



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
2020

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Huang Haixiao (*Chairman of the Board*)
Ms. Huang Xin Rong (*Chief Executive Officer*)
Mr. Dai Yihui

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Tse Yin Fung

AUTHORISED REPRESENTATIVES

Mr. Huang Haixiao
Mr. Tse Yin Fung

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

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 SUBSIDIARY 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 Subsidiary

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**”, “**we**” or “**us**”) for the six months ended 30 June 2020 (the “**Period**”), together with the comparative figures for the corresponding period in 2019 (the “**Previous Period**”).

BUSINESS REVIEW

Overview

We are one of the leading distributors of food ingredients and food additives in Asia with outstanding research and development capacity, which distinguishes us from other competitors in the industry and provides us with an unique edge to develop our reputation and diversified customer networks. Leveraging on our research and development capability, we will continue to build long-term strategic alliance and co-develop with our customers, so as to stick with our mission “To be the Most Reliable Partner in Food Industry”.

2020 is a challenging year in terms of the international environment and domestic economy. The outbreak of novel coronavirus pneumonia (“**COVID-19**”) has triggered unprecedented disruptions in economy and business operations on a global scale, including the food industry. As the epidemic situation improves, food manufacturers in the People’s Republic of China (the “**PRC**” or “**China**”) gradually resumed operation and production since the second quarter of 2020. Our Group has swiftly responded to the situation and proactively deployed strategic measures to stabilise the business including the management of our inventory of short life-span products.

China Operations

In addition to our Shanghai, Beijing, and Guangzhou offices, the Group has established six subsidiaries in Xiamen, Qingdao, Xi’an, Chengdu, Wuhan, and Zhengzhou respectively since our listing (the “**Listing**”) of the shares of the Company (the “**Shares**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in June 2018. We anticipate, along with the establishment of these new subsidiaries, the demand for our products to increase as the sales personnel deployed in each of these subsidiaries will ensure effective implementation of sales and marketing strategies in the region.

Over the years, we have built strong relationships with our suppliers worldwide. Major suppliers like Nestlé from Switzerland, Mitsubishi from Japan, Sensient from the US, and Rettenmaier from Germany have been cooperating with us for almost 20 years. Meanwhile, the Group successfully obtained new distribution rights and became strategic partner with the following suppliers in recent years:

Year

2019	—	Obtained the distribution rights of various food additives products of Kerry from Ireland
2020	—	Obtained the distribution rights of various food ingredients and food additives products of Tai Wah from Thailand

Each new distribution right gained sets a milestone for the Group, representing a broader product portfolio, an enhancement on the research and development technique and greater market shares in the food industry.

Management Discussion and Analysis

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

Categories	Business nature	Key Customers
Dairy products manufacturers	manufacturing dairy products and ice cream	Bright Dairy (光明), Nestlé (雀巢), New Hope (新希望), and Yili (伊利)
Beverage manufacturers	manufacturing beverage	Coca-Cola (可口可樂), Suntory (三得利), Wahaha (娃哈哈), Want Want (旺旺), and Uni-President (統一)
Snacks manufacturers	manufacturing confectionery, chocolate, and snacks	Fujiya (不二家), Hsu Fu Chi (徐福記), Mars (瑪氏), Orion (好麗友), and PepsiCo (百事)
Oil and grease manufacturers	manufacturing margarine and shortening	AAK, Cargill (嘉吉), COFCO (中糧), and Kerry Grain and Oil (嘉里糧油)

Leveraging on our extensive network of customers, we are able to sustain constant revenue in a competitive market.

South East Asia Operations

Outside China, we have been actively looking for investment opportunities and business expansion in South East Asian countries. In October 2019, we established our first overseas subsidiary in Ho Chi Minh City, Vietnam, a sales office fully equipped with an innovation center for developing new solution and application of food ingredients and additives. Subject to the COVID-19 situation, our plan to invest and operate Thailand subsidiary remains fluid.

Outlook and prospects

Facing the unresolved situation of COVID-19 outbreak, our energy and resources will be placed on maintaining operational resilience in times of unpredictability and challenges. We will continue implementing our business strategies by increasing our market shares through the new subsidiaries established both in PRC and abroad, enhancing our research and development capabilities, diversifying product portfolio with more secured distribution rights, and enlarging brand influence by participating in promotional and marketing activities.

Looking forward, the Board remains confident in the core competencies and prospect of the Group and is committed in creating long-term value to the shareholders of the Company.

