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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 2022

FINANCIAL HIGHLIGHT

- The Group's revenue for the Reporting Year was RMB728.3 million, representing a decrease of 15.67% as compared to that of RMB863.6 million in 2021.
- The gross profit of the Group for the Reporting Year was RMB121.2 million, representing a decrease of 19.56% as compared to that of RMB150.6 million in 2021.
- The profit for the year and attributable to owners of the parent for the Reporting Year was RMB47.7 million, representing a decrease of 44.62% as compared to that of RMB86.1 million in 2021.
- The basic and diluted earnings per share was RMB0.07 (2021: RMB0.13).
- The Board recommends the payment of a final dividend of HK1.50 cents (equivalent to approximately RMB1.34 cents) per ordinary share at HK\$10.2 million (equivalent to approximately RMB9.1 million) for the Reporting Year (2021: HK2.25 cents 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 (the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Year**”), together with the comparative figures for the year ended 31 December 2021 (the “**Previous Year**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
REVENUE	4	728,308	863,616
Cost of sales		<u>(607,139)</u>	<u>(712,975)</u>
Gross profit		121,169	150,641
Other income and gains	4	6,219	20,140
Selling and distribution expenses		(23,729)	(29,689)
Administrative expenses		(39,283)	(36,980)
Other expenses		(3,912)	(1,054)
Finance costs		(555)	(1,056)
Share of profit of an associate		<u>5,560</u>	<u>6,239</u>
PROFIT BEFORE TAX		65,469	108,241
Income tax expense	5	<u>(17,807)</u>	<u>(22,180)</u>
PROFIT FOR THE YEAR		<u>47,662</u>	<u>86,061</u>
Attributable to:			
Owners of the parent		<u>47,662</u>	<u>86,061</u>
		<u>47,662</u>	<u>86,061</u>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(13,600)</u>	<u>4,640</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>(13,600)</u>	<u>4,640</u>
Other comprehensive income that will 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>16,695</u>	<u>(5,632)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>16,695</u>	<u>(5,686)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>3,095</u>	<u>(1,046)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>50,757</u>	<u>85,015</u>
Attributable to:			
Owners of the parent		<u>50,757</u>	<u>85,015</u>
		<u>50,757</u>	<u>85,015</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted	7	<u>0.07</u>	<u>0.13</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

		31 December 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,543	1,051
Right-of-use assets		35,446	5,903
Other intangible assets		6	10
Investment in an associate		102,795	97,235
Pledged deposits		2,513	—
Other non-current assets		214	—
Deferred tax assets		556	469
		<hr/>	<hr/>
Total non-current assets		143,073	104,668
CURRENT ASSETS			
Inventories		92,879	60,067
Trade receivables	8	83,281	156,853
Prepayments, other receivables and other assets		17,831	28,169
Amounts due from related parties		5,703	11,623
Pledged deposits		27,880	37,906
Cash and cash equivalents		182,199	134,855
		<hr/>	<hr/>
Total current assets		409,773	429,473
CURRENT LIABILITIES			
Trade and bills payables	9	52,359	50,864
Other payables and accruals		14,660	30,335
Amounts due to related parties		2,423	5,182
Interest-bearing bank and other borrowings		20,000	20,000
Lease liabilities		1,020	2,057
Tax payable		6,986	7,339
		<hr/>	<hr/>
Total current liabilities		97,448	115,777
NET CURRENT ASSETS			
		<hr/>	<hr/>
		312,325	313,696
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		455,398	418,364

	31 December 2022	31 December 2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	2,225	3,807
Deferred tax liabilities	1,750	750
	<hr/>	<hr/>
Total non-current liabilities	3,975	4,557
	<hr/>	<hr/>
NET ASSETS	451,423	413,807
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	5,681	5,681
Other reserves	445,742	408,126
	<hr/>	<hr/>
Total equity	451,423	413,807
	<hr/> <hr/>	<hr/> <hr/>

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Group was principally engaged in the distribution of food additives.

