



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



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INTERIM REPORT

2018



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Corporate Information

EXECUTIVE DIRECTORS

Mr. Huang Haixiao (*Chairman of the Board*)
Mr. Li Junkui

NON-EXECUTIVE DIRECTOR

Ms. Huang Xin Rong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tan Wee Seng
Mr. Chan Ka Kit
Mr. Meng Yuecheng

COMPANY SECRETARY

Mr. Qin Wenzhong

AUTHORISED REPRESENTATIVES

Mr. Huang Haixiao
Mr. Qin Wenzhong

AUDIT COMMITTEE

Mr. Tan Wee Seng (*Chairman*)
Mr. Chan Ka Kit
Mr. Meng Yuecheng

REMUNERATION COMMITTEE

Mr. Tan Wee Seng (*Chairman*)
Mr. Chan Ka Kit
Mr. Meng Yuecheng

NOMINATION COMMITTEE

Mr. Huang Haixiao (*Chairman*)
Mr. Tan Wee Seng
Mr. Meng Yuecheng

REGISTERED OFFICE

P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

AUDITORS

Ernst & Young
Certified Public Accountants

COMPLIANCE ADVISER

Cinda International Capital Limited

LEGAL ADVISERS

as to Hong Kong laws
Loong & Yeung

HEADQUARTERS IN THE PRC

25th Floor South
Block 1 Zhongyou Building
Lane 1040 Caoyang Road
Putuo District
Shanghai
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6, 16/F, K. Wah Centre
191 Java Road, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation
Shanghai Fengxian Branch

COMPANY WEBSITE

<http://www.shineroad.com>

STOCK CODE

1587

Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of Shineroad International Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2018 (the “**Period**”), together with the comparative figures for the corresponding period in 2017 (the “**Previous Period**”). Unless otherwise specified, terms used herein shall have the same meanings as those defined in with the prospectus of the Company dated 14 June 2018 (the “**Prospectus**”).

BUSINESS REVIEW

The Group is a distributor in the food ingredients and additives distribution industry with a focus on supplying food ingredients and food additives to food manufacturers in the PRC.

The shares (“**Shares**”) of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 June 2018 (the “**Listing Date**”) when 170,000,000 ordinary Shares of the Company (comprising a public offer of 68,000,000 Shares and a placing of 102,000,000 Shares) have been offered for subscription and for sale at an offer price of HK\$0.75 per Share (the “**Listing**”).

Currently, the Group will continue to engage in the food ingredients and additives distribution industry.

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 RMB243.1 million, representing an increase of 7.4% as compared with that of RMB226.3 million for the Previous Period. The increase in revenue is due to growth in demand from our existing customers and new customers as compared to the Previous Period.

Management Discussion and Analysis

An analysis of revenue, net is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
REVENUE		
Food ingredients	135,733	130,691
Food additives	103,397	91,639
Packaging materials	3,978	3,930
	243,108	226,260

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 RMB196.5 million, representing an increase of 3.6% as compared with that of RMB189.7 million for the Previous Period. The increase in cost of sales is generally in line with the increase in revenue.

Gross profit and gross profit margin

Gross profit of the Group for the Period rose by RMB10.0 million to RMB46.7 million (Previous Period: RMB36.6 million), and the gross profit margin increased to 19.2% for the Period (Previous Period: 16.2%). The increase in the gross profit margin was mainly due to the increase in revenue from food additives that have a relatively high gross profit margin.

Other income and gains

Other income and gains primarily consist of bank interest income, government grants, services fee income and others. Other income increased by RMB0.9 million or 41.0% from RMB2.2 million for the Previous Period to RMB3.1 million for the Period primarily due to the increase from government grants.

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 <i>RMB'000</i> (Unaudited)
Other income and gains, net		
Bank interest income	502	170
Government grants*	1,946	1,485
Others	607	511
	3,055	2,166

* 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 RMB1.2 million, a 11.7% increase to RMB11.0 million for the Period from RMB9.9 million for the Previous Period. The increase was mainly attributed to the increase from staff salaries and benefits.

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 RMB8.0 million, an 79.7% increase to RMB18.0 million for the Period from RMB10.0 million for the Previous Period. The increase was mainly attributed to the listing expenses incurred in the Listing of the Shares of the Company.

