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shineroad

Shineroad International Holdings Limited
欣融國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code : 1587

INTERIM REPORT
2019

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

Mr. Huang Haixiao *(Chairman of the Board)*
Ms. Huang Xin Rong *(Chief Executive Officer)*
(redesignated from non-executive Director with effect from 14 January 2019)
Mr. Li Junkui
(resigned with effect from 14 January 2019)

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 54, 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

The board (the "**Board**") of directors (the "**Directors**") of Shineroad International Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2019 (the "**Period**"), together with the comparative figures for the corresponding period in 2018 (the "**Previous Period**").

BUSINESS REVIEW

Overview

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 People's Republic of China (the "**PRC**" or "**China**").

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 (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.

Outlook and prospects

Further regulatory reform is expected in the PRC and the geopolitical and economic climate around the world will remain uncertain and challenge in the immediate future. The Group's long-term profitability and business growth may be affected by the volatility and uncertainty of macro-economic 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 of the Company dated 14 June 2018 (the "**Prospectus**"). The Directors believe that the Group can have opportunities during challenging times, and remains cautiously optimistic towards the business performance for the following years.

The Group will continue to put more efforts on enhancing the research and development capabilities in providing value-added service to the customers. The Group believes that the sensitivity to market trends and developments and prompt responses to rapidly changing consumer preference are critical to the success of the Group 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 recorded for the Period was RMB249.0 million, representing an increase of 2.4% as compared to that of RMB243.1 million for the Previous Period. The increase in revenue was due to the diversification of products as compared to the Previous Period.

An analysis of revenue, net is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
REVENUE		
Food ingredients	**132,905**	135,733
Food additives	**101,763**	103,397
Packaging materials	**14,371**	3,978
	249,039	243,108

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 RMB205.5 million, representing an increase of 4.6% as compared with that of RMB196.5 million for the Previous Period. The increase in cost of sales was due to the increase of sales volume in packaging materials with lower gross profit margin and the increase of import cost from exchange rate fluctuation.

Gross profit and gross profit margin

Gross profit of the Group for the Period declined by RMB3.1 million to RMB43.5 million (Previous Period: RMB46.6 million), and the gross profit margin decreased to 17.5% for the Period (Previous Period: 19.2%). The decrease in the gross profit margin was mainly due to the increase of sales volume in packaging materials with lower gross profit margin and the increase of import cost from exchange rate fluctuation.

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 RMB1.2 million or 38.7% from RMB3.1 million for the Previous Period to RMB4.3 million for the Period primarily due to bank interest income.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and gains, net		
Bank interest income	**1,969**	502
Government grants*	**1,451**	1,946
Consultancy Service income	**115**	528
Foreign exchange gains or losses, net	**223**	—
Reversal of provision for bad debts of trade receivables	**445**	—
Others	**139**	79
	4,342	3,055

* *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 RMB2.8 million, a 25.4% increase to RMB13.8 million for the Period from RMB11.0 million for the Previous Period. The increase was mainly attributed to the increase of employee's salary and benefit.

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 decreased by RMB2.6 million, a 14.4% decrease to RMB15.4 million for the Period from RMB18.0 million for the Previous Period. The decrease was mainly attributed to the one-off listing expense incurred in the Previous Period, which no longer occurred in the Period.

Finance costs

The finance costs represent interests on other loans. Finance costs decreased by RMB0.63 million to RMB0.17 million for the Period from RMB0.8 million for the Previous Period. The decrease was mainly due to the repayment of other borrowing in the Previous Period.

Income tax expenses

The Group's income tax expenses decreased by RMB1.8 million from RMB6.7 million for the Previous Period to RMB4.9 million for the Period. The decrease was primarily due to pre-tax profit of the Period was lower than that of the Previous Period.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax in the PRC	**4,617**	6,669
Deferred income tax expense relating to origination and reversal of temporary differences	**284**	(17)
Total tax charge for the period	**4,901**	6,652

Profit for the Period

As a result of the foregoing, the profit for the Period increased by RMB0.9 million, or 7.1%, from RMB12.7 million for the Previous Period to RMB13.6 million for the Period. The Group remains in a healthy and sound liquidity position during the Period.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2019.

