



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



2022
INTERIM REPORT

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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. Ngai Tsz Hin Michael

AUTHORISED REPRESENTATIVES

Mr. Huang Haixiao
Mr. Ngai Tsz Hin Michael

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

Room 1603, 16/F, China Building
29 Queen's Road Central
Central, 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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation
Shanghai Fengxian Branch

COMPANY WEBSITE

<http://www.shineroad.com>

STOCK CODE

1587

Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of Shineroad International Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021 (the “**Previous Period**”).

BUSINESS REVIEW

Overview

The Group is 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 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”.

2022 is a challenging year in terms of the international economy and domestic environment. A wave of novel coronavirus pneumonia (“**COVID-19**”) across China, including city lockdowns and close-down of ports, disrupted nationwide consumption, production and long-haul supply chain logistics. Nonetheless, our Group has swiftly responded to the situation and proactively deployed strategic measures to stabilise the business.

China Operations

Shanghai as our business headquarter in China underwent a city-wide lockdown since March due to COVID-19 causing substantial economic and social disruption across the city. To ensure the stable supply for our customers, the food manufacturers, we adopted closed-off warehouse management at Shanghai during lock-down while activating non-Shanghai warehouses to fulfill other provinces. We received no complaint. Since the lift of lockdown in June, our Group is recovering from the pandemic situation and proactively deployed strategic measures to boost the business. With six 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.

In 2022, the Group obtained one new distribution right with focus on the nutrition and care industry:

- Obtained the distribution rights of various food ingredients products of Korea Ginseng from Korea in April 2022

Management Discussion and Analysis

On the other hand, our Group has established and maintained a solid customer base over the years across different provinces in 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), Yili (伊利), Chicecream (鍾薛高)
Beverage manufacturers	manufacturing beverage	Coca-Cola (可口可樂), Suntory (三得利), Wahaha (娃哈哈), Want Want (旺旺), Uni-President (統一), Nongfu Spring (農夫山泉), Genki Spring (元氣森林)
Snacks manufacturers	manufacturing confectionery, chocolate, and snacks	Fujiya (不二家), Hsu Fu Chi (徐福記), Mars (瑪氏), Orion (好麗友), PepsiCo (百事), Glico (格力高)
Oil and grease manufacturers	manufacturing margarine and shortening	AAK, Cargill (嘉吉), COFCO (中糧), Kerry Grain and Oil (嘉里糧油)
Food service providers	Catering providers (mainly restaurants and teahouses) and upstream suppliers	Boduo (博多), Daka (大咖國際), Tsit Wing (捷榮), McCormick (味可美), Jidong (悸動), inm (一鳴), Babi Mantou (巴比饅頭)

South East Asia Operations

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, we anticipate we will continue to achieve strong revenue growth. 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:

On May 31, 2022, we won the bid for the Land Use Rights for a land of approximately 20,936.5 square meters as disclosed in the announcement of the Company dated 2 June 2022 where we plan to build and develop an Asia-Pacific innovation center, with food solutions laboratory, manufacture, logistics, and sales functions.

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

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 RMB392.9 million, representing an increase of 6.3% as compared with that of RMB369.5 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	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
REVENUE		
Food ingredients	206,452	165,464
Food additives	186,451	196,841
Packaging materials	—	7,156
	392,903	369,461

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 RMB332.0 million, representing an increase of 10.7% as compared with that of RMB300.0 million for the Previous Period. The increase in cost of sales is due to the increase of sale revenue and cost of goods purchased.

Gross profit and gross profit margin

Gross profit of the Group for the Period declined by RMB8.6 million to RMB60.9 million (Previous Period: RMB69.5 million), and the gross profit margin decreased to 15.5% for the Period (Previous Period: 18.8%). The decrease in the gross profit margin was mainly due to the increase of cost of sales and the increase of sales volume in food ingredients with lower gross profit margin.

Other income and gains

Other income and gains primarily consist of bank interest income, government grants, services fee income and others. However, due to the one-off increase of investment income happened in the Previous Period, which is approximately RMB11.4 million as a result of investment in associate, other income decreased by RMB12.6 million or 75.7% from RMB16.6 million for the Previous Period to RMB4.0 million for this Period.