The ultimate controlling shareholder of the Company is Mr. Huang Haixiao.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shanghai Shineroad Food Ingredients Co., Ltd. ^(a) ("Shanghai Shineroad")	People's Republic of China (The "PRC")/ Mainland China	10 January 2011	RMB150,202,000	—	100%	Distribution of food ingredients
Beijing Shineroad Food Additives Co., Ltd. ^(a) ("Beijing Shineroad")	The PRC/Mainland China	10 July 2011	RMB15,000,000	—	100%	Distribution of food ingredients
Guangzhou Jieyang Food Technology Co., Ltd. ^(a) ("Guangzhou Jieyang")	The PRC /Mainland China	16 December 2010	RMB20,000,000	—	100%	Distribution of food ingredients
Zhengzhou Shineroad Food Technology Co., Ltd. ^(a) ("Zhengzhou Shineroad")	The PRC/Mainland China	19 December 2018	RMB5,000,000	—	100%	Distribution of food ingredients
Chengdu Shineroad Food Co., Ltd. ^(a) ("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. ^(a)	The PRC/Mainland China	22 May 2019	RMB5,200,000	—	100%	Distribution of food ingredients
Xian Shineroad Food Technology Co., Ltd. ^(a)	The PRC/Mainland China	28 May 2019	RMB15,000,000	—	100%	Distribution of food ingredients
Xiamen Shineroad Food Technology Co., Ltd. ^(a)	The PRC/Mainland China	4 June 2019	RMB5,000,000	—	100%	Distribution of food ingredients
Wuhan Shineroad Food Technology Co., Ltd. ^(a)	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 Reporting 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 Companies Ordinance (Chapter 622 of Laws of Hong Kong). 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 for the year ended 31 December 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKFRS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 RMB54,864,000 (2021: RMB62,084,000) 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contract with customers	<u>728,308</u>	<u>863,616</u>

Revenue from contract with customers

(a) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Types of goods or services		
Sale of food ingredients	349,661	366,736
Sale of food additives	378,647	489,729
Sale of packaging materials	—	7,151
	<u>728,308</u>	<u>863,616</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>728,308</u>	<u>863,616</u>

(b) Performance obligations

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

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

	2022 RMB'000	2021 RMB'000
Other income		
Bank interest income	<u>1,724</u>	<u>1,950</u>
Gains		
Government grants*	3,847	3,485
Gain on bargain purchase of the acquisition of an associate	—	13,281
Exchange gains, net	—	669
Others	<u>648</u>	<u>755</u>
	<u>4,495</u>	<u>18,190</u>
	<u>6,219</u>	<u>20,140</u>

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

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current — Hong Kong		
Charge for the year	658	—
Current — PRC	16,236	22,226
Deferred	913	(46)
	<u>17,807</u>	<u>22,180</u>
Total tax charge for the year	<u>17,807</u>	<u>22,180</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 statutory tax rate for subsidiaries in Hong Kong is 16.5%.

6. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Proposed final — HK1.50 cents (approximately RMB1.34 cents) per ordinary share	<u>9,112</u>	<u>12,491</u>

The calculation of the proposed final dividend for the year ended 31 December 2022 is based on the proposed final dividend per ordinary share, and the total number of ordinary shares as at 22 March 2023.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

On 18 May 2022, the Directors proposed to declare the final dividend of HKD2.25 cent (approximately RMB1.93 cent) per ordinary share, amounting to RMB13,141,000 for the Previous Year.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 680,000,000 (2021: 680,000,000) in issue during the Reporting Year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	<u>47,662</u>	<u>86,061</u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>680,000,000</u>	<u>680,000,000</u>
Basic and diluted earnings per share (<i>RMB</i>)	<u>0.07</u>	<u>0.13</u>

8. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	84,003	157,949
write-back of impairment	(722)	(1,096)
	<u>83,281</u>	<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 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	76,840	149,258
3 to 6 months	6,441	7,530
Over 6 months	—	65
	<u>83,281</u>	<u>156,853</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	1,096	1,539
Impairment losses, net	(377)	(443)
Exchange realignment	3	—
	<u>722</u>	<u>1,096</u>

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	<u>52,359</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 is one of the leading distributors of food ingredients and food additives in Asia with outstanding research and development capacity, which distinguishes it from other competitors in the industry and provides it with a unique edge to develop the Group's reputation and diversified customer networks. Leveraging its research and development capability, the Group will continue to build long-term strategic alliance and co-develop with its customers, so as to stay on course with the mission "To be the Most Reliable Partner in the Food Industry".

Outlook and prospects

The management remains confident in the Group's future prospects. Despite having global economic uncertainties, the management anticipates that the Group will continue to achieve strong revenue growth and to create value for the shareholders of the Company.

