



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
2021

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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

Windward 3, Regatta Office Park
PO Box 1350
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

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
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

Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of Shineroad International Holdings Limited (the “**Company**”) is very pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020 (the “**Previous Period**”).

BUSINESS REVIEW

Overview

The Group is one of the leading distributors and manufacturers of food ingredients and food additives in Asia with outstanding and innovative research and development capacity, which distinguishes us from other competitors in the industry and provides us with a 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”.

For the Period, our Group recorded a revenue of approximately RMB369.5 million, representing an increase of 33.1% as compared with that of RMB277.7 million for the Previous Period. The profit for the Period increased by RMB34.8 million, or 419.3%, from RMB8.3 million for the Previous Period to RMB43.1 million for the Period; while our Group’s basic earnings per share were RMB0.06, representing an increase of RMB0.05 as compared with the Previous Year (RMB0.01).

Such increase was primarily attributable to:

- (i) the continued recovery of the People’s Republic of China’s (the “**PRC**”) economy in the first half of 2021;
- (ii) the Group steadfastly implementing its business model of being a professional and comprehensive one-stop food ingredients application solutions provider for customers;
- (iii) stable development across all the Group’s major business segments;
- (iv) investment income and share of profits of acquisition of approximately 11.72% equity interest in Tianye Innovation Corporation (田野創新股份有限公司) (“**Tianye**”).

China Operations

The novel coronavirus pandemic (“**COVID-19**”) outbreak in China was brought under control by the first quarter of 2020 through efficient control measures, making the country one of the few to be able to maintain ordinary social and economic activities. China was one of a few major economies to achieve positive growth around the globe.

In 2021, our Group has recovered from the pandemic situation and proactively deployed strategic measures to boost the business. With six newly set up PRC subsidiaries in Xiamen, Qingdao, Xi’an, Chengdu, Wuhan, and Zhengzhou led by sales force in Shanghai, Beijing, and Guangzhou, we together markedly broadened the geographical coverage of the sales and distribution of products by penetrating the markets more extensively in the PRC.

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.

Management Discussion and Analysis

In 2021, the Group further obtained four new distribution rights with focus on the food service industry and the nutrition and care industry:

- Obtained the distribution rights of various food additives products of Samyang from Korea in February 2021
- Obtained the exclusive distribution rights of concentrated fruit juice beverage products under the brand name “Guo Yan Guo Yu” (果言果語) in March 2021
- Obtained the distribution rights of various food ingredients products of Cargill from United States of America in March 2021
- Obtained the distribution rights of various food ingredients products of Yangyuan (養元) from PRC in June 2021

On the other hand, our Group has established and maintained a solid customer base over the years across different provinces in the PRC. Comprised with leading players as well as new retails enterprises in food industry, 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)
Food service providers	Catering providers (mainly restaurants and teahouses) and upstream suppliers	Boduo (博多), Tsit Wing (捷榮), McCormick (味可美), Jidong (悸動), inm (一鳴), Babi Mantou (巴比饅頭)

Leveraging on our extensive network and variety of customers, we are able to generate strong revenue and profit growth in this emerging and competitive market.

South East Asia Operations

2021 remains challenging in terms of international environment and economy. The aggravating outbreak of COVID-19 is disrupting our business operations in Ho Chi Minh City of Vietnam and Bangkok of Thailand. We anticipate our local offices will provide us a competitive edge by introducing more local South East Asian tastes and appetites to the PRC market going forward. However, the operation and sourcing are subject to the local policies and the recovery from COVID-19 worldwide.

Outlook and prospects

We remain confident in our future prospects. Despite the global economic uncertainty as a result of the COVID-19, we anticipate we will continue to achieve strong revenue growth and to create value for our shareholders.

Going forward, our development initiatives mainly include:

- Continue to increase the sales of products with existing and new distribution rights:

With focus on the food service industry and the nutrition and care industry, we are looking into cooperations with distinctive brands to reinforce our competitive advantage
- Continue to widen our brands and portfolio of self-developed formulated products and potential food ingredients.
- Continue to enhance our research and development capabilities of application and innovation.
- Continue to extensively identify potential strategic investment opportunities and seek to acquire high-quality target businesses and assets that create synergies for the Group.

Management Discussion and Analysis

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 RMB369.5 million, representing an increase of 33.1% as compared with that of RMB277.7 million for the Previous Period. The increase in revenue is due to the expansion and diversification of our product portfolio as compared to the Previous Period.