Management Discussion and Analysis

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Bank interest income	1,163	1,235
Government grants*	2,591	2,110
Others	274	309
Investment income	—	11,388
Exchange gains	—	462
Reversal of impairment of trade receivables	—	1,117
	4,028	16,621

* 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 RMB3.4 million, a 20.5% decrease to RMB13.2 million for the Period from RMB16.6 million for the Previous Period. The decrease was mainly attributed to the decrease in business travel caused by the city lockdown.

Administrative expenses

Administrative expenses primarily consist of depreciation, entertainment, listing expense, rent and rates, research and development, staff salaries and benefits and others. The administrative expenses increased by RMB2.2 million, a 12.4% increase to RMB20.0 million for the Period from RMB17.8 million for the Previous Period. The increase was mainly attributed to the increase of staff salaries and the rise of social insurance base.

Finance costs

The finance costs represented interests on other loans. Finance costs decreased by RMB0.2 million to RMB0.3 million for the Period from RMB0.5 million for the Previous Period. The decrease was mainly due to the decrease of short term loan from bank.

Income tax expenses

The Group's income tax expenses decreased by RMB5.2 million from RMB12.7 million for the Previous Period to RMB7.5 million for the Period. The decrease was primarily due to pre-tax profit of the Period was lower than that of the Previous Period.

Management Discussion and Analysis

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax in the PRC	7,050	12,734
Current income tax in HK	1,554	—
Deferred income tax expense relating to origination and reversal of temporary differences	(1,103)	(47)
Total tax charge for the period	7,501	12,687

Profit for the Period

As a result of the foregoing, the profit for the Period decreased by RMB19.3 million, or 44.8%, from RMB43.1 million for the Previous Period to RMB23.8 million for the Period.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2022.

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had the following capital commitments at the end of the reporting period:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Contracted, but not provided for:		
Land	25,128	—
Buildings	397	—
	25,525	—

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the Period. As at 30 June 2022, the capital of the Company comprises RMB427.4 million, representing an increase of RMB55.7 million as compared to RMB371.7 million as at 30 June 2021, which was attributable to increase of net profit.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group's receivable turnover days as at 30 June 2022 increased to 69 days as compared to 52 days as at 31 December 2021, mainly due to difficulty of payments from customers during city lockdowns and pandemic outbreak for the period.

Cash position

The Group's cash and cash equivalents balances as at 30 June 2022 amounted to RMB136.8 million, representing an increase of RMB1.9 million as compared to RMB134.9 million as at 31 December 2021, which was attributable to the increase of operational cash flow.

As at 30 June 2022, the Group's indebtedness comprised bank borrowings of RMB0 million and amount due to related companies of RMB2.2 million. The Group's bank loans were in the amount of RMB20.0 million as at 31 December 2021. None of the indebtedness was secured at 30 June 2022 and 31 December 2021.

As at 30 June 2022, the gearing ratio, calculated as debt divided by total assets, was 17.6%, as compared with 22.5% as at 31 December 2021. 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 RMB427.4 million as at 30 June 2022 from that of RMB413.8 million as at 31 December 2021, 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.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2022, there were no charges on the Group's assets (as at 30 June 2021: Nil).

EMPLOYEES AND REMUNERATION POLICIES

The Group had 175 employees as at 30 June 2022. 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 2022, 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 2022, 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 2022, 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:

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

Save as disclosed above, as at 30 June 2022, 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 10.42% 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 RMB78.8 million.

As at 30 June 2022, the Group's investments in associates of Tianye was RMB99.7 million, amounted to approximately 19.2% of the Group's total asset as at 30 June 2022.

According to the interim report of Tianye for the six months ended 30 June 2022, it recorded revenue of RMB212.0 million and a net profit of RMB24.0 million during the Period. The Group recorded realised gain of RMB2.4 million 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 2022.

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

During 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 report.