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 RMB277.7 million, representing an increase of 11.5% as compared with that of RMB249.0 million for the Previous Period. The increase in revenue was due to the expansion and diversification of our product portfolio resulting in better sales performance as compared to the Previous Period.

An analysis of revenue, net is as follows:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
REVENUE		
Food ingredients	138,372	132,905
Food additives	115,985	101,763
Packaging materials	23,357	14,371
	277,714	249,039

Cost of sales

The Group's cost of sales solely represented cost of goods sold, which mainly represented the cost of food ingredients, food additives and packaging materials purchased from suppliers. The Group's cost of sales for the Period was RMB238.1 million, representing an increase of 15.9% as compared with that of RMB205.5 million for the Previous Period. The increase in cost of sales was due to the increase of sale revenue and exchange rate fluctuation.

Gross profit and gross profit margin

Gross profit of the Group for the Period declined by RMB3.9 million to RMB39.6 million (Previous Period: RMB43.5 million), and the gross profit margin decreased to 14.3% for the Period (Previous Period: 17.5%). The decrease in the gross profit margin was mainly due to the inventory management of the short term products sold at discount and the increase of sales in packaging materials with lower gross profit margin.

Management Discussion and Analysis

Other income and gains

Other income and gains primarily consist of bank interest income, government grants, services fee income and others. Other income decreased by RMB1.9 million or 44.2% from RMB4.3 million for the Previous Period to RMB2.4 million for the Period primarily due to the decrease of bank interest income and government grants.

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Bank interest income	1,372	1,969
Interest income from structured deposits	257	—
Government grants*	502	1,451
Others	227	139
Consultancy service income	—	115
Foreign exchange differences, net	—	223
Reversal of impairment of trade receivables	—	445
	2,358	4,342

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

Selling and distribution expenses

Selling and distribution expenses primarily consist of staff salaries and benefits, transportation expenses, travelling expenses, rent and rates and others. The selling and distribution expenses decreased by RMB1.2 million, a 8.7% decrease to RMB12.6 million for the Period from RMB13.8 million for the Previous Period. The decrease was mainly attributed to the decrease in business travel and marketing events as a result of the outbreak of COVID-19.

Administrative expenses

Administrative expenses primarily consist of depreciation, entertainment, rent and rates, research and development, staff salaries and benefits and others. The administrative expenses increased by RMB1.5 million, an 9.7% increase to RMB16.9 million for the Period from RMB15.4 million for the Previous Period. The increase was mainly attributed to establishment and operation of new subsidiaries.

Finance costs

The finance costs represented interests on other loans. Finance costs increased by RMB0.06 million to RMB0.23 million for the Period from RMB0.17 million for the Previous Period. The increase was mainly due to exchange rate fluctuation.

Income tax expenses

The Group's income tax expenses decreased by RMB1.4 million from RMB4.9 million for the Previous Period to RMB3.5 million for the Period. The decrease was primarily due to pre-tax profit of the Period was lower than that of the Previous Period.

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Current income tax in the PRC	3,169	4,617
Deferred income tax expense relating to origination and reversal of temporary differences	358	284
Total tax charge for the period	3,527	4,901

Profit for the Period

As a result of the foregoing, the profit for the Period decreased by RMB5.3 million, or 39.0%, from RMB13.6 million for the Previous Period to RMB8.3 million for the Period.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2020.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group did not have any significant capital commitments.

Management Discussion and Analysis

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the Period. As at 30 June 2020, the capital of the Company comprises RMB313 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).

	Net proceeds (RMB million)		
	Available	Utilised	Unutilised
(i) Setting up six subsidiaries at different provinces in the PRC	35.8	35.8	0
(ii) Repaying the entrusted loans with an outstanding amount of RMB15 million (the effective interest rate being 5.22% per annum and became due in April 2019 at the amount of RMB5 million and April 2020 at the amount of RMB10 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	2.9	1.2 (Note 1)
(v) Participating in promotional and marketing activities	2.0	1.9	0.1 (Note 2)
(vi) General working capital	7.9	7.9	0
Total	76.8	75.5	1.3

Notes:

- As to approximately RMB1.2 million will be used for expanding technology centre and recruiting professionals in or around June 2021.
- As to approximately RMB0.1 million will be used for participating in promotional and marketing activities by 2020 subject to the COVID-19 situation in the PRC.

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 of the Company dated 14 June 2018 (the "**Prospectus**").

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group's receivable turnover days remained relatively stable, increasing from 52 days as at 31 December 2019 to 55 days as at 30 June 2020.