Finance costs

The finance costs represented interests on other loans. Finance costs decreased by RMB0.3 million to RMB0.8 million for the Period from RMB1.1 million for the Previous Period. The decrease was mainly due to the decrease in principal amount of other loans during the Period.

Income tax expenses

The Group's income tax expenses increased by RMB2.0 million from RMB4.7 million for the Previous Period to RMB6.7 million for the Period. The increase was primarily due to the increase in gross profit and the non-deductible listing expenses according to PRC Corporate Income Tax Law.

Management Discussion and Analysis

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	
	2018 RMB'000 (Unaudited)	2017 <i>RMB'000</i> (Unaudited)
Current income tax in the PRC	6,669	4,677
Deferred income tax expense relating to origination and reversal of temporary differences	(17)	—
Total tax charge for the period	6,652	4,677

Profit for the Period

As a result of the foregoing, the profit for the period increased by RMB0.8 million, or 6.9%, from RMB11.7 million for the Previous Period to RMB12.7 million for the Period. The Group remains in a healthy and sound liquidity position during the six months ended 30 June 2018.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2018.

CAPITAL COMMITMENTS

As at 30 June 2018, the Group did not have any significant capital commitments.

CAPITAL STRUCTURE

The Shares were listed on the Main Board of the Stock Exchange on 27 June 2018. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises RMB255.1 million.

USE OF PROCEEDS

The Company successfully listed its Shares on the Main Board of the Stock Exchange on 27 June 2018 and issued a total of 170,000,000 Shares by way of share offer at the offer price of HK\$0.75 on Listing. The net proceeds from the share offer in association with the Listing amounted to HK\$93.7 million (equivalent to RMB78.3 million).

As of the date of this report, the Directors are not aware of material change to the planned use of the proceeds from the plan as stated in the Prospectus.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group's receivable turnover days as at 30 June 2018 decreased to 53 days as compared to 55 days as at 31 December 2017, mainly due to improvement of credit control.

The Group's cash and cash equivalents balances as at 30 June 2018 amounted to RMB170.2 million, representing an increase of RMB81.5 million as compared to RMB88.7 million as at 31 December 2017, which was attributable to the proceeds from the Listing.

As at 30 June 2018, the Group's indebtedness comprised bank borrowings of RMB15.0 million and amount due to related companies of RMB4.3 million. The Group's bank loans were in the amount of RMB40.0 million as at 31 December 2017. None of the indebtedness was secured at 30 June 2018 and 31 December 2017.

As at 30 June 2018, the gearing ratio, calculated as debt divided by total equity plus debt, was 5.9%, as compared with 27.8% as at 31 December 2017. 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 RMB255.1 million as at 30 June 2018 from that of RMB143.8 million as at 31 December 2017, which was attributable to the proceeds from the Listing.

The Group has certain bank balances denominated in US\$ other than the functional currency of respective group entities as at 30 June 2018, which expose the Group to foreign currency risk. The Group manages the risk by closely monitoring the movement of the foreign currency rate.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018, there were no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 143 employees as at 30 June 2018. 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 reporting period up to the date of the approval of the unaudited interim condensed consolidated financial statements.

OUTLOOK AND PROSPECTS

Further regulatory reform is expected in the PRC and the geopolitical and economic climate around the world will remain uncertain and a challenge in the immediate future. The Group's long-term profitability and business growth may be affected by the volatility and uncertainty of macroeconomic conditions of the PRC. In spite of the uncertainties, the Group and the Directors shall continue to strive and achieve the business objectives as stated in the Prospectus. We believe that the Group can have opportunities during the challenging times, and remains cautiously optimistic towards the business performance for the following year.

The Group will continue to put more efforts on enhancing our research and development capabilities in providing value-added service to our customers. The Group believes that our sensitivity to market trends and developments and prompt responses to rapidly changing consumer preference are critical to our success in the food ingredients and additives distribution industry.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

The Shares of the Company were listed on the Stock Exchange on 27 June 2018.

