 months	136,239	149,258
3 to 6 months	4,635	7,530
Over 6 months	149	65
	<u>141,023</u>	<u>156,853</u>

## 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>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Within 3 months	61,337	50,864
3 to 6 months	32	—
	<u>61,369</u>	<u>50,864</u>

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 specialised in providing food solution 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”.

The Company has also started to invest in both the upstream and downstream companies which bring synergistic benefits to the Company, and thereby make use of the Company’s sales and technological platform for further expansion.

2022 is a challenging year in terms of the international economy and domestic environment. A wave of novel coronavirus pneumonia (“**COVID-19**”) across China, including city lockdowns and close-down of ports, disrupted nationwide consumption, production and long-haul supply chain logistics. Nonetheless, our Group has swiftly responded to the situation and proactively deployed strategic measures to stabilise the business.

### China Operations

Shanghai as our business headquarter in China underwent a city-wide lockdown since March due to COVID-19 causing substantial economic and social disruption across the city. To ensure the stable supply for our customers, the food manufacturers, we adopted closed-off warehouse management at Shanghai during lock-down while activating non-Shanghai warehouses to fulfill other provinces. We received no complaint. Since the lift of lockdown in June, our Group is recovering from the pandemic situation and proactively deployed strategic measures to boost the business. With six set up PRC subsidiaries in Xiamen, Qingdao, Xi’an, Chengdu, Wuhan, and Zhengzhou led by sales force in Shanghai, Beijing, and Guangzhou, we together markedly broadened the geographical coverage of the sales and distribution of products by penetrating the markets more extensively in the PRC.

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.

In 2022, the Group obtained one new distribution right with focus on the nutrition and care industry:

- Obtained the distribution rights of various food ingredients products of Korea Ginseng from Korea in April 2022

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

<b>Categories</b>	<b>Business nature</b>	<b>Key Customers</b>
Dairy products manufacturers	manufacturing dairy products and ice cream	Bright Dairy (光明), Nestlé (雀巢), New Hope (新希望), Yili (伊利), Chicecream (鍾薛高)
Beverage manufacturers	manufacturing beverage	Coca-Cola (可口可樂), Suntory (三得利), Wahaha (娃哈哈), Want Want (旺旺), Uni-President (統一), Nongfu Spring (農夫山泉), Genki Spring (元氣森林)
Snacks manufacturers	manufacturing confectionery, chocolate, and snacks	Fujiya (不二家), Hsu Fu Chi (徐福記), Mars (瑪氏), Orion (好麗友), PepsiCo (百事), Glico (格力高)
Oil and grease manufacturers	manufacturing margarine and shortening	AAK, Cargill (嘉吉), COFCO (中糧), Kerry Grain and Oil (嘉里糧油)
Food service providers	catering providers (mainly restaurants and teahouses) and upstream suppliers	Boduo (博多), Daka (大咖國際), Tsit Wing (捷榮), McCormick (味可美), Jidong (悸動), inm (一鳴), Babi Mantou (巴比饅頭)

### **South East Asia Operations**

We anticipate our local offices will provide us a competitive edge by introducing more local South East Asian tastes and appetites to the PRC market going forward. However, the operation and sourcing are subject to the local policies and the recovery from COVID-19 worldwide.

## **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. 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:

On May 31, 2022, we won the bid for the Land Use Rights for a land of approximately 20,936.5 square meters as disclosed in the announcement of the Company dated 2 June 2022 where we plan to build and develop an Asia-Pacific innovation center, with food solutions laboratory, manufacture, logistics, and sales functions.

- 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**

### **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 RMB392.9 million, representing an increase of 6.3% as compared with that of RMB369.5 million for the Previous Period. The increase in revenue is due to the expansion and diversification of our product portfolio as compared to the Previous Period.

An analysis of revenue, net is as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>REVENUE</b>		
Food ingredients	<b>206,452</b>	165,464
Food additives	<b>186,451</b>	196,841
Packaging materials	<b>—</b>	7,156
	<b><u>392,903</u></b>	<u>369,461</u>

### **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 RMB332.0 million, representing an increase of 10.7% as compared with that of RMB300.0 million for the Previous Period. The increase in cost of sales is due to the increase of sale revenue and cost of good purchased.

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

Gross profit of the Group for the Period declined by RMB8.6 million to RMB60.9 million (Previous Period: RMB69.5 million), and the gross profit margin decreased to 15.5% for the Period (Previous Period: 18.8%). The decrease in the gross profit margin was mainly due to the increase of cost of sales and the increase of sales volume in food ingredients 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. However, due to the one-off increase of investment income happened in the Previous Period, which is approximately RMB11.4 million as a result of investment in associate, other income decreased by RMB12.6 million or 75.7% from RMB16.6 million for the Previous Period to RMB4.0 million for this Period.