Cash position

The Group's cash and cash equivalents balances as at 30 June 2020 amounted to RMB198.5 million, representing an increase of RMB54.4 million as compared to RMB144.1 million as at 31 December 2019, which was attributable to the increase of operational cash flow.

As at 30 June 2020, the Group's indebtedness comprised bank borrowings of RMB0 million and amount due to related companies of RMB4.6 million. The Group's bank loans were in the amount of RMB0 million as at 31 December 2019. None of the indebtedness was secured as at 30 June 2020 and 31 December 2019.

As at 30 June 2020, the gearing ratio, calculated as debt divided by total equity plus debt, was 15.5%, as compared with 20.1% as at 31 December 2019. 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 RMB313 million as at 30 June 2020 from that of RMB304 million as at 31 December 2019, which was attributable to the net profit during the Period.

Treasury policies

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

Foreign Currency Risk

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

Management Discussion and Analysis

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, there were no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 171 employees as at 30 June 2020. 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 2020, 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 2020, 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.

Other Information

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

As at 30 June 2020, 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 (<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:

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 has, or is deemed to have, for the purpose of the SFO.

Save as disclosed above, as at 30 June 2020, 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 during the Period.

SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, during the Period, the Group did not hold any significant investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

DIVIDEND

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

Other Information

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”), comprising three independent non-executive Directors, namely Mr. Tan Wee Seng, Mr. Chan Ka Kit and Mr. Meng Yuecheng, has reviewed with the management the interim results for the Period, accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the unaudited interim financial information.

The Audit Committee considered that the interim results had complied with all applicable accounting standard and the Listing Rules. The audit committee has also reviewed this interim report.

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

Hong Kong, 19 August 2020

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

For the six months ended 30 June 2020

For the six months ended
30 June

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	4	277,714	249,039
Cost of sales		(238,121)	(205,490)
Gross profit		39,593	43,549
Other income and gains, net	4	2,358	4,342
Selling and distribution expenses		(12,630)	(13,754)
Administrative expenses		(16,889)	(15,410)
Other expenses		(386)	(39)
Finance costs		(227)	(168)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	11,819	18,520
Income tax expense	6	(3,527)	(4,901)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		8,292	13,619
PROFIT FOR THE PERIOD		8,292	13,619
Attributable to:			
Owners of the parent		8,292	13,619
Non-controlling interests		—	—
		8,292	13,619

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

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (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	0.01	0.02
OTHER COMPREHENSIVE INCOME			
<i>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of financial statements into presentation currency		421	74
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		421	74
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8,713	13,693
Attributable to:			
Owners of the parent		8,713	13,693
Non-controlling interests		—	—
		8,713	13,693

Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	988	1,148
Right-of-use assets		3,552	4,413
Other intangible assets		10	35
Deferred tax assets		325	683
Total non-current assets		<u>4,875</u>	<u>6,279</u>
CURRENT ASSETS			
Inventories	10	59,917	69,222
Trade receivables	11	74,880	93,531
Prepayments, deposits and other receivables		9,975	19,692
Due from related parties		384	959
Structured deposits		—	33,800
Pledged deposits	12	21,705	12,861
Cash and cash equivalents	12	198,539	144,124
Total current assets		<u>365,400</u>	<u>374,189</u>
CURRENT LIABILITIES			
Trade and bills payables	13	33,965	47,708
Other payables and accruals		12,820	16,460
Amounts due to related parties	16	4,645	4,117
Lease liabilities		1,948	2,724
Tax payable		2,879	3,928
Total current liabilities		<u>56,257</u>	<u>74,937</u>
NET CURRENT ASSETS		<u>309,143</u>	<u>299,252</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>314,018</u>	<u>305,531</u>

Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		1,219	1,445
Total non-current liabilities		1,219	1,445
NET ASSETS			
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	5,681	5,681
Reserves		307,118	298,405
Total equity		312,799	304,086

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent					Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000*	Statutory reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	
At 1 January 2020	5,681	207,731	25,327	3,217	62,130	304,086
Profit for the period	—	—	—	—	8,292	8,292
Other comprehensive income for the period:						
Exchange differences on translation of financial statements into presentation currency	—	—	—	421	—	421
Total comprehensive income for the period	—	—	—	421	8,292	8,713
At 30 June 2020	5,681	207,731	25,327	3,638	70,422	312,799