CAPITAL COMMITMENTS

As at 30 June 2019, 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 the Listing Date. The capital of the Company comprises RMB287 million as at 30 June 2019.

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 per Share 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).

		Net proceeds (RMB million)		
		Available	**Utilised**	**Unutilised**
(i)	Setting up seven branch offices at different provinces in the PRC	35.8	30.2	5.6 *(Note 1)*
(ii)	Repaying the entrusted loans with an outstanding amount of RMB15 million	15.0	15.0	0
(iii)	Procuring the required level of inventories for the distribution of the relevant products	12.0	12.0	0
(iv)	Expanding technology centre	4.1	0.8	3.3 *(Note 2)*
(v)	Participating in promotional and marketing activities	2.0	0.8	1.2 *(Note 3)*
(vi)	General working capital	7.9	7.9	0
Total		**76.8**	**66.7**	**10.1**

Notes:

1. As to approximately HK$6.3 million will be used to set up two branch offices in the PRC by December 2019.

2. As to approximately HK$3.8 million will be used for expanding technology centre and recruiting professionals in or around June 2020.

3. As to approximately HK$1.4 million will be used for participating in promotional and marketing activities in or around June 2020.

As at the date of this interim 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 2019 decreased to 46 days as compared to 54 days as at 31 December 2018, mainly due to the strengthening management of accounts receivable, reasonably determined credit policies, and timely recovery of accounts receivable.

The Group's cash and cash equivalents balances as at 30 June 2019 amounted to RMB190.2 million, representing an increase of RMB9.0 million as compared to RMB181.2 million as at 31 December 2018, which was attributable to the increase of operational cash flow.

As at 30 June 2019, the Group's indebtedness comprised nil bank borrowings and amount due to related companies of RMB2.8 million. The Group has nil bank loans as at 31 December 2018. None of the indebtedness was secured as at 30 June 2019 and 31 December 2018.

As at 30 June 2019, the gearing ratio, calculated as debt divided by total equity plus debt, was 14.4%, as compared with 16.7% as at 31 December 2018. 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 RMB287 million as at 30 June 2019 from that of RMB273 million as at 31 December 2018, which was attributable to growth of profits.

Treasury policies

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

Foreign Currency Risk

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

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, there were no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 153 employees as at 30 June 2019. Remuneration is determined by reference to prevailing market terms and in accordance with the job scope, responsibilities, and performance of each individual employee.

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

EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the Period up to the date of this interim report.

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

As at 30 June 2019, 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**")) which would be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of 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 30 June 2019, 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 Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

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

As at 30 June 2019, 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 and which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO are as follows:

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

Notes:

1. 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.

2. 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 is interested, for the purpose of the SFO.

Save as disclosed above, as at 30 June 2019, 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 interim report.

SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, during the six months ended 30 June 2019, the Group did not hold any significant investment in equity interest in any company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintain high standards of corporate governance to protect the interests of its shareholders and to enhance corporate value and accountability. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2019. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code for the six months ended 30 June 2019.

DIVIDEND

The Board takes into account, among others, the Group's overall results of operation, financial position and capital requirements, in considering the declaration of dividends. The Board does not recommend payment of any dividend in respect of the Period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**"), comprising three independent non-executive Directors, namely Mr. Tan Wee Seng, Mr. Chan Ka Kit and Mr. Meng Yuecheng, has reviewed with the management the interim results for the six months ended 30 June 2019, 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, 21 August 2019

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

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
REVENUE	4	**249,039**	243,108
Cost of sales		**(205,490)**	(196,539)
Gross profit		**43,549**	46,569
Other income and gains, net	4	**4,342**	3,055
Selling and distribution expenses		**(13,754)**	(11,032)
Administrative expenses		**(15,410)**	(18,010)
Other expenses		**(39)**	(432)
Finance costs		**(168)**	(807)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	**18,520**	19,343
Income tax expense	6	**(4,901)**	(6,652)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**13,619**	12,691
PROFIT FOR THE PERIOD		**13,619**	12,691
Attributable to:			
Owners of the parent		**13,619**	12,691
Non-controlling interests		**—**	—
		13,619	12,691