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

Hong Kong, 9 August 2022

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

For the six months ended 30 June 2022

	<i>Notes</i>	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	4	392,903	369,461
Cost of sales		<u>(332,006)</u>	<u>(299,979)</u>
Gross profit		60,897	69,482
Other income and gains, net	4	4,028	16,621
Selling and distribution expenses		(13,183)	(16,562)
Administrative expenses		(20,033)	(17,834)
Other expenses		(2,541)	(5)
Finance costs		(297)	(474)
Share of profits and losses of: Associates		<u>2,410</u>	<u>4,536</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	31,281	55,764
Income tax expense	6	<u>(7,501)</u>	<u>(12,687)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<u>23,780</u>	<u>43,077</u>
PROFIT FOR THE PERIOD		<u>23,780</u>	<u>43,077</u>
Attributable to:			
Owners of the parent		23,780	43,077
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>23,780</u>	<u>43,077</u>

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

For the six months ended 30 June 2022

	<i>Notes</i>	2022 (Unaudited) RMB'000	2021 (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	0.03	0.06
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		<u>(5,776)</u>	<u>(166)</u>
Net other comprehensive income that may not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements into presentation currency		<u>8,699</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>2,923</u>	<u>(166)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>26,703</u>	<u>42,911</u>
Attributable to:			
Owners of the parent		<u>26,703</u>	<u>42,911</u>
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>26,703</u>	<u>42,911</u>

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,176	1,051
Right-of-use assets		4,903	5,903
Other intangible assets		8	10
Investments in an associate		99,682	97,235
Deferred tax assets		822	469
Pledged deposits	12	2,513	—
Other non-current assets		6,282	—
Total non-current assets		<u>115,386</u>	<u>104,668</u>
CURRENT ASSETS			
Inventories	10	79,916	60,067
Trade receivables	11	141,023	156,853
Prepayments, deposits and other receivables		19,127	28,169
Due from related parties		10,076	11,623
Pledged deposits	12	16,325	37,906
Cash and cash equivalents	12	136,756	134,855
Total current assets		<u>403,223</u>	<u>429,473</u>
CURRENT LIABILITIES			
Trade and bills payables	13	61,369	50,864
Other payables and accruals		18,242	30,335
Amounts due to related parties	16	2,159	5,182
Interest-bearing bank and other borrowings		—	20,000
Lease liabilities		1,230	2,057
Tax payable		5,002	7,339
Total current liabilities		<u>88,002</u>	<u>115,777</u>
NET CURRENT ASSETS		<u>315,221</u>	<u>313,696</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>430,607</u>	<u>418,364</u>

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		3,238	3,807
Deferred tax liabilities		—	750
Total non-current liabilities		3,238	4,557
NET ASSETS			
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	5,681	5,681
Reserves		421,688	408,126
Total equity		427,369	413,807

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent						Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000*	Other reserve RMB'000*	Statutory reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	
At 1 January 2022(audited)	5,681	207,731	(54)	40,158	522	159,769	413,807
Profit for the period	—	—	—	—	—	23,780	23,780
Other comprehensive income for the period:							
Exchange differences on translation of financial statements into presentation currency	—	—	—	—	2,923	—	2,923
Total comprehensive income for the period	—	—	—	—	2,923	23,780	26,703
Final 2021 dividend declared	—	—	—	—	—	(13,141)	(13,141)
At 30 June 2022(unaudited)	<u>5,681</u>	<u>207,731</u>	<u>(54)</u>	<u>40,158</u>	<u>3,445</u>	<u>170,408</u>	<u>427,369</u>

* These reserve accounts comprise the consolidated reserves of RMB366,024,000 and RMB421,688,000, in the consolidated statements of financial position as at 30 June 2021 and 2022, 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 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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	<i>Notes</i>	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax:		31,281	55,764
Adjustments for:			
Finance costs		127	258
Interest income	4	(1,163)	(1,235)
Share of profit of an associate		(2,459)	(4,536)
Depreciation	9	203	230
Amortisation of other intangible assets		3	6
Depreciation of right-of-use assets		1,484	1,889
Impairment of receivables		371	(1,117)
Impairment of inventory		1,271	1,361
Gain on bargain purchase of the acquisition of an associate	4	—	(11,388)
Increase in inventories		(21,108)	(26,291)
Decrease/(Increase) in trade receivables		17,006	(5,040)
Decrease/(Increase) in prepayments, other receivables and other assets		9,042	(15,805)
Decrease/(Increase) in pledged deposits		19,068	(1,457)
Increase in trade payables		7,482	1,308
Decrease in other payables and accruals		(12,093)	(4,024)
Cash generated from/(used in) operations		50,515	(10,077)
Income tax paid		(10,941)	(9,627)
Net cash flows from/(used in) operating activities		39,574	(19,704)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received	4	1,163	1,235
Acquisition of an investment in associates		—	(78,791)
Purchases of items of property, plant and equipment	9	<u>(6,605)</u>	<u>(683)</u>
Net cash flows used in investing activities		<u>(5,442)</u>	<u>(78,239)</u>
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
New bank loans		—	20,000
Repayment of bank loans		(20,000)	—
Interest paid		(127)	(258)
Principal portion of lease payments		(1,880)	(1,620)
Dividends paid		<u>(13,141)</u>	<u>—</u>
Net cash flows (used in)/from financing activities		<u>(35,148)</u>	<u>18,122</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		(1,016)	(79,821)
Effect of foreign exchange rate changes, net		<u>134,855</u>	<u>223,362</u>
		<u>2,917</u>	<u>(160)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
		<u>136,756</u>	<u>143,381</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statements of financial position	12	<u>136,756</u>	<u>143,381</u>
Cash and cash equivalents as stated in the statements of cash flows		<u>136,756</u>	<u>143,381</u>

