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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 2023

FINANCIAL HIGHLIGHT

- The Group's revenue for the Reporting Year was RMB683.6 million, representing a decrease of 6.14% as compared to that of RMB728.3 million in 2022.
- The gross profit of the Group for the Reporting Year was RMB114.5 million, representing a decrease of 5.53% as compared to that of RMB121.2 million in 2022.
- The profit for the year and attributable to owners of the parent for the Reporting Year was RMB20.3 million, representing a decrease of 57.44% as compared to that of RMB47.7 million in 2022.
- The basic and diluted earnings per share was RMB0.03 (2022: RMB0.07).
- The Board recommends the payment of a final dividend of HK1.50 cents (equivalent to approximately RMB1.36 cents) per ordinary share at HK\$10.2 million (equivalent to approximately RMB9.2 million) for the Reporting Year (2022: HK1.50 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 consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Year**”), together with the comparative figures for the year ended 31 December 2022 (the “**Previous Year**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
REVENUE	4	683,591	728,308
Cost of sales		<u>(569,129)</u>	<u>(607,139)</u>
Gross profit		114,462	121,169
Other income and gains	4	5,087	6,219
Selling and distribution expenses		(29,552)	(23,729)
Administrative expenses		(46,437)	(39,283)
(Impairment)/reversal of impairment on financial assets		(11,031)	377
Other expenses		(2,176)	(4,289)
Finance costs		(1,342)	(555)
Share of profit of an associate		<u>2,867</u>	<u>5,560</u>
PROFIT BEFORE TAX		31,878	65,469
Income tax expense	5	<u>(11,621)</u>	<u>(17,807)</u>
PROFIT FOR THE YEAR		<u>20,257</u>	<u>47,662</u>
Attributable to:			
Owners of the parent		<u>20,257</u>	<u>47,662</u>
		<u>20,257</u>	<u>47,662</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted		<u>0.03</u>	<u>0.07</u>

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(2,616)</u>	<u>(13,600)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		<u>(2,616)</u>	<u>(13,600)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company		<u>2,600</u>	<u>16,695</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>2,600</u>	<u>16,695</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX			
		<u>(16)</u>	<u>3,095</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		<u>20,241</u>	<u>50,757</u>
Attributable to:			
Owners of the parent		<u>20,241</u>	<u>50,757</u>
		<u>20,241</u>	<u>50,757</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted	7	<u>0.03</u>	<u>0.07</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		86,227	1,543
Right-of-use assets		35,295	35,446
Other intangible assets		60	6
Investment in an associate		104,232	102,795
Pledged deposits		1,256	2,513
Long-term time deposit		30,000	—
Other non-current assets		—	214
Deferred tax assets		3,580	556
		<hr/>	<hr/>
Total non-current assets		260,650	143,073
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		57,107	92,879
Trade and bills receivables	8	84,341	83,281
Prepayments, other receivables and other assets		12,306	17,831
Amounts due from related parties		5,172	5,703
Pledged deposits		16,576	27,880
Cash and cash equivalents		157,502	182,199
		<hr/>	<hr/>
Total current assets		333,004	409,773
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	9	27,457	52,359
Other payables and accruals		41,664	14,660
Amounts due to related parties		7,314	2,423
Interest-bearing bank borrowings		20,000	20,000
Lease liabilities		1,267	1,020
Tax payable		5,034	6,986
		<hr/>	<hr/>
Total current liabilities		102,736	97,448
		<hr/>	<hr/>
NET CURRENT ASSETS		230,268	312,325
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		490,918	455,398
		<hr/>	<hr/>