* These reserve accounts comprise the consolidated reserves of RMB292,810,000 and RMB307,118,000, in the consolidated statements of financial position as at 30 June 2019 and 2020, 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 2019

	Attributable to owners of the parent					Total RMB'000
	Share capital RMB'000	Share premium RMB'000*	Statutory reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits 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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	<i>Notes</i>	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		11,819	18,520
Adjustments for:			
Finance costs		—	168
Interest income	4	(1,372)	(1,969)
Interest income from structured deposits	4	(257)	—
Depreciation	9	276	191
Amortisation of other intangible assets		25	36
Depreciation of right-of-use assets		1,677	1,725
Impairment of receivables		308	(445)
Impairment of inventory		79	236
Unrealised gains from changes in foreign currency exchange		(433)	(65)
Decrease/(Increase) in inventories		9,226	(17,673)
Decrease in trade and bills receivables		18,919	13,504
Decrease in prepayments, other receivables and other assets		9,717	842
(Increase)/Decrease in pledged deposits		(8,844)	10,040
Decrease in trade payables		(13,215)	(3,736)
Decrease in other payables and accruals		(3,640)	(7,124)
Cash generated from operations		24,284	14,250
Income tax paid		(4,218)	(4,951)
Net cash flows from operating activities		20,066	9,299

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	4	1,372	1,969
Interest income from structured deposits	4	257	—
Purchases of items of property, plant and equipment	9	(116)	(249)
Net cash flows used in investing activities		1,513	1,720
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		(1,818)	(2,168)
Net cash flows from financing activities		(1,818)	(2,168)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		19,761	8,851
Effect of foreign exchange rate changes, net		177,924	181,235
		854	139
CASH AND CASH EQUIVALENTS AT END OF PERIOD		198,539	190,225
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statements of financial position	12	198,539	190,225
Cash and cash equivalents as stated in the statements of cash flows		198,539	190,225

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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2020 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 2019.

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 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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 disclosures set out in the Group's interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The Group's principal business is the distribution of food ingredients and food additives. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the distribution of food ingredients and food additives.

Information about geographical area

Since over 99% of the Group's revenue was generated from the distribution of food ingredients and food additives in Mainland China and over 91% 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.

Notes to the Interim Condensed Consolidated Financial Statements

3. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from continuing operations of approximately RMB16,121,000 and RMB13,363,000 in the six months ended 30 June 2019 and 2020, 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<i>Revenue from contract with customers</i>		
Sale of goods	277,714	249,039

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 30 June 2020

Segments	Food ingredients RMB'000	Food additives RMB'000	Packaging materials RMB'000	Total RMB'000
Type of goods or services				
Sales of goods	138,372	115,985	23,357	277,714
Geographical markets				
Mainland China	137,018	115,391	23,357	275,766
Vietnam	1,354	594	—	1,948
	138,372	115,985	23,357	277,714
Timing of revenue recognition				
Goods transferred at a point in time	138,372	115,985	23,357	277,714

Notes to the Interim Condensed Consolidated Financial Statements

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 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

For the six months ended 30 June

	2020 RMB'000	2019 RMB'000
Other income and gains		
Bank interest income	1,372	1,969
Interest income from structured deposits	257	—
Government grants*	502	1,451
Consultancy service income	—	115
Foreign exchange differences, net	—	223
Reversal of impairment of trade receivables	—	445
Others	227	139
	2,358	4,342

* 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 FROM CONTINUING OPERATIONS

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

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
(a) Cost of sales:			
Cost of inventories sold		238,121	205,490
(b) Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		15,111	13,676
Pension scheme contributions		1,635	3,323
Other welfare		431	502
		17,177	17,501
(c) Other items:			
Depreciation of property, plant and equipment	9	276	191
Amortisation of other intangible assets		25	36
Depreciation of right-of-use assets		1,677	—
Research and development costs:			
Current year expenditure		1,315	1,272
Lease payments not included in the measurement of lease liabilities		307	—
Minimum lease payments under operating leases		—	1,582
Auditor's remuneration		74	526
Transportation expenses		3,717	3,009
Travel expenses		573	932
Foreign exchange differences, net		66	(223)
Accrual/(Reversal) of impairment of trade receivables		308	(445)
Write-down of inventories to net realisable value		79	236
Bank interest income		(1,629)	(1,969)

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:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax in the PRC	3,169	4,617
Deferred income tax expense relating to origination and reversal of temporary differences	358	284
Total tax charge for the period	3,527	4,901

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 2019 and 2020.