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June **2019** **(Unaudited)** ***RMB'000***	2018 (Unaudited) *RMB'000*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted, profit for the period (expressed in RMB)	*8*	**0.02**	0.02
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements into presentation currency		**74**	1,012
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**74**	1,012
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**13,693**	13,703
Attributable to:			
Owners of the parent		**13,693**	13,703
Non-controlling interests		**—**	—
		13,693	13,703

Interim Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	856	798
Right-of-use assets		4,811	—
Other intangible assets	10	70	106
Deferred tax assets		301	585
Total non-current assets		6,038	1,489
CURRENT ASSETS			
Inventories	11	56,193	38,756
Trade receivables	12	57,581	70,206
Prepayments, deposits and other receivables		9,558	10,400
Due from related parties		141	575
Pledged deposits	13	15,720	25,760
Cash and cash equivalents	13	190,225	181,235
Total current assets		329,418	326,932
CURRENT LIABILITIES			
Trade and bills payables	14	25,493	30,293
Other payables and accruals		11,873	18,997
Amounts due to related parties	17	2,800	1,736
Interest-bearing bank loans and other borrowings		3,468	—
Tax payable		3,625	3,959
Total current liabilities		47,259	54,985
NET CURRENT ASSETS		282,159	271,947
TOTAL ASSETS LESS CURRENT LIABILITIES		288,197	273,436

30 June 2019

	Notes	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Other payables and accruals		**1,068**	—
Total non-current liabilities		**1,068**	—
NET ASSETS		**287,129**	273,436
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**5,681**	5,681
Reserves		**281,448**	267,755
Total equity		**287,129**	273,436

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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 equity *RMB'000*
At 1 January 2019	5,681	207,731	—	20,761	2,568	36,695	273,436
Profit for the period	—	—	—	—	—	13,619	13,619
Other comprehensive income for the period:							
Exchange differences on translation of financial statements into presentation currency	—	—	—	—	74	—	74
Total comprehensive income for the period	—	—	—	—	74	13,619	13,693
At 30 June 2019	5,681	207,731	—	20,761	2,642	50,314	287,129

* These reserve accounts comprise the consolidated reserves of RMB249,413,000, and RMB292,810,000, in the consolidated statements of financial position as at 30 June 2018 and 2019, 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 Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the parent					
	Share capital *RMB'000*	Share premium *RMB'000**	Statutory reserve *RMB'000**	Exchange fluctuation reserve *RMB'000**	Retained profits *RMB'000**	Total equity *RMB'000*
At 1 January 2018	—	115,834	14,464	(1,571)	15,086	143,813
Profit for the period	—	—	—	—	12,691	12,691
Other comprehensive income for the period:						
Exchange differences on translation of financial statements into presentation currency	—	—	—	1,012	—	1,012
Total comprehensive income for the period	—	—	—	1,012	12,691	13,703
Share issue expenses	—	(8,935)	—	—	—	(8,935)
Proceeds from Issue of shares	1,420	105,093	—	—	—	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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**18,520**	19,343
Adjustments for:			
Finance costs		**168**	807
Interest income	4	**(1,969)**	(502)
Depreciation	9	**191**	250
Amortisation of other intangible assets	10	**36**	6
Depreciation of right-of-use assets		**1,725**	
Impairment of receivables		**(445)**	—
Impairment of inventory		**236**	86
Unrealised gains from changes in foreign currency exchange		**(65)**	464
Increase in inventories		**(17,673)**	(11,356)
Decrease in trade and bills receivables		**13,070**	27,740
(Increase)/decrease in prepayments		**(634)**	716
Decrease/(Increase) in pledged deposits		**10,040**	(6,104)
Decrease in deposits and other receivables		**1,476**	3,125
Decrease in trade payables		**(4,800)**	(16,497)
Decrease in other payables and accruals		**(7,124)**	(4,148)
Increase in amounts due to related parties — trade related		**1,498**	2,127
Cash generated from operations		**14,250**	16,057
Income tax paid		**(4,951)**	(6,883)
Net cash flows from operating activities		**9,299**	9,174
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	4	**1,969**	502
Purchases of items of property, plant and equipment	9	**(249)**	(414)
Purchase of intangible assets	10	**—**	(118)
Net cash flows used in investing activities		**1,720**	(30)