	2023	2022
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	2,343	2,225
Interest-bearing bank borrowings	24,708	—
Deferred tax liabilities	1,059	1,750
	<hr/>	<hr/>
Total non-current liabilities	28,110	3,975
	<hr/>	<hr/>
NET ASSETS	462,808	451,423
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	5,681	5,681
Other reserves	457,127	445,742
	<hr/>	<hr/>
Total equity	462,808	451,423
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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 ingredients and 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. ^(a) (“ Shanghai Shineroad ”)	People’s Republic of China (The “ PRC ”)/Chinese Mainland	10 January 2011	RMB150,202,000	—	100%	Distribution of food ingredients and food additives
Beijing Shineroad Food Additives Co., Ltd. ^(a) (“ Beijing Shineroad ”)	The PRC/Chinese Mainland	10 July 2011	RMB15,000,000	—	100%	Distribution of food ingredients and food additives
Guangzhou Jieyang Food Technology Co., Ltd. ^(a) (“ Guangzhou Jieyang ”)	The PRC/Chinese Mainland	16 December 2010	RMB20,000,000	—	100%	Distribution of food ingredients and food additives

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Chengdu Shineroad Food Co., Ltd. ^(a) ("Chengdu Shineroad")	The PRC/Chinese Mainland	21 December 2018	RMB5,000,000	—	100%	Distribution of food ingredients
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/Chinese Mainland	22 May 2019	RMB5,200,000	—	100%	Distribution of food ingredients
Xian Shineroad Food Technology Co., Ltd. ^(a)	The PRC/Chinese Mainland	28 May 2019	RMB15,000,000	—	100%	Distribution of food ingredients
Xiamen Shineroad Food Technology Co., Ltd. ^(a)	The PRC/Chinese Mainland	4 June 2019	RMB5,000,000	—	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

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 Investment Vietnam Co., Ltd.	Vietnam	8 March 2019	USD1,000,000	—	100%	R&D and distribution of food ingredients
Shanghai Xintaotao Technology Development Co., Ltd. ^(a)	The PRC/Chinese Mainland	30 January 2023	RMB10,000,000	—	100%	Distribution of food ingredients
Shanghai Zhanrong Industrial Development Co., Ltd. ^(a)	The PRC/Chinese Mainland	13 January 2023	RMB20,000,000	—	100%	Investment holding
Neo Shineroad Hong Kong Holdings Limited	Hong Kong	28 November 2022	HK\$10,000	—	100%	Investment holding

(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**”) 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 for the year ended 31 December 2023. 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 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
<i>Amendments to HKAS 12</i>	<i>International Tax Reform — Pillar Two Model Rules</i>

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Upon the application of the amendments, the Group has determined the temporary differences arising from

right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

- (d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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 Chinese Mainland and about 95% of the Group's identifiable non-current assets were located in Chinese Mainland, no geographical information is presented in accordance with HKFRS 8 Operating Segments.

Information about a major customer

Revenue from continuing operations of approximately RMB51,772,000 (2022: RMB54,864,000) 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers	<u>683,591</u>	<u>728,308</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Types of goods or services		
Sale of food ingredients	344,256	349,661
Sale of food additives	<u>339,335</u>	<u>378,647</u>
Total revenue from contracts with customers	<u>683,591</u>	<u>728,308</u>

Timing of revenue recognition

Goods transferred at a point in time	<u>683,591</u>	<u>728,308</u>
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The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	<u>2,437</u>	<u>2,979</u>

(b) Performance obligations

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

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. The performance obligation is part of a contract that has an original expected duration of one year or less. Applying the practical expedient in HKFRS 15, information about remaining performance obligations is not disclosed.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Other income		
Bank interest income	<u>2,600</u>	<u>1,724</u>
Gains		
Government grants*	2,228	3,847
Others	<u>259</u>	<u>648</u>
	<u>2,487</u>	<u>4,495</u>
Total other income and gains	<u><u>5,087</u></u>	<u><u>6,219</u></u>

* These government grants are related to the subsidies received from the local government for the purpose of industrial development incentives. 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% (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current — Hong Kong		
Charge for the year	111	139
Underprovision in prior years	157	519
Current — Chinese Mainland		
Charge for the year	14,846	16,523
Underprovision/(overprovision) in prior years	222	(287)
Deferred	<u>(3,715)</u>	<u>913</u>
Total tax charge for the year	<u><u>11,621</u></u>	<u><u>17,807</u></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 Chinese Mainland 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.