An analysis of revenue, net is as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE		
Food ingredients	165,464	138,372
Food additives	196,841	115,985
Packaging materials	7,156	23,357
	369,461	277,714

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 RMB300.0 million, representing an increase of 26.0% as compared with that of RMB238.1 million for the Previous Period. The increase in cost of sales is in line with the increase of sale revenue.

Gross profit and gross profit margin

Gross profit of the Group for the Period increased by RMB29.9 million to RMB69.5 million (Previous Period: RMB39.6 million), and the gross profit margin increased to 18.8% for the Period (Previous Period: 14.3%). The increase in the gross profit margin was mainly due to decrease of sales in packaging materials with lower gross profit margin and decrease in short term products sold at discount.

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 RMB14.2 million or 591.7% from RMB2.4 million for the Previous Period to RMB16.6 million for the Period primarily due to the increase of investment income, approximately RMB11.4 million as a result of investment in associate.

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Bank interest income	1,235	1,372
Interest income from structured deposits	—	257
Government grants*	2,110	502
Others	309	227
Investment income	11,388	—
Exchange gains	462	—
Reversal of impairment of trade receivables	1,117	—
	16,621	2,358

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

Share of profits and losses of associates

Share of profits of associates increased to approximately RMB4.5 million for the Period from nil for the Previous Period which was primarily due to the increase in profits shared from Tianye.

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 RMB4.0 million, a 31.7% increase to RMB16.6 million for the Period from RMB12.6 million for the Previous Period. The increase was in line with the increase of sales revenue.

Administrative expenses

Administrative expenses primarily consist of depreciation, rent and rates, research and development, staff salaries and benefits and others. The administrative expenses increased by RMB0.9 million, a 5.3% increase to RMB17.8 million for the Period from RMB16.9 million for the Previous Period. The increase was mainly attributed to the six newly set up PRC subsidiaries in Xiamen, Qingdao, Xi'an, Chengdu, Wuhan and Zhengzhou.

Management Discussion and Analysis

Finance costs

The finance costs represented interests on other loans. Finance costs increased by RMB0.24 million to RMB0.47 million for the Period from RMB0.23 million for the Previous Period. The increase was mainly due to the increase of short term loan from bank.

Income tax expenses

The Group's income tax expenses increased by RMB9.2 million from RMB3.5 million for the Previous Period to RMB12.7 million for the Period. The increase was primarily due to pre-tax profit of the Period was higher 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax in the PRC	12,734	3,169
Deferred income tax expense relating to origination and reversal of temporary differences	(47)	358
Total tax charge for the period	12,687	3,527

Profit for the Period

As a result of the foregoing, the profit for the Period increased by RMB34.8 million, or 419.3%, from RMB8.3 million for the Previous Period to RMB43.1 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 2021.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group did not have any significant capital commitments.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the Period. As at 30 June 2021, the capital of the Company comprises RMB371.7 million, representing an increase of RMB34.4 million as compared to RMB337.3 million as at 31 December 2020, which was attributable to increase of net profit during the Period.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group's receivable turnover days as at 30 June 2021 decreased to 45 days as compared to 50 days as at 31 December 2020, mainly due to the improvement of account receivable management.

Cash position

The Group's cash and cash equivalents balances as at 30 June 2021 amounted to RMB143.4 million, representing an decrease of RMB80.0 million as compared to RMB223.4 million as at 31 December 2020, which was attributable to investment in associate.

As at 30 June 2021, the Group's indebtedness comprised bank borrowings of RMB20.0 million and amount due to related companies of RMB2.1 million. The Group's bank loans were in the amount of RMB0 million as at 31 December 2020. None of the indebtedness was secured at 30 June 2021 and 31 December 2020.

As at 30 June 2021, the gearing ratio, calculated as debt divided by total assets, was 23.1%, as compared with 20.0% as at 31 December 2020. 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 RMB371.7 million as at 30 June 2021 from that of RMB337.3 million as at 31 December 2020, which was attributable to increase of 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 2021, there were no charges on the Group's assets (as at 30 June 2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

The Group had 168 employees as at 30 June 2021. 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 and up to the date of the approval of the unaudited interim condensed consolidated financial statements.