For the six months ended 30 June 2019

	Notes	**2019 (Unaudited) *RMB'000***	2018 (Unaudited) *RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	97,578
Proceeds from bank loans and other borrowings		**—**	15,000
Repayment of bank loans and other borrowings		**—**	(40,000)
Acquisition of non-controlling interests			
Principal portion of lease payments		**(2,168)**	—
Interest paid		**—**	(807)
Net cash flows from financing activities		**(2,168)**	71,771
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,851**	80,915
Cash and cash equivalents at beginning of period		**181,235**	88,690
Effect of foreign exchange rate changes, net		**139**	548
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**190,225**	170,153
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statements of financial position	13	**190,225**	170,153
Cash and cash equivalents as stated in the statements of cash flows		**190,225**	170,153

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 additives.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with HKASs 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied, for the first time, the following amendments to Hong Kong Accounting Standards ("**HKASs**") issued by HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards do not have a material impact on the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES *(Continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for items of buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognize right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognizes the lease payment associated with those leases as an expense on a straight-line basis over the lease term.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES *(Continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Impacts on transition

Lease liabilities at 1 January 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 presented separately in the condensed consolidated interim financial statements as at 30 June 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	4,998
Increase in total assets	4,998
Liabilities	
Increase in lease liabilities	(4,998)
Increase in total liabilities	(4,998)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES *(Continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Impacts on transition *(Continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	5,473
Weighted average incremental borrowing rate as at 1 January 2019	5.46%
Discounted operating lease commitments as at 1 January 2019	4,998
Lease liabilities as at 1 January 2019	4,998

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES *(Continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Lease liabilities *(Continued)*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

Amounts recognized in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank and other borrowings'), and the movement during the period are as follow:

	Right-of-use assets	
	Buildings	**Lease liabilities**
	RMB'000	***RMB'000***
As at 1 January 2019	4,998	4,998
Additions	1,538	1,538
Depreciation charge	(1,725)	—
Interest expense	—	168
Payments	—	(2,168)
As at 30 June 2019	**4,811**	**4,536**

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied.

Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed financial information.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES *(Continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). Then interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales.

Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

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

Information about major customers

Revenue from continuing operations of approximately RMB17,602,000 and RMB16,121,000 in the six months ended 30 June 2018 and 2019, respectively was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contract with customers		
Sale of goods	**249,039**	243,108

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 30 June 2019

Segments	**Food ingredients** ***RMB'000***	**Food additives** ***RMB'000***	**Packaging materials** ***RMB'000***	**Total** ***RMB'000***
Type of goods or services				
Sales of goods	**132,905**	**101,763**	**14,371**	**249,039**
Geographical markets				
Mainland China	**132,905**	**101,763**	**14,371**	**249,039**
Timing of revenue recognition				
Goods transferred at a point in time	**132,905**	**101,763**	**14,371**	**249,039**

4. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

For the year ended 30 June 2018

Segments	Food ingredients *RMB'000*	Food additives *RMB'000*	Packaging materials *RMB'000*	Total *RMB'000*
Type of goods or services				
Sales of goods	135,733	103,397	3,978	243,108
Geographical markets				
Mainland China	135,733	103,397	3,978	243,108
Timing of revenue recognition				
Goods transferred at a point in time	135,733	103,397	3,978	243,108

	2019 *RMB'000*	2018 *RMB'000*
Other income and gains		
Bank interest income	**1,969**	502
Government grants*	**1,451**	1,946
Consultancy service income	**115**	528
Foreign exchange gains or losses, net	**223**	—
Reversal of provisions for bad debts of trade receivables	**445**	—
Others	**139**	79
	4,342	3,055