As at the date of this interim report, the interests and short positions of Directors and/or the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) (the "SFO") as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/interested in	Percentage of interest
Mr. Huang Haixiao (Mr. Huang) (Note)	Interest in controlled corporation	510,000,000	75%

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/interested in	Percentage of interest
Mr. Huang (Note)	Ocean Town Company Limited (" Ocean Town ")	Beneficial owner	1	100%
Mr. Huang (Note)	Shineroad Group Limited (" Shineroad Group ")	Interest in controlled corporation	1	100%

Note: Mr. Huang beneficially owns the entire issued share capital of Ocean Town, which beneficially owns the entire issued share capital of Shineroad Group. Therefore, each of Mr. Huang and Ocean Town is deemed to be interested in 510,000,000 Shares held by Shineroad Group for the purpose of the SFO.

Save as disclosed in the foregoing, as at the date of this interim report, none of the Directors or chief executive of the Company or their respective close associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this interim report, so far as the Directors are aware, the interest and short positions of the persons, other than the Director or the chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Capacity/Nature of interest	Number of Shares held/Interested in	Percentage of interest
Ocean Town (<i>Note 1</i>)	Interest in controlled corporation	510,000,000	75%
Shineroad Group (<i>Note 1</i>)	Beneficial owner	510,000,000	75%
Ms. Chen Dongying (<i>Note 2</i>)	Interest of spouse	510,000,000	75%

Notes:

- Such 510,000,000 Shares are held by Shineroad Group as a registered holder. The entire issued share capital of Shineroad Group is wholly-owned by Ocean Town. Therefore, Ocean Town is deemed to be interested in 510,000,000 Shares held by Shineroad Group for the purpose of the SFO.
- Ms. Chen Dongying is the spouse of Mr. Huang and is therefore deemed to be interested in 510,000,000 Shares in which Mr. Huang has, or is deemed to have, for the purpose of the SFO.

Save as disclosed above, as at the date of this interim report, the Directors are not aware of any other persons or corporations (other than the Directors and chief executive of the Company) who/which had any interests or short positions in the Shares or underlying Shares of the Company or any of its associated companies which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

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 up to the date of this report.

SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, during the six months ended 30 June 2018, the Group did not hold any significant investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save disclosed in the Prospectus, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the Listing Date and up to 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Since the Listing Date and up to 30 June 2018, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company's Directors confirmed that they have complied with the required standard as set out in the Model Code since the Listing Date and up to 30 June 2018.

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, 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 six months ended 30 June 2018, 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 report.

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

Hong Kong, 23 August 2018

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
REVENUE	4	243,108	226,260
Cost of sales		(196,539)	(189,671)
Gross profit		46,569	36,589
Other income and gains, net	4	3,055	2,166
Selling and distribution expenses		(11,032)	(9,877)
Administrative expenses		(18,010)	(10,025)
Other expenses		(432)	(1,251)
Finance costs		(807)	(1,056)
PROFIT BEFORE TAX	5	19,343	16,546
Income tax expense	6	(6,652)	(4,677)
PROFIT FOR THE PERIOD		12,691	11,869
Attributable to:			
Owners of the parent		12,691	11,798
Non-controlling interests		—	71
		12,691	11,869
Earnings per share (EPS):	8		
— Basic and diluted, profit for the period attributable to ordinary equity holders of the parent (RMB)		0.02	0.02
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements into presentation currency		1,012	(1,213)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		1,012	(1,213)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		13,703	10,656
Attributable to:			
Owners of the parent		13,703	10,585
Non-controlling interests		—	71
		13,703	10,656

Interim Condensed Consolidated Statement of Financial Position

	Notes	As at	
		30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	881	717
Other intangible assets	10	112	—
Deferred tax assets		242	225
Total non-current assets		1,235	942
Current assets			
Inventories	11	49,176	37,906
Trade and bills receivables	12	57,893	85,633
Prepayments, deposits and other receivables		6,895	10,736
Pledged deposits	13	25,059	18,955
Cash and cash equivalents	13	170,153	88,690
Total current assets		309,176	241,920
Total assets		310,411	242,862
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables	12	21,897	38,394
Other payables and accruals		10,547	14,695
Amounts due to related parties	16	4,299	2,172
Interest-bearing bank loans and other borrowings	12	5,000	—
Tax payable		3,574	3,788
Total current liabilities		45,317	59,049
Net current assets		263,859	182,871
Total assets less current liabilities		265,094	183,813