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 2021, 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 2021, 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 2021, 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 2021, 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

During the Period, the Group holds 28,125,200 shares, representing approximately 11.72% equity interest in Tianye, a company listed on the National Equities Exchange And Quotations Co., Ltd. (stock code: 832023) which principally engages in planting, processing and sales of agricultural food including tropical fruits and vegetables. The investment cost incurred by the Group, being the consideration for acquiring the said shares in Tianye, was RMB78,750,560.

As at 30 June 2021, the Group's investments in associates of Tianye was RMB94,715,206, amounted to approximately 19.6% of the Group's total asset as at 30 June 2021.

According to the interim report of Tianye for the six months ended 30 June 2021, it recorded revenue of RMB218,886,914 and a net profit of RMB38,665,093 during the Period. The Group recorded realised gain of RMB4,536,354 and did not receive any dividend during the Period. The Group considers the performance of Tianye was satisfactory during the Period. Looking forward, the Group holds positive view on the prospect of this investment and have no plan to change in the current investment.

Save as disclosed above, the Company did not hold any other significant investment with a value greater than 5% of the Company's total assets as at 30 June 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets. Going forward the Company will continue to look for and assess new investment opportunities which will bring synergies to the Group.

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.

Other Information

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.

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 announcement.

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

Hong Kong, 10 August 2021

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

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	4	369,461	277,714
Cost of sales		(299,979)	(238,121)
Gross profit		69,482	39,593
Other income and gains, net	4	16,621	2,358
Selling and distribution expenses		(16,562)	(12,630)
Administrative expenses		(17,834)	(16,889)
Other expenses		(5)	(386)
Finance costs		(474)	(227)
Share of profits and losses of: Associates		4,536	—
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	55,764	11,819
Income tax expense	6	(12,687)	(3,527)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		43,077	8,292
PROFIT FOR THE PERIOD		43,077	8,292
Attributable to:			
Owners of the parent		43,077	8,292
Non-controlling interests		—	—
		43,077	8,292

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

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (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	0.06	0.01
OTHER COMPREHENSIVE INCOME			
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements into presentation currency		(166)	421
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(166)	421
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		42,911	8,713
Attributable to:			
Owners of the parent		42,911	8,713
Non-controlling interests		—	—
		42,911	8,713

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,233	785
Right-of-use assets		6,537	8,426
Other intangible assets		13	20
Investments in associates		94,715	—
Deferred tax assets		569	531
Total non-current assets		103,067	9,762
CURRENT ASSETS			
Inventories	10	76,794	51,864
Trade receivables	11	94,106	87,657
Prepayments, deposits and other receivables		28,461	12,656
Due from related parties		1,031	1,323
Pledged deposits	12	36,406	34,949
Cash and cash equivalents	12	143,381	223,362
Total current assets		380,179	411,811
CURRENT LIABILITIES			
Trade and bills payables	13	49,566	46,752
Other payables and accruals		24,203	19,740
Amounts due to related parties	16	2,099	3,605
Interest-bearing bank and other borrowings		20,000	—
Lease liabilities		3,777	3,548
Tax payable		8,008	4,901
Total current liabilities		107,653	78,546
NET CURRENT ASSETS		272,526	333,265
TOTAL ASSETS LESS CURRENT LIABILITIES		375,593	343,027

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		3,039	4888
Deferred tax liabilities		849	858
Total non-current liabilities		3,888	5,746
NET ASSETS			
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	5,681	5,681
Reserves		366,024	331,600
Total equity		371,705	337,281

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	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 2021 (audited)	5,681	207,731	30,541	1,514	91,814	337,281
Profit for the period	—	—	—	—	43,077	43,077
Other comprehensive income for the period:						
Exchange differences on translation of financial statements into presentation currency	—	—	—	(166)	—	(166)
Total comprehensive income for the period	—	—	—	(166)	43,077	42,911
Final 2020 dividend declared	—	—	—	—	(8,487)	(8,487)
At 30 June 2021 (unaudited)	5,681	207,731	30,541	1,348	126,404	371,705

* These reserve accounts comprise the consolidated reserves of RMB307,118,000 and RMB366,024,000, in the consolidated statements of financial position as at 30 June 2020 and 2021, 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 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 (audited)	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 (unaudited)	5,681	207,731	25,327	3,638	70,422	312,799