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

4. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) *Disaggregated revenue information* *(Continued)*

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 and recognised from performance obligations satisfied in previous periods:

	2019 ***RMB'000***
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**2,185**

(ii) *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. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

	2019 ***RMB'000***	2018 *RMB'000*
Other income and gains		
Bank interest income	**1,969**	502
Government grants*	**1,451**	1,946
Consultancy service income	**115**	528
Others	**139**	79
	3,674	3,055

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

5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
(a) Cost of sales:			
Cost of inventories sold		**205,490**	196,539
(b) Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		**13,676**	8,859
Pension scheme contributions		**3,323**	2,751
Other welfare		**502**	177
		17,501	11,787
(c) Other items:			
Depreciation	*9*	**191**	250
Amortisation of other intangible assets	*10*	**36**	6
Research and development costs:			
Current year expenditure		**1,272**	1,199
Minimum lease payments under operating leases		**1,582**	2,052
Auditor's remuneration		**526**	1,027
Transportation expenses		**3,009**	2,315
Travel expenses		**932**	595
Foreign exchange differences, net		**(223)**	422
Reversal of impairment of trade receivables		**(445)**	—
Write-down of inventories to net realisable value		**236**	86
Bank interest income		**(1,969)**	(502)

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:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax in the PRC	**4,617**	6,669
Deferred income tax expense relating to origination and reversal of temporary differences	**284**	(17)
Total tax charge for the period	**4,901**	6,652

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 six months ended 30 June 2018 and 2019.

7. DIVIDENDS

The Company did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of 680,000,000 (2018: 513,756,906), and the weighted average number of ordinary shares of 680,000,000 (2018: 513,756,906) shares in issue during the period, as adjusted to reflect the rights issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019 and 2018.

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	**13,619**	12,691
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**680,000,000**	513,756,906
Basic earnings per share (RMB)	**0.02**	0.02
Diluted earnings per share (RMB)	**0.02**	0.02

9. PROPERTY, PLANT AND EQUIPMENT

	Machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
31 December 2018					
At 31 December 2017 and 1 January 2018:					
Cost	264	720	2,044	—	3,028
Accumulated depreciation	(247)	(481)	(1,583)	—	(2,311)
Net carrying amount	17	239	461	—	717
At 1 January 2018, net of accumulated depreciation	17	239	461	—	717
Additions	40	8	479	36	563
Disposals	—	(8)	—	—	(8)
Depreciation provided during the period	(23)	(64)	(372)	(15)	(474)
At 31 December 2018, net of accumulated depreciation	34	175	568	21	798
At 31 December 2018:					
Cost	290	719	2,496	36	3,541
Accumulated depreciation	(256)	(544)	(1,928)	(15)	(2,743)
Net carrying amount	34	175	568	21	798

9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
Six months ended 30 June 2019					
At 31 December 2018 and 1 January 2019:					
Cost	290	719	2,496	36	3,541
Accumulated Depreciation	(256)	(544)	(1,928)	(15)	(2,743)
Net carrying amount	34	175	568	21	798
At 1 January 2019, net of accumulated depreciation	34	175	568	21	798
Additions	161	—	88	—	249
Depreciation provided during the period	(4)	(31)	(138)	(18)	(191)
At 30 June 2019, net of accumulated depreciation	191	144	518	3	856
At 30 June 2019:					
Cost	451	719	2,584	36	3,790
Accumulated depreciation	(260)	(575)	(2,066)	(33)	(2,934)
Net carrying amount	191	144	518	3	856

10. OTHER INTANGIBLE ASSETS

	Software *RMB'000* (Unaudited)
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	—
Additions during the period	153
Amortisation provided during the period	(47)
At 31 December 2018	106
At 31 December 2018	
Cost	153
Accumulated amortisation	(47)
Net carrying amount	106

	Software ***RMB'000*** **(Unaudited)**
Six months ended 30 June 2019	
Cost at 1 January 2019, net of accumulated amortisation	**106**
Additions during the period	
Amortisation provided during the period	**(36)**
At 30 June 2019	**70**
At 30 June 2019:	
Cost	**152**
Accumulated amortisation	**(82)**
Net carrying amount	**70**

11. INVENTORIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Food ingredients	30,265	16,437
Food additives	26,164	18,172
Packaging materials	—	4,198
	56,429	38,807
Provision for inventories	(236)	(51)
	56,193	38,756

12. TRADE RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	58,548	71,385
Bills receivable	—	1,108
Impairment	(967)	(2,287)
	57,581	70,206

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

12. TRADE RECEIVABLES *(Continued)*

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

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Within 3 months	**54,298**	62,604
3 to 6 months	**2,280**	6,990
Over 6 months	**1,003**	612
	57,581	70,206

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

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
At beginning of period	**2,287**	900
Effect of adoption of HKFRS 9	**—**	300
At beginning of period (restated)	**2,287**	1,200
Impairment losses recognised (note 6)	**—**	1,087
Amount written off as uncollectible	**(875)**	—
Impairment losses reversed	**(445)**	—
At end of period	**967**	2,287

Impairment under HKFRS 9 for the period ended 30 June 2019

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.

12. TRADE RECEIVABLES *(Continued)*

Impairment under HKFRS 9 for the period ended 30 June 2019 *(Continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2019

	Less than 3 months	**3 to 6 months**	**6 to 12 months**	**Over 12 months**	**Total**
Expected credit loss rate	**0.38%**	**3.73%**	**25.05%**	**58.52%**	**1.65%**
Gross carrying amount	**54,644**	**2,368**	**467**	**950**	**58,429**
Expected credit losses	**206**	**88**	**117**	**556**	**967**

Impairment under HKFRS 9 for the year ended 31 December 2018

As at 31 December 2018

	Less than 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Expected credit loss rate	0.62%	6.59%	46.36%	100.00%	3.20%
Gross carrying amount	62,996	6,298	1,141	950	71,385
Expected credit losses	393	415	529	950	2,287

The carrying amounts of the trade receivables approximate to their fair values due to their relatively short maturity term.

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash and bank balances	**205,945**	206,995
Less: Pledged time deposits:		
Pledged for letters of credit	**(15,720)**	(25,760)
Cash and cash equivalents	**190,225**	181,235

At the end of the reporting period, the cash and bank balances of the Group denominated in US dollars ("**USD**") amounted to RMB6,360,321 (2018: RMB209,043); denominated in Hong Kong dollars ("**HKD**") amounted to RMB21,080,986 (2018: RMB45,864,496) and denominated in Vietnamese Dong ("**VND**") amounted to RMB638,212 (2018: Nil).

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 authorized 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.

14. TRADE AND BILLS PAYABLES

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 3 months	**25,439**	30,166
3 to 6 months	**—**	—
6 to 12 months	**—**	—
Over 1 year	**54**	127
	25,493	30,293

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

15. SHARE CAPITAL

	31 December 2018 RMB'000 (Audited)
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

	30 June 2019 ***RMB'000*** **(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** *RMB*
At 31 December 2018 and 1 January 2019	680,000,000	5,680,720
At 30 June 2019	680,000,000	5,680,720

16. COMMITMENTS

At 30 June 2019, the Group did not have any significant capital commitments.

17. 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 2019 and 2018, as well as balances with related parties as at 30 June 2019 and 31 December 2018:

		Sales to related parties *RMB'000* (Unaudited)	Purchases from related parties *RMB'000* (Unaudited)	Rental Expenses *RMB'000* (Unaudited)	Amounts owed to related parties *RMB'000* (Unaudited)
Entity controlled by the controlling shareholder	2019	4,456	10,242	84	2,800
	2018	4,242	11,188	84	4,299
Mr. Huang Haixiao	2019	—	—	315	—
	2018	—	—	315	—

(b) Key management personnel

	For the six months ended 30 June 2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Unaudited)
Other emoluments:		
Salaries, allowances and benefits in kind	**1,925**	1,310
Pension scheme contributions	**247**	168
	2,172	1,478

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 2018 and 2019.