Notes to the Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

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

During the year, Shineroad International Holdings Limited and its subsidiaries (collectively the “Group”) was principally engaged in the distribution of food ingredients and food additives.

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 2022 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 2021.

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 2021, 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 3
Amendments to HKAS 16

Amendments to HKAS 37
Annual Improvements
to HKFRSs 2018–2020

Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before
Intended Use

Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9,
Illustrative Examples accompanying
HKFRS 16, and HKAS 41

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 RMB28,038,000 and RMB36,940,000 in the six months ended 30 June 2021 and 2022, 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contract with customers		
Sale of goods	392,903	369,461

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 30 June 2022

Segments	Food ingredients RMB'000 (Unaudited)	Food additives RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or services			
Sales of goods	206,452	186,451	392,903
Geographical markets			
Mainland China	202,421	183,979	386,400
Thailand	1,650	986	2,636
Vietnam	2,381	1,486	3,867
	206,452	186,451	392,903
Timing of revenue recognition			
Goods transferred at a point in time	206,452	186,451	392,903

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 2021

Segments	Food ingredients RMB'000 (Unaudited)	Food additives RMB'000 (Unaudited)	Packaging materials RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
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Type of goods or services

Sales of goods	165,464	196,841	7,156	369,461
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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
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Timing of revenue recognition

Goods transferred at a point in time	165,464	196,841	7,156	369,461
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For the six months ended 30 June

	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
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Other income and gains

Bank interest income	1,163	1,235
Government grants*	2,591	2,110
Reversal of impairment of trade receivables	—	1,117
Investment income	—	11,388
Exchange gains	—	462
Others	274	309
	4,028	16,621

* 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):

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
(a) Cost of sales:		
Cost of inventories sold	332,006	299,979
(b) Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	18,590	17,039
Pension scheme contributions	3,467	3,407
Other welfare	566	447
	22,623	20,893
(c) Other items:		
Depreciation of property, plant and equipment	203	230
Amortisation of other intangible assets	3	6
Depreciation of right-of-use assets	1,484	1,889
Research and development costs:		
Current year expenditure	3,132	1,519
Lease payments not included in the measurement of lease liabilities	290	388
Auditor remuneration	115	74
Transportation expenses	138	3,842
Travel expenses	655	748
Foreign exchange differences, net	2,166	(462)
Accrual/(reversal) of impairment of trade receivables	371	(1,117)
Write-down of inventories to net realisable value	1,271	1,361
Bank interest income	(1,163)	(1,235)

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	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Current income tax in the PRC	7,050	12,734
Current income tax in the Hong Kong	1,554	—
Deferred income tax expense relating to origination and reversal of temporary differences	(1,103)	(47)
Total tax charge for the period	7,501	12,687

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 first HK\$2,000,000 of assessable profits of the subsidiary in Hong Kong are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

7. DIVIDENDS

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Final declared — HK2.25 cent (approximately RMB1.93 cent) (30 June 2021: HK1.5 cent) per ordinary share	13,141	8,487

On 18 May 2022, the board of directors declared an interim dividend of HK2.25 cent (six months ended 30 June 2021: HK1.5 cent) per ordinary share, amounting to a total of approximately RMB13,141,000 (six months ended 30 June 2021: approximately RMB8,487,000).