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS USED IN OPERATING ACTIVITIES			
Profit before tax:		55,764	11,819
Adjustments for:			
Finance costs		258	—
Interest income	4	(1,235)	(1,372)
Interest income from structured deposits	4	—	(257)
Share of profits and losses of joint ventures and Associates		(4,536)	—
Depreciation	9	230	276
Amortisation of other intangible assets		6	25
Depreciation of right-of-use assets		1,889	1,677
Impairment of receivables		(1,117)	308
Impairment of inventory		1,361	79
Gain on proceeds of an associate	4	(11,388)	—
Unrealised gains from changes in foreign currency exchange		—	(433)
(Increase)/ decrease in inventories		(26,291)	9,226
(Increase)/ decrease in trade receivables		(5,040)	18,919
(Increase)/ decrease in prepayments, other receivables and other assets		(15,805)	9,717
Increase in pledged deposits		(1,457)	(8,844)
Increase/(decrease) in trade payables		1,308	(13,215)
Decrease in other payables and accruals		(4,024)	(3,640)
Cash generated (used in)/from operations		(10,077)	24,284
Income tax paid		(9,627)	(4,218)
Net cash flows (used in)/from operating activities		(19,704)	20,066

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received	4	1,235	1,372
Acquisition of an investment in associates		(78,791)	—
Interest income from structured deposits	4	—	257
Purchases of items of property, plant and equipment	9	(683)	(116)
Net cash flows (used in)/from investing activities		(78,239)	1,513
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		20,000	—
Interest paid		(258)	—
Principal portion of lease payments		(1,620)	(1,818)
Net cash flows from/(used in) financing activities		18,122	(1,818)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		223,362	177,924
Effect of foreign exchange rate changes, net		(160)	854
CASH AND CASH EQUIVALENTS AT END OF PERIOD		143,381	198,539
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statements of financial position	12	143,381	198,539
Cash and cash equivalents as stated in the statements of cash flows		143,381	198,539

Notes to the Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

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

During the Period, the Group was principally engaged in the distribution of food ingredients, food additives and packing materials in PRC.

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 2021 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 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9 HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions (see page (13))
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The application of the above amendments to HKASs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in the Group's interim condensed consolidated financial statements.

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 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.

Notes to the Interim Condensed Consolidated Financial Statements

3. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from continuing operations of approximately RMB13,363,000 and RMB28,038,000 in the six months ended 30 June 2020 and 2021, 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from contract with customers		
Sale of goods	369,461	277,714

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 30 June 2021

Segments	Food ingredients RMB'000 (Unaudited)	Food additives RMB'000 (Unaudited)	Packaging materials RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or services				
Sales of goods	165,464	196,841	7,156	369,461
Geographical markets				
Mainland China	164,580	192,651	7,156	364,387
Thailand	298	—	—	298
Vietnam	586	4,190	—	4,776
	165,464	196,841	7,156	369,461
Timing of revenue recognition				
Goods transferred at a point in time	165,464	196,841	7,156	369,461

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 2020

Segments	Food ingredients RMB'000 (Unaudited)	Food additives RMB'000 (Unaudited)	Packaging materials RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
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

For the six months ended
30 June

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other income and gains		
Bank interest income	1,235	1,372
Interest income from structured deposits	—	257
Government grants*	2,110	502
Reversal of impairment of trade receivables	1,117	—
Investment income	11,388	—
Exchange gains	462	—
Others	309	227
	16,621	2,358

* 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	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
(a) Cost of sales:			
Cost of inventories sold		299,979	238,121
(a) Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		17,039	15,111
Pension scheme contributions		3,407	1,635
Other welfare		447	431
		20,893	17,177
(c) Other items:			
Depreciation of property, plant and equipment	9	230	276
Amortisation of other intangible assets		6	25
Depreciation of right-of-use assets		1,889	1,677
Research and development costs:			
Current year expenditure		1,519	1,315
Lease payments not included in the measurement of lease liabilities		388	307
Auditor remuneration		74	74
Transportation expenses		3,842	3,717
Travel expenses		748	573
Foreign exchange differences, net (Reversal)/accrual of impairment of trade receivables		(462)	66
Write-down of inventories to net realisable value		(1,117)	308
Bank interest income		1,361	79
		(1,235)	(1,629)

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax in the PRC	12,734	3,169
Deferred income tax expense relating to origination and reversal of temporary differences	(47)	358
Total tax charge for the period	12,687	3,527

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 2020 and 2021.

7. DIVIDENDS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Final declared — HK1.5 cent (approximately RMB1.3 cent) (30 June 2020: Nil) per ordinary share	8,487	—

On 20 May 2021, the board of directors declared the final dividend of HK1.5 cent (six months ended 30 June 2020: Nil) per ordinary share, amounting to a total of approximately RMB8,487,000 (six months ended 30 June 2020: Nil) for the year ended 31 December 2020.

