



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

(incorporated in the Cayman Islands with limited liability)

Stock code : 1587





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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 2024 (the “**Period**”), together with the comparative figures for the corresponding period in 2023 (the “**Previous Period**”).

BUSINESS REVIEW

Overview

Our 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 our research and development capability, we will continue to build long-term strategic alliance and co-develop with our customers, so as to stay on course with our mission “To be the Most Reliable Partner in the Food Industry”.

For the Period, our Group recorded a revenue of approximately RMB298.6 million, representing a decrease of 8% as compared with that of RMB324.7 million for the Previous Period. The profit for the Period increased by RMB8.3 million, or 78%, from RMB10.6 million for the Previous Period to RMB18.9 million for the Period; while our Group’s basic earnings per share were RMB0.03, representing an increase of RMB0.01 as compared with the Previous Year (RMB0.02).

China Operations

Over the years, we have built strong relationships with our suppliers worldwide. Major suppliers, such as Nestlé from Switzerland, Mitsubishi from Japan, Sensient from the US, and Kerry from Ireland, have been cooperating with us for decades.

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), Weigang (衛崗), and Green's (綠雪)
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), Master Kong (康師傅), and Genki Spring (元氣森林)
Snacks manufacturers	manufacturing confectionery, chocolate, and snacks	Fujiya (不二家), Glico (格力高), 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	Auntea Jenny (滬上阿姨), Cezanne (塞尚), Daka (大咖國際), Delthin (德馨), FreeNow (菲諾), inm (一鳴), Jidong (悸動), Nayuki (奈雪的茶), and Pan Pan (盼盼)

Management Discussion and Analysis

South East Asia Operations

Outside China, we have established overseas subsidiaries in Ho Chi Minh City, Vietnam, and Bangkok, Thailand. Although the operation had been hit by the pandemic in the past few years, the recovery of consumption and tourism during the Reporting Year has eased the food industry, our customers, and us.

We anticipate our local offices will provide us a competitive edge by bringing scale benefit and introducing more local South East Asian tastes and appetites to the PRC market going forward.

Outlook and prospects

We remain confident in our future prospects. Despite having global economic uncertainties, we anticipate to achieve strong revenue growth and to create value for the 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 health 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:

Our Asia-Pacific Innovation Center with a total construction area of 40,816.13 sq. metres is expected to commence operation in early 2025, where we plan to set up food solutions laboratory, product incubation center, production lines, logistics, and sales functions. The Company considers the construction of the Asia-Pacific Innovation Center can further expand the Group's business, widen the portfolio of its self-developed formulated products and potential food ingredients, and is beneficial to the Group's future development.

- 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 RMB298.6 million, representing a decrease of 8% as compared with that of RMB324.7 million for the Previous Period. The decrease in revenue is due to the decline in sales from some key customers.

An analysis of revenue, net is as follows:

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
REVENUE		
Food ingredients	148,751	159