Going forward, the Group's 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, the Company is looking into cooperations with distinctive brands to reinforce its 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:

On May 31, 2022, the Group won a bid for the land use rights of a parcel of land of approximately 20,936.5 square meters as disclosed in the announcement of the Company dated 2 June 2022 where the Company plans 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

For the Reporting Year, the Group's revenue was RMB728.3 million (Previous Year: RMB863.6 million). For the Reporting Year, the Group recorded profit of RMB47.7 million (Previous Year: RMB86.1 million).

Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The Group derives its revenue mainly from the distribution of food ingredients, food additives and packaging materials in the PRC. The Group's revenue for the Reporting Year was RMB728.3 million, representing a decrease of 15.67% as compared that of RMB863.6 million for the Previous Year. The decrease in revenue is due to the adverse influence of recurrence of pandemic.

An analysis of revenue, net is as follows:

	For the year ended	
	31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
REVENUE		
Food ingredients	349,661	366,736
Food additives	378,647	489,729
Packaging materials	—	7,151
	<u>728,308</u>	<u>863,616</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 RMB607.1 million, representing a decrease of approximately 14.84% as compared to RMB713.0 million for the Previous Year. The decrease in cost of sales was primarily due to a decrease in sales volume.

Gross profit and gross profit margin

Gross profit of the Group for the Reporting Year dropped by RMB29.4 million to RMB121.2 million (Previous Year: RMB150.6 million), and the gross profit margin decreased to 16.64% (Previous Year: 17.44%). The decrease in the gross profit margin was mainly due to an increase in import cost from exchange rate fluctuation.

Other income and gains

Other income and gains primarily consist of bank interest income, government grants and others. Other income decreased by RMB13.9 million from RMB20.1 million for the Previous Year to RMB6.2 million for the Reporting Year. The difference was mainly due to the one-off gain of RMB13.3 million on bargain purchase recognised in the other income and gains in the Previous Year.

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

	For the year ended	
	31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Other income and gains, net		
Bank interest income	1,724	1,950
Government grants*	3,847	3,485
Investment income	—	13,281
Exchange gains, net	—	669
Others	648	755
	<u>6,219</u>	<u>20,140</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, travelling expenses, rent and rates and others. The selling and distribution expenses decreased by RMB6.0 million, or approximately 20.07%, to RMB23.7 million for the Reporting Year from RMB29.7 million for the Previous Year. The decrease was mainly attributed to a decrease in bonuses paid.

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 RMB2.3 million, or approximately 6.23% to RMB39.3 million for the Reporting Year from RMB37.0 million for the Previous Year. The increase was mainly attributed to an increase in staff salaries and a rise of social insurance base.

Finance costs

The finance costs represent interests on other loans and interest on lease liability. Finance costs decreased by RMB0.5 million to RMB0.6 million for the Reporting Year from RMB1.1 million for the Previous Year. The decrease was mainly attributed to a decrease of interest of bank loans.

Income tax expenses

The Group's income tax expenses decreased by RMB4.4 million from RMB22.2 million for the Previous Year to RMB17.8 million for the Reporting Year. The decrease was primarily due to the decline in profits.

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

	For the year ended	
	31 December	
	2022	2021
	RMB'000	RMB'000
	(Audited)	(Audited)
Current income tax in Hong Kong	658	—
Current income tax in the PRC	16,236	22,226
Deferred income tax expense relating to origination and reversal of temporary differences	913	(46)
	<u>17,807</u>	<u>22,180</u>
Total tax charge for the period	<u>17,807</u>	<u>22,180</u>

Profit for the Reporting Year

As a result of the foregoing, the profit for the Reporting Year decreased by RMB38.4 million, or 44.62%, from RMB86.1 million for the Previous Year to RMB47.7 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 2022 (as at 31 December 2021: Nil).

CAPITAL COMMITMENTS

As at 31 December 2022, the Group did not have any significant capital commitments (as at 31 December 2021: 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 RMB451.4 million as at 31 December 2022, representing an increase of RMB37.6 million as compared to RMB413.8 million as at 31 December 2021.