Interim Condensed Consolidated Statement of Financial Position

	Notes	As at	
		30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing bank loans and other borrowings	12	10,000	40,000
Total non-current liabilities		10,000	40,000
Total liabilities		55,317	99,049
NET ASSETS		255,094	143,813
Equity			
Equity attributable to owners of the parent			
Share capital		5,681	—
Reserves		249,413	143,813
Equity attributable to owners of the Company		255,094	143,813
Total equity		255,094	143,813

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000*	Merger reserve RMB'000*	Statutory reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	—	—	19,619	12,189	(210)	67,445	99,043	1,020	100,063
Profit for the period	—	—	—	—	—	11,798	11,798	71	11,869
Other comprehensive income for the period:									
Exchange differences on translation of financial statements into presentation currency	—	—	—	—	(1,213)	—	(1,213)	—	(1,213)
Total comprehensive income for the period	—	—	—	—	(1,213)	11,798	10,585	71	10,656
Acquisition of non-controlling interests	—	—	111	—	—	—	111	(501)	(390)
Business combination under common control	—	—	(19,730)	—	—	(18,880)	(38,610)	—	(38,610)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(590)	(590)
Dividends declared**	—	—	—	—	—	(58,423)	(58,423)	—	(58,423)
Proceeds from issue of shares	—	107,193	—	—	—	—	107,193	—	107,193
At 30 June 2017	—	107,193	—	12,189	(1,423)	1,940	119,899	—	119,899

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the parent							Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000*	Merger reserve RMB'000*	Statutory reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Total RMB'000	
At 1 January 2018	—	115,834	—	14,464	(1,571)	15,086	143,813	143,813
Profit for the period	—	—	—	—	—	12,691	12,691	12,691
Other comprehensive income for the period:								
Exchange differences on translation of financial statements into presentation currency	—	—	—	—	1,012	—	1,012	1,012
Total comprehensive income for the period	—	—	—	—	1,012	12,691	13,703	13,703
Share issue expenses	—	(8,935)	—	—	—	—	(8,935)	(8,935)
Proceeds from Issue of shares	1,420	105,093	—	—	—	—	106,513	106,513
Capitalisation of share premium into ordinary shares	4,261	(4,261)	—	—	—	—	—	—
At 30 June 2018	5,681	207,731	—	14,464	(559)	27,777	255,094	255,094

* These reserve accounts comprise the consolidated reserves of RMB119,899,000, and RMB249,413,000, in the consolidated statements of financial position as at 30 June 2017 and 2018, respectively.

** The amount of dividend distribution which the PRC subsidiaries can legally distribute by way of dividend is determined by reference to the distributable profits as reflected in their PRC statutory financial statements prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP").

Interim Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2018 Unaudited RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		19,343	16,546
Adjustments for:			
Finance costs		807	1,056
Interest income	4	(502)	(170)
Depreciation	9	250	170
Amortisation of other intangible assets	10	6	96
Impairment of inventory		86	—
Unrealised gains from changes in foreign currency exchange		464	(234)
(Increase)/decrease in inventories		(11,356)	1,196
Decrease in trade and bills receivables		27,740	13,585
Decrease in prepayments		716	12,206
(Increase)/decrease in pledged deposits		(6,104)	1,472
(Increase)/decrease in deposits and other receivables		3,125	(5,465)
Decrease in trade payables		(16,497)	(4,233)
Increase/(decrease) in other payables and accruals		(4,148)	72
Increase in amounts due from related parties		—	80
— trade related		—	80
Increase/(decrease) in amounts due to related parties		2,127	(6,839)
— trade related		2,127	(6,839)
Decrease in an amount due to the Controlling Shareholder		—	(1,174)
Cash generated from operations		16,057	28,364
Income tax paid		(6,883)	(5,306)
Net cash flows from operating activities		9,174	23,058
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	4	502	170
Purchases of items of property, plant and equipment	9	(414)	(280)
Purchase of intangible assets	10	(118)	(15)
Net cash flows used in investing activities		(30)	(125)

Interim Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2018 Unaudited RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		97,578	107,193
Proceeds from bank loans and other borrowings		15,000	—
Repayment of bank loans and other borrowings		(40,000)	—
Acquisition of non-controlling interests		—	(390)
Business combination under common control		—	(19,500)
Dividends paid		—	(28,423)
Dividends paid to non-controlling shareholders		—	(590)
Interest paid		(807)	(1,056)
		<u>71,771</u>	<u>57,234</u>
Net cash flows (used in)/from financing activities		71,771	57,234
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		88,690	39,828
Effect of foreign exchange rate changes, net		548	(979)
		<u>170,153</u>	<u>119,016</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD			
		170,153	119,016
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statements of financial position	13	170,153	119,016
		<u>170,153</u>	<u>119,016</u>
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF CASH FLOWS			
		170,153	119,016

Notes to the Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

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

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017 which has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2017, except as stated below.