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 (2020: 680,000,000), and the weighted average number of ordinary shares of 680,000,000 (2020: 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 2021 and 2020.

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	43,077	8,292
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)	0.06	0.01
Diluted earnings per share (RMB)	0.06	0.01

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 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	339	353	456	—	1,148
At 1 January 2020, net of accumulated depreciation					
Additions	44	—	153	—	197
Disposals	—	—	(13)	—	(13)
Depreciation provided during the period	(120)	(109)	(292)	—	(521)
Exchange realignment	(10)	(16)	—	—	(26)
At 31 December 2020, net of accumulated depreciation	253	228	304	—	785
At 31 December 2020:					
Cost	688	953	2,895	36	4,572
Accumulated depreciation	(435)	(725)	(2,591)	(36)	(3,787)
Net carrying amount	253	228	304	—	785

Notes to the Interim Condensed Consolidated Financial Statements

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Machinery RMB'000 (Unaudited)	Motor vehicles RMB'000 (Unaudited)	Office equipment RMB'000 (Unaudited)	Leasehold improvement RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended					
30 June 2021					
At 31 December 2020 and 1 January 2021:					
Cost	688	953	2,895	36	4,572
Accumulated depreciation	(435)	(725)	(2,591)	(36)	(3,787)
Net carrying amount	253	228	304	—	785
At 1 January 2021, net of accumulated depreciation					
Additions	—	462	220	—	682
Exchange realignment	(1)	(1)	(2)	—	(4)
Depreciation provided during the period	(66)	(58)	(106)	—	(230)
At 30 June 2021, net of accumulated depreciation	186	631	416	—	1,233
At 30 June 2021:					
Cost	687	1,414	3,102	36	5,239
Accumulated depreciation	(501)	(783)	(2,686)	(36)	(4,006)
Net carrying amount	186	631	416	—	1,233

Notes to the Interim Condensed Consolidated Financial Statements

10. INVENTORIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Food ingredients	28,342	14,987
Food additives	49,813	36,947
	78,155	51,934
Provision for inventories	(1,361)	(70)
	76,794	51,864

11. TRADE RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	94,528	89,196
Impairment	(422)	(1,539)
	94,106	87,657

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	88,359	79,887
3 to 6 months	5,710	7,766
Over 6 months	37	4
	94,106	87,657

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and bank balances	179,787	258,311
Less: Pledged time deposits: Pledged for letters of credit	(36,406)	(34,949)
Cash and cash equivalents	143,381	223,362

At the end of the reporting period, the cash and bank balances of the Group denominated in US dollars (“**USD**”) amounted to RMB2,871,000 (2020: RMB4,689,000); denominated in Hong Kong dollars (“**HKD**”) amounted to RMB5,136,000 (2020: RMB6,829,000) and denominated in Vietnamese Dong (“**VND**”) amounted to RMB1,668,000 (2020: RMB2,226,000), denominated in Thailand Baht (“**THB**”) amounted to RMB514,000 (2020: RMB673,000).

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	48,742	46,752
3 to 6 months	824	—
	49,566	46,752

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

14. SHARE CAPITAL

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Authorised: 2,000,000,000 (31 December 2020: 2,000,000,000) shares of HK\$0.01 each	16,708	16,708
Issued and fully paid: 680,000,000 (31 December 2020: 680,000,000) shares of HK\$0.01 each	5,681	5,681

15. COMMITMENTS

At 30 June 2021, the Group did not have any significant capital commitments.

Notes to the Interim Condensed Consolidated Financial Statements

16. RELATED PARTY DISCLOSURE

- (a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Entity controlled by the controlling shareholder:		
Sales to related parties	5,941	3,682
Purchases from related parties	12,679	17,130
Purchases from associates	463	3
Rental expenses	84	84
Mr. Huang Haixiao:		
Rental expenses	427	315

- (b) Outstanding balances with related parties:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Due to related parties	2,099	3,605
Due from related parties	1,031	1,323
Prepayments, deposits and other receivables	6,115	—
Other payables and accruals	8,487	—

- (c) Key management personnel

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other emoluments:		
Salaries, allowances and benefits in kind	1,498	2,048
Pension scheme contributions	195	129
	1,693	2,177

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 2020 and 2021.