7. DIVIDENDS

The company did not recommend the payment of an interim dividend for the six months ended 30 June 2020. (30 June 2019: Nil)

Notes to the Interim Condensed Consolidated Financial Statements

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 (2019: 680,000,000), and the weighted average number of ordinary shares of 680,000,000 (2019: 680,000,000) in issue during the period, as adjusted to reflect the rights issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	8,292	13,619
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	680,000,000	680,000,000
Basic earnings per share (RMB)	0.01	0.02
Diluted earnings per share (RMB)	0.01	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	Leasehold improvement RMB'000	Total RMB'000
31 December 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					
Additions	365	251	259	—	875
Depreciation provided during the period	(60)	(73)	(371)	(21)	(525)
At 31 December 2019, net of accumulated depreciation	339	353	456	—	1,148
At 31 December 2019:					
Cost	655	970	2,755	36	4,416
Accumulated depreciation	(316)	(617)	(2,299)	(36)	(3,268)
Net carrying amount	339	353	456	—	1,148

Notes to the Interim Condensed Consolidated Financial Statements

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 2020					
At 31 December 2019 and 1 January 2020:					
Cost	655	970	2,755	36	4,416
Accumulated depreciation	(316)	(617)	(2,299)	(36)	(3,268)
Net carrying amount	<u>339</u>	<u>353</u>	<u>456</u>	<u>—</u>	<u>1,148</u>
At 1 January 2020, net of accumulated depreciation					
Additions	36	1	79	—	116
Depreciation provided during the period	(69)	(53)	(154)	—	(276)
At 30 June 2020, net of accumulated depreciation	<u>306</u>	<u>301</u>	<u>381</u>	<u>—</u>	<u>988</u>
At 30 June 2020:					
Cost	691	971	2,834	36	4,532
Accumulated depreciation	(385)	(670)	(2,453)	(36)	(3,544)
Net carrying amount	<u>306</u>	<u>301</u>	<u>381</u>	<u>—</u>	<u>988</u>

Notes to the Interim Condensed Consolidated Financial Statements

10. INVENTORIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Food ingredients	22,284	34,807
Food additives	37,712	34,570
	59,996	69,377
Provision for inventories	(79)	(155)
	59,917	69,222

11. TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	76,143	91,275
Bills receivable	—	4,811
Impairment	(1,263)	(2,555)
	74,880	93,531

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.

Notes to the Interim Condensed Consolidated Financial Statements

11. 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 3 months	68,890	86,470
3 to 6 months	5,990	7,053
Over 6 months	—	8
	74,880	93,531

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	220,244	156,985
Less: Pledged time deposits: Pledged for letters of credit	(21,705)	(12,861)
Cash and cash equivalents	198,539	144,124

At the end of the reporting period, the cash and bank balances of the Group denominated in US dollars (“**USD**”) amounted to RMB24,336,108 (2019: RMB25,172,000); denominated in Hong Kong dollars (“**HKD**”) amounted to RMB13,399,878 (2019: RMB19,093,000) and denominated in Vietnamese Dong (“**VND**”) amounted to RMB1,820,165 (2019: RMB3,591,000), denominated in Thailand Baht (“**THB**”) amounted to RMB423,574 (2019: RMB602,000).

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.

Notes to the Interim Condensed Consolidated Financial Statements

13. 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 3 months	33,911	47,654
3 to 6 months	—	—
6 to 12 months	—	—
Over 1 year	54	54
	33,965	47,708

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

14. SHARE CAPITAL

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Authorised: 2,000,000,000 (31 December 2019: 2,000,000,000) shares of HK\$0.01 each	16,708	16,708
Issued and fully paid: 680,000,000 (31 December 2019: 680,000,000) shares of HK\$0.01 each	5,681	5,681

15. COMMITMENTS

At 30 June 2020, the Group did not have any significant capital commitments.

Notes to the Interim Condensed Consolidated Financial Statements

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 ended 30 June 2020 and 2019, as well as balances with related parties as at 30 June 2020 and 31 December 2019:

		Sales to related parties	Purchases from related parties	Rental Expenses	Amounts owed to related parties
Entity controlled by the controlling shareholder	2020	3,682	17,130	84	4,645
	2019	4,456	10,242	84	4,117
Mr. Huang Haixiao	2020	—	—	315	—
	2019	—	—	315	—

(b) Key management personnel

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other emoluments:		
Salaries, allowances and benefits in kind	2,048	1,925
Pension scheme contributions	129	247
	2,177	2,172

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 2019 and 2020.