The adoption of new standards and amendments and interpretation to standards

The Group has applied, for the first time, the following amendments to HKASs issued by HKICPA that are relevant for the preparation of the Group’s interim condensed consolidated financial statements.

Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts With Customers
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

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 and did not require retrospective adjustments.

3. OPERATING SEGMENT INFORMATION

The Group's principal business is the distribution of food ingredients and 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 additives.

Information about geographical area

Since all of the Group's revenue was generated from the distribution of food ingredients and 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 RMB16,197,000 and RMB17,602,000 in the six months ended 30 June 2017 and 2018, 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

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue		
Food ingredients	135,733	130,691
Food additives	103,397	91,639
Packaging materials	3,978	3,930
	243,108	226,260
Other income and gains, net		
Bank interest income	502	170
Government grants*	1,946	1,485
Others	607	511
	3,055	2,166

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

Notes to the Interim Condensed Consolidated Financial Statements

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(a) Cost of sales:			
	Cost of inventories sold	196,539	189,671
(b) Employee benefit expenses (excluding directors' and chief executive's remuneration):			
	Wages and salaries	8,859	7,332
	Pension scheme contributions	2,751	2,062
	Other welfare	177	288
		11,787	9,682
(c) Other items:			
	Depreciation	250	170
	Amortisation of other intangible assets	6	96
	Research and development costs:		
	Current year expenditure	1,199	1,006
	Minimum lease payments under operating leases	2,052	1,680
	Auditor's remuneration	1,027	594
	Transportation expenses	2,315	2,432
	Travel expenses	595	695
	Foreign exchange differences, net	422	1,241
	Write-down of inventories to net realisable value	86	—
	Bank interest income	(502)	(170)

Notes to the Interim Condensed Consolidated Financial Statements

6. 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:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current income tax in the PRC	6,669	4,677
Deferred income tax expense relating to origination and reversal of temporary differences	(17)	—
Total tax charge for the period	6,652	4,677

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements

7. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

The dividends declared by the Company's subsidiaries to the then shareholders during the Relevant Periods before the Reorganisation are as follows:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Dividends declared	—	59,013

8. EARNINGS PER SHARE

Basic earnings per share amount is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue for the six months ended 30 June 2018 and 2017. The Company has no potentially dilutive ordinary shares in issue for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the parent (RMB'000)	12,691	11,798
Shares		
Weighted average number of ordinary shares in issue	513,756,906	510,000,000
Earnings per share		
Basic and Diluted (RMB)	0.02	0.02

Notes to the Interim Condensed Consolidated Financial Statements

9. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Six months ended 30 June 2017				
At 31 December 2016 and 1 January 2017:				
Cost	261	548	1,774	2,583
Accumulated depreciation	(199)	(524)	(1,280)	(2,003)
Net carrying amount	62	24	494	580
At 1 January 2017, net of accumulated depreciation				
Cost	62	24	494	580
Additions	—	252	28	280
Depreciation provided during the period	(21)	(5)	(144)	(170)
At 30 June 2017, net of accumulated depreciation	41	271	378	690
At 30 June 2017:				
Cost	261	720	1,802	2,783
Accumulated depreciation	(220)	(449)	(1,424)	(2,093)
Net carrying amount	41	271	378	690
Six months ended 30 June 2018				
At 31 December 2017 and 1 January 2018:				
Cost	264	720	2,044	3,028
Accumulated depreciation	(247)	(481)	(1,581)	(2,311)
Net carrying amount	17	239	461	717
At 1 January 2018, net of accumulated depreciation				
Cost	17	239	461	717
Additions	36	—	378	414
Depreciation provided during the period	(15)	(32)	(203)	(250)
At 30 June 2018, net of accumulated depreciation	38	207	636	881
At 30 June 2018:				
Cost	300	720	2,422	3,442
Accumulated depreciation	(262)	(513)	(1,786)	(2,561)
Net carrying amount	38	207	636	881