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 (2021: 680,000,000), and the weighted average number of ordinary shares of 680,000,000 (2021: 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 2022 and 2021.

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	23,780	43,077
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)	0.03	0.06
Diluted earnings per share (RMB)	0.03	0.06

9. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021					
At 31 December 2020 and 1 January 2021:					
Cost	688	953	2,895	—	4,536
Accumulated depreciation	(435)	(725)	(2,591)	—	(3,751)
Net carrying amount	253	228	304	—	785
At 1 January 2021, net of accumulated depreciation					
Additions	—	460	131	145	736
Exchange realignment	(111)	(150)	(204)	—	(465)
Depreciation provided during the period	(1)	(1)	(3)	—	(5)
At 31 December 2021, net of accumulated depreciation	141	537	228	145	1,051
At 31 December 2021:					
Cost	687	1,412	3,008	145	5,252
Accumulated depreciation	(546)	(875)	(2,780)	—	(4,201)
Net carrying amount	141	537	228	145	1,051

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)	Construction in progress RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended					
30 June 2022					
At 31 December 2021 and 1 January 2022:					
Cost	687	1,412	3,008	145	5,252
Accumulated depreciation	(546)	(875)	(2,780)	—	(4,201)
Net carrying amount	<u>141</u>	<u>537</u>	<u>228</u>	<u>145</u>	<u>1,051</u>
At 1 January 2022, net of accumulated depreciation					
	141	537	228	145	1,051
Additions	16	—	140	166	322
Exchange realignment	(3)	9	—	—	6
Depreciation provided during the period	(32)	(105)	(66)	—	(203)
At 30 June 2022, net of accumulated depreciation	<u>122</u>	<u>441</u>	<u>302</u>	<u>311</u>	<u>1,176</u>
At 30 June 2022:					
Cost	708	1,417	3,148	311	5,584
Accumulated depreciation	(586)	(976)	(2,846)	—	(4,408)
Net carrying amount	<u>122</u>	<u>441</u>	<u>302</u>	<u>311</u>	<u>1,176</u>

Notes to the Interim Condensed Consolidated Financial Statements

10. INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Food ingredients	32,132	14,039
Food additives	49,121	46,158
	81,253	60,197
Provision for inventories	(1,337)	(130)
	79,916	60,067

11. TRADE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	142,491	157,949
Impairment	(1,468)	(1,096)
	141,023	156,853

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	136,239	149,258
3 to 6 months	4,635	7,530
Over 6 months	149	65
	141,023	156,853

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances	155,594	172,761
Less: Pledged time deposits:		
Pledged for letters of credit — non-current	(2,513)	—
Pledged for letters of credit — current	(16,325)	(37,906)
Cash and cash equivalents	136,756	134,855

At the end of the reporting period, the cash and bank balances of the Group denominated in US dollars (“**USD**”) amounted to RMB2,521,000 (2021: RMB9,034,000); denominated in Hong Kong dollars (“**HKD**”) amounted to RMB1,343,000 (2021: RMB1,816,000) and denominated in Vietnamese Dong (“**VND**”) amounted to RMB1,886,000 (2021: RMB3,104,000), denominated in Thailand Baht (“**THB**”) amounted to RMB1,452,000 (2021: RMB365,000).

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	61,337	50,864
3 to 6 months	32	—
	61,369	50,864

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

14. SHARE CAPITAL

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Authorised: 2,000,000,000 (31 December 2021: 2,000,000,000) shares of HK\$0.01 each	16,708	16,708
Issued and fully paid: 680,000,000 (31 December 2021: 680,000,000) shares of HK\$0.01 each	5,681	5,681

15. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Land	25,128	—
Buildings	397	—
	25,525	—

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Entity controlled by the controlling share-holder:		
Sales to related parties	10,409	5,941
Purchases from related parties	4,088	12,679
Purchases from associates	503	463
Rental expenses	84	84
Mr. Huang Haixiao:		
Rental expenses	427	427

- (b) Outstanding balances with related parties:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Due to related parties	2,159	5,182
Due from related parties	10,076	11,623

- (c) Key management personnel

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other emoluments:		
Salaries, allowances and benefits in kind	1,715	1,498
Pension scheme contributions	208	195
	1,923	1,693

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 2021 and 2022.