6. DIVIDENDS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Proposed final — HK\$0.015 (approximately RMB0.014) per ordinary share	<u><u>9,243</u></u>	<u><u>9,112</u></u>

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 2023, the directors proposed to declare the final dividend of HK\$0.015 (approximately RMB0.013) per ordinary share, amounting to RMB9,112,000 for the year ended 31 December 2022.

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 (2022: 680,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	2023	2022
	<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>20,257</u>	<u>47,662</u>
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u>680,000,000</u>	<u>680,000,000</u>
Basic and diluted earnings per share (<i>RMB</i>)	<u>0.03</u>	<u>0.07</u>

8. TRADE AND BILLS RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	92,269	84,003
Impairment	(11,751)	(722)
	<u>80,518</u>	<u>83,281</u>
Trade receivables, net		
	80,518	83,281
Bills receivable	3,823	—
	<u>3,823</u>	<u>—</u>
Total	<u>84,341</u>	<u>83,281</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 and bills receivable balances. Trade and bills receivables are non-interest-bearing.

The Group's bills receivable were all aged within 3 months and were neither past due or impaired. The expected credit losses for bills receivable are assessed to be minimal.

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	75,664	76,840
3 to 6 months	4,074	6,441
6 months to 1 year	780	—
	<u>80,518</u>	<u>83,281</u>
Total	<u>80,518</u>	<u>83,281</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of year	722	1,096
Impairment losses/(reversal of impairment)	11,031	(377)
Exchange realignment	<u>(2)</u>	<u>3</u>
At end of year	<u>11,751</u>	<u>722</u>

9. TRADE PAYABLES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	<u>27,457</u>	<u>52,359</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 and manufacturers of food ingredients and food additives in Asia with outstanding and innovative 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 alliances 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".

FINANCIAL REVIEW

For the Reporting Year, the Group's revenue was RMB683.6 million (Previous Year: RMB728.3 million). For the Reporting Year, the Group recorded profit of RMB20.3 million (Previous Year: RMB47.7 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 and food additives in the PRC. The Group's revenue for the Reporting Year was RMB683.6 million, representing a decrease of 6.14% as compared that of RMB728.3 million for the Previous Year.

The decline in revenue is primarily attributed to the ongoing recovery of consumer consumption in PRC following the epidemic.

An analysis of revenue, net is as follows:

	For the year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE		
Food ingredients	344,256	349,661
Food additives	339,335	378,647
	<u>683,591</u>	<u>728,308</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 RMB569.1 million, representing a decrease of approximately 6.26% as compared to RMB607.1 million for the Previous Year. The decrease in cost of sales was primarily due to the decrease in sales.

Gross profit and gross profit margin

Gross profit of the Group for the Reporting Year dropped by RMB6.7 million to RMB114.5 million (Previous Year: RMB121.2 million), and the gross profit margin increased to 16.75% (Previous Year: 16.64%). The increase in the gross profit margin was mainly due to the decrease in short term products sold at discount.

Other income and gains

Other income and gains primarily consist of bank interest income, government grants and others. Other income decreased by RMB1.1 million or 17.74% from RMB6.2 million for the Previous Year to RMB5.1 million for the Reporting Year, which is mainly due to the decrease of government grants .

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

	For the year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Other income and gains, net		
Bank interest income	2,600	1,724
Government grants*	2,228	3,847
Others	259	648
	<hr/>	<hr/>
	<u>5,087</u>	<u>6,219</u>

* These government grants are related to the subsidies received from the local government for the purpose of industrial development incentives. There were no unfulfilled conditions and other contingencies attaching to government grants that had been recognised.

Selling and distribution expenses

Selling and distribution expenses primarily consist of staff salaries and benefits, transportation expenses, travelling expenses, rent and rates and others. The selling and distribution expenses increased by RMB5.9 million, or approximately 24.89% increase to RMB29.6 million for the Reporting Year from RMB23.7 million for the Previous Year. The increase was mainly attributed to the exploration and promotion of new channels.