Notes to the Interim Condensed Consolidated Financial Statements

10. OTHER INTANGIBLE ASSETS

	Software RMB'000 (Unaudited)
Six months ended 30 June 2017	
Cost at 1 January 2017, net of accumulated amortisation	81
Additions during the period	15
Amortisation provided during the period	(96)
At 30 June 2017	—
At 30 June 2017	
Cost	111
Accumulated amortisation	(111)
Net carrying amount	—
	Software RMB'000 (Unaudited)
Six months ended 30 June 2018	
Cost at 1 January 2018, net of accumulated amortisation	—
Additions during the period	118
Amortisation provided during the period	(6)
At 30 June 2018	112
At 30 June 2018:	
Cost	118
Accumulated amortisation	(6)
Net carrying amount	112

11. INVENTORIES

	As at	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Food ingredients	27,122	19,894
Food additives	21,910	17,950
Packaging materials	230	62
Provision for inventories	49,262 (86)	37,906 —
	49,176	37,906

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	As at	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Debt instruments at amortised cost:		
Trade and bills receivables	57,893	85,633
Financial liabilities at amortised cost:		
Trade payables	21,897	38,394
Interest-bearing bank loans and other borrowings	15,000	40,000
Total	36,897	78,394

An ageing analysis of the trade and bills receivables as at 30 June 2018, based on the invoice date and net of provisions, is as follows:

	As at	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 3 months	49,598	83,324
3 to 6 months	8,243	2,059
Over 6 months	52	250
	57,893	85,633

An ageing analysis of the trade payables as at 30 June 2018, based on the invoice date, is as follows:

	As at	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 3 months	21,705	38,209
3 to 6 months	7	7
6 to 12 months	7	3
Over 1 year	178	175
	21,897	38,394

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**GROUP**

	As at	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash and bank balances	195,212	107,645
Less: Pledged time deposits: Pledged for letters of credit	(25,059)	(18,955)
Cash and cash equivalents	170,153	88,690

At 31 December 2017 and 30 June 2018, the cash and bank balances of the Group denominated in RMB amounted to RMB86,278,000 and RMB95,206,149, respectively.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Notes to the Interim Condensed Consolidated Financial Statements

14. SHARE CAPITAL

	As at 31 December 2017 <i>RMB'000</i> (Audited)
Authorised: 38,000,000 shares of HK\$0.01 each	318
Issued: 2,000 shares of HK\$0.01 each	—
Fully paid: 2,000 shares of HK\$0.01 each	—
	Six months ended 30 June 2018 <i>RMB'000</i> (Unaudited)
Authorised: 2,000,000,000 shares of HK\$0.01 each	16,708
Issued: 680,000,000 shares of HK\$0.01 each	5,681
Fully paid: 680,000,000 shares of HK\$0.01 each	5,681

A summary of movements in the Company's share capital is as follows:

	Number of shares	Share capital
	(Unaudited)	<i>RMB</i> (Unaudited)
At 31 December 2017 and 1 January 2018	2,000	18
Issue of new shares	170,000,000	1,420,180
Capitalisation of share premium into ordinary shares	509,998,000	4,260,523
At 30 June 2018	680,000,000	5,680,721

15. COMMITMENTS

a) Capital commitments

At 30 June 2018, the Group did not have any significant capital commitments.

b) Operating lease arrangements

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	3,062	2,684
In the second to fifth years, inclusive	4,271	4,227
	7,333	6,911

16. RELATED PARTY DISCLOSURE

a) Related party transactions and balances

The following table provides the total amount of transactions that have been entered into with related parties during the six months 30 June 2018 and 2017, as well as balances with related parties as at 30 June 2018 and 31 December 2017:

		Sales to related parties	Purchases from related parties	Rental Expenses	Amounts owed to related parties
Entity controlled by the controlling shareholder	2018	4,242	11,188	84	4,299
	2017	2,833	7,927	88	2,172
Mr. Huang Haixiao	2018	—	—	315	—
	2017	—	—	320	—

b) Key management personnel

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Other emoluments:		
Salaries, allowances and benefits in kind	1,310	513
Pension scheme contributions	168	94
	1,478	607

There were no arrangements under which a director or the chief executive waived or agreed to waive any remuneration during the six months ended 30 June 2017 and 2018.