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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Net cash flow generated from/(used in) operating activities	94,360	(15,282)
Net cash flow used in investing activities	(33,434)	(79,528)
Net cash flow (used in)/generated from financing activities	(16,670)	7,288
Cash and cash equivalents at end of year	182,199	134,855

Cash flows generated from/(used in) operating activities

For the Reporting Year, the Company had net cash generated from operating activities of approximately RMB94.4 million, which was primarily due to a profit before tax of approximately RMB65.5 million, a decrease in prepayment other receivables and other assets of approximately RMB16.3 million, a decrease in trade receivables RMB73.9 million and a decrease in pledged deposits of approximately RMB7.5 million. This cash inflow was partially offset by an income tax paid of approximately RMB17.2 million, a decrease in other payables and accruals of approximately RMB15.7 million, an increase in inventory of approximately RMB34.1 million and a decrease in trade payables of approximately RMB1.3 million.

Cash flows used in investing activities

For the Reporting Year, net cash used in investing activities amounted to RMB33.4 million which was primarily attributable to acquisition of leasehold land of RMB32.4 million.

Cash flows (used in)/generated from financing activities

For the Reporting Year, the net cash used in financing activities amounted to RMB16.7 million, which was primarily attributable to the principal portion of lease payments of RMB3.3 million, the dividend paid of approximately RMB13.1 million and repayment of bank loans of approximately RMB20.0 million. This cash outflow was partially offset by the 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	
	2022	2021
	RMB'000	RMB'000
	(Audited)	(Audited)
Current assets		
Inventories	92,879	60,067
Trade and bills receivables	83,281	156,853
Prepayment, deposits and other receivables	17,831	28,169
Amounts due from related parties	5,703	11,623
Pledged deposits	27,880	37,906
Cash and cash equivalents	182,199	134,855
Total current assets	409,773	429,473
Current liabilities		
Trade payables	52,359	50,864
Other payables and accruals	14,660	30,335
Amounts due to related parties	2,423	5,182
Interest-bearing bank and other borrowings	20,000	20,000
Lease Liabilities	1,020	2,057
Tax payable	6,986	7,339
Total current liabilities	97,448	115,777
Net current assets	312,325	313,696

The net current assets decreased from RMB313.7 million as at 31 December 2021 to RMB312.3 million as at 31 December 2022.

CASH POSITION

The Group's cash and cash equivalents as at 31 December 2022 amounted to RMB182.2 million, representing an increase of RMB47.3 million as compared to RMB134.9 million as at 31 December 2021, which was attributable to the improvement of management efficiency.

As at 31 December 2022, the Group's total interest-bearing bank and other borrowings were RMB20.0 million which was the same as at 31 December 2021.

As at 31 December 2022, the gearing ratio, calculated as debt divided by total assets, was 18.3%, as compared with 22.5% as at 31 December 2021.

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 2022, there were no charges on the Group's assets (as at 31 December 2021: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

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 2022, the Group held 28,125,200 shares, representing approximately 10.42% equity interest in Tianye Innovation Company (“**Tianye**”) which is principally engaged 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. On 2 February 2023, Tianye’s shares were delisted from the National Equities Exchange And Quotations Co., Ltd. (NEEQ) and were transferred to the Beijing Stock Exchange Co. Ltd. (BSE stock code: 832023).

As at 31 December 2022, the Group’s investments in associates of Tianye amounted to RMB102.8 million, representing approximately 18.59% of the Group’s total asset as at 31 December 2022. The Group recorded a realised gain of RMB5.6 million and did not receive any dividend during the year ended 31 December 2022. The Group considers the performance of Tianye was satisfactory during the year ended 31 December 2022. Looking forward, the Group holds a positive view on the prospects of this investment and currently has no plan to change this 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 2022.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 176 employees as at 31 December 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.

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. For details of the principal terms of the Share Option Scheme, please refer to 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 purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

During the Reporting Year, the Company 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 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 HK1.50 cents (equivalent to approximately RMB1.34 cents) (2021: HK2.25 cents (equivalent to approximately RMB1.93 cents)) per ordinary share at HK\$10.2 million (equivalent to approximately RMB9.1 million) for the Reporting Year based on 680,000,000 shares in issue as at 31 December 2022. 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 14 June 2023. A notice convening the annual general meeting will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 May 2023 to 18 May 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting of the Company to be held on Thursday, 18 May 2023, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 12 May 2023.

The register of members of the Company will be closed from 25 May 2023 to 31 May 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 24 May 2023.

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 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 and the website of the Company at www.shineroad.com. The annual report of the Company for the Reporting Year 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 2023

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.