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Bank interest income	<b>1,163</b>	1,235
Government grants*	<b>2,591</b>	2,110
Others	<b>274</b>	309
Investment income	—	11,388
Exchange gains	—	462
Reversal of impairment of trade receivables	—	1,117
	<u>          </u>	<u>          </u>
	<b><u>4,028</u></b>	<b><u>16,621</u></b>

\* *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 RMB3.4 million, a 20.5% decrease to RMB13.2 million for the Period from RMB16.6 million for the Previous Period. The decrease was mainly attributed to the decrease in business travel caused by the city lockdown.

## Administrative expenses

Administrative expenses primarily consist of depreciation, entertainment, listing expense, rent and rates, research and development, staff salaries and benefits and others. The administrative expenses increased by RMB2.2 million, a 12.4% increase to RMB20.0 million for the Period from RMB17.8 million for the Previous Period. The increase was mainly attributed to the increase of staff salaries and the rise of social insurance base.

## Finance costs

The finance costs represented interests on other loans. Finance costs decreased by RMB0.2 million to RMB0.3 million for the Period from RMB0.5 million for the Previous Period. The decrease was mainly due to the decrease of short term loan from bank.

## Income tax expenses

The Group's income tax expenses decreased by RMB5.2 million from RMB12.7 million for the Previous Period to RMB7.5 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax in the PRC	7,050	12,734
Current income tax in HK	1,554	—
Deferred income tax expense relating to origination and reversal of temporary differences	(1,103)	(47)
Total tax charge for the period	<u>7,501</u>	<u>12,687</u>

## Profit for the Period

As a result of the foregoing, the profit for the Period decreased by RMB19.3 million, or 44.8%, from RMB43.1 million for the Previous Period to RMB23.8 million for the Period.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2022.

## CAPITAL COMMITMENTS

As at 30 June 2022, the Group had the following capital commitments at the end of the reporting period:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Contracted, but not provided for:		
Land	25,128	—
Buildings	397	—
	<u>25,525</u>	<u>—</u>

## CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the Period. As at 30 June 2022, the capital of the Company comprises RMB427.4 million, representing an increase of RMB55.7 million as compared to RMB371.7 million as at 30 June 2021, which was attributable to increase of net profit.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group's receivable turnover days as at 30 June 2022 increased to 69 days as compared to 52 days as at 31 December 2021, mainly due to difficulty of payments from customers during city lockdowns and pandemic outbreak for the period.

### Cash position

The Group's cash and cash equivalents balances as at 30 June 2022 amounted to RMB136.8 million, representing an increase of RMB1.9 million as compared to RMB134.9 million as at 31 December 2021, which was attributable to the increase of operational cash flow.

As at 30 June 2022, the Group's indebtedness comprised bank borrowings of RMB0 million and amount due to related companies of RMB2.2 million. The Group's bank loans were in the amount of RMB20.0 million as at 31 December 2021. None of the indebtedness was secured at 30 June 2022 and 31 December 2021.

As at 30 June 2022, the gearing ratio, calculated as debt divided by total assets, was 17.6%, as compared with 22.5% as at 31 December 2021. 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 RMB427.4 million as at 30 June 2022 from that of RMB413.8 million as at 31 December 2021, 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 2022, there were no charges on the Group's assets (as at 30 June 2021: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had 175 employees as at 30 June 2022. 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 and up to the date of the approval of the unaudited interim condensed consolidated financial statements.

## **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**

During the Period, 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 30 June 2022, the Group’s investments in associates of Tianye was RMB99.7 million, amounted to approximately 19.2% of the Group’s total asset as at 30 June 2022.

According to the interim report of Tianye for the six months ended 30 June 2022, it recorded revenue of RMB212.0 million and a net profit of RMB24.0 million during the Period. The Group recorded realised gain of RMB2.4 million and did not receive any dividend during the Period. The Group considers the performance of Tianye was satisfactory during the Period. 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 30 June 2022.

## **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**

During 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](http://www.hkexnews.hk) and the Company's website at [www.shineroad.com](http://www.shineroad.com). The 2022 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.

## **CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

With effect from 15 August 2022, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the “**Branch Share Registrar**”), will change its address from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to

**17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong**

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

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

Hong Kong, 9 August 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.*