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 RMB7.1 million, or approximately 18.07% increase to RMB46.4 million for the Reporting Year from RMB39.3 million for the Previous Year. The increase was mainly attributed to the expansion of labor for exploring new channels and the rise of labor costs.

Finance costs

The finance costs represent interests on other loans and interest on lease liability. Finance costs increased by RMB0.7 million to RMB1.3 million for the Reporting Year from RMB0.6 million for the Previous Year. The increase was mainly attributed to an increase of short-term bank loans.

Income tax expenses

The Group's income tax expenses decreased by RMB6.2 million from RMB17.8 million for the Previous Year to RMB11.6 million for the Reporting Year. The decrease was primarily due to 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	
	2023	2022
	RMB'000	RMB'000
Current — Hong Kong		
Charge for the year	111	139
Underprovision in prior years	157	519
Current — Chinese Mainland		
Charge for the year	14,846	16,523
Underprovision/(overprovision) in prior years	222	(287)
Deferred	(3,715)	913
Total tax charge for the year	<u>11,621</u>	<u>17,807</u>

Profit for the Reporting Year

As a result of the foregoing, the profit for the Reporting Year decreased by RMB27.4 million, or 57.44%, from RMB47.7 million for the Previous Year to RMB20.3 million for the Reporting Year.

Such decrease was primarily attributable to:

- (1) a provision of approximately RMB10.6 million for the impairment of trade receivables owed by a customer. This prudent decision was made after careful consideration by the management. Accordingly, the Group is in the course of consulting its PRC legal advisor, and is going to take legal action against the aforementioned customer, the Company will make further announcements as and when appropriate in accordance with the Listing Rules;
- (2) a passive reduction of the Group's shareholding in Tianye Innovation Company ("Tianye") which leads to deemed disposal loss and a decrease in profit of Tianye during the Reporting Year, both led to a decrease in profit for approximately RMB4.4 million; and
- (3) the increase in the costs of foreign currency exchange by approximately RMB3.3 million due to the devaluation of the Chinese yuan resulting from volatility in the foreign exchange market.

The Group remains in a healthy and sound liquidity position during the Reporting Year.

Outlook and prospects

We remain confident in our future prospects. Despite having global economic uncertainties, we anticipate to achieve strong revenue growth and to create value for the 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 health 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:

Our Asia-Pacific Innovation Center with a total construction area of 40,816.13 sq. metres is expected to commence operation in early 2025, where we plan to set up food solutions laboratory, product incubation center, production lines, logistics, and sales functions. The Company considers the construction of the Asia-Pacific Innovation Center can further expand the Group's business, widen the portfolio of its self-developed formulated products and potential food ingredients, and is beneficial to the Group's future development.

- Continue to extensively identify potential strategic investment opportunities and seek to acquire high-quality target businesses and assets that create synergies for the Group.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2023 (as at 31 December 2022: Nil).

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had a total capital commitment of RMB80.5 million, which was primarily attributable to the construction contracts entered into but not yet performed or partially performed (as at 31 December 2022: 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 RMB462.8 million as at 31 December 2023, representing an increase of RMB11.4 million as compared to RMB451.4 million as at 31 December 2022.

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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flow generated from operating activities	50,946	94,360
Net cash flow used in investing activities	(87,831)	(33,434)
Net cash flow generated from/(used in) financing activities	12,204	(16,670)
Effect of foreign exchange rate changes, net	(16)	3,088
Cash and cash equivalents at end of year	157,502	182,199

Cash flows generated from operating activities

For the Reporting Year, the Company had net cash from operating activities of approximately RMB50.9 million, which was primarily due to a profit before tax of approximately RMB31.9 million, a decrease in inventory of approximately RMB34.5 million, a decrease in pledged deposits of approximately RMB12.6 million, and a decrease in prepayments, other receivables and other assets of approximately RMB6.1 million. This cash inflow was partially offset by a decrease in trade payables of approximately RMB20.0 million, an income tax paid of approximately RMB17.3 million and an increase in trade and bills receivables of RMB12.1 million.

Cash flows used in investing activities

For the Reporting Year, net cash used in investing activities amounted to RMB87.8 million which was primarily attributable to purchases of items of property, plant and equipment of RMB57.6 million and purchase of long-term in time deposits of RMB30.0 million.

Cash flows generated from financing activities

For the Reporting Year, the net cash from financing activities amounted to RMB12.2 million, which was primarily attributable to the principal portion of lease payments of RMB2.2 million, the dividend paid of approximately RMB9.1 million and repayment of bank loans of approximately RMB20.0 million. This cash outflow was partially offset by the new bank loans of approximately RMB44.7 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	
	2023 RMB'000	2022 RMB'000
Current assets		
Inventories	57,107	92,879
Trade and bills receivables	84,341	83,281
Prepayments, other receivables and other assets	12,306	17,831
Amounts due from related parties	5,172	5,703
Pledged deposits	16,576	27,880
Cash and cash equivalents	157,502	182,199
Total current assets	333,004	409,773
Current liabilities		
Trade payables	27,457	52,359
Other payables and accruals	41,664	14,660
Amounts due to related parties	7,314	2,423
Interest-bearing bank borrowings	20,000	20,000
Lease Liabilities	1,267	1,020
Tax payable	5,034	6,986
Total current liabilities	102,736	97,448
Net current assets	230,268	312,325

The net current assets decreased from RMB312.3 million as at 31 December 2022 to RMB230.3 million as at 31 December 2023. The decrease was primarily due to the construction and development of our Asia-Pacific Innovation Center.

CASH POSITION

The Group's cash and cash equivalents balances as at 31 December 2023 amounted to RMB157.5 million, representing a decrease of RMB24.7 million as compared to RMB182.2 million as at 31 December 2022, which was attributable to the construction of our Asia-Pacific Innovation Center.

As at 31 December 2023, the Group's total interest-bearing bank borrowings increased to RMB44.7 million from RMB20.0 million as at 31 December 2022, which was primarily due to increase in long-term loan.

As at 31 December 2023, the gearing ratio, calculated as debt divided by total assets, was 22.0%, as compared with 18.3% as at 31 December 2022.

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 2023, there were no charges on the Group's assets (as at 31 December 2022: 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 2023, the Group held 28,125,200 shares, representing approximately 8.59% 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 2023, the Group’s investments in associates of Tianye amounted to RMB104.2 million, representing approximately 17.6% of the Group’s total asset as at 31 December 2023. The Group recorded a realised gain of RMB2.9 million, loss on deemed disposal of RMB1.7 million due to the shareholdings dilution and did not receive any dividend during the year ended 31 December 2023. The Group considers the performance of Tianye was satisfactory during the year ended 31 December 2023. 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 2023.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 134 employees as at 31 December 2023. 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 C1 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 C3 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 RMB1.36 cents) (2022: HK1.50 cents (equivalent to approximately RMB1.34 cents)) per ordinary share at HK\$10.2 million (equivalent to approximately RMB9.2 million) for the Reporting Year out of the share premium account of the Company based on 680,000,000 shares in issue as at 31 December 2023. The payment of the final dividend is subject to the approval to be obtained at the forthcoming annual general meeting of the Company; the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the proposed final dividend is paid, unable to pay its debts as they fall due in the ordinary course of business; and the Company having complied with all requirements under the laws of the Cayman Islands and the Listing Rules regarding the payment of proposed final dividend out of the Share Premium Account. The final dividend will be paid in Hong Kong dollars and is expected to be paid on or around 14 June 2024. 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 13 May 2024 to 17 May 2024 (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 Friday, 17 May 2024, 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 10 May 2024.

The register of members of the Company will be closed from 24 May 2024 to 29 May 2024 (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 23 May 2024.

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, 27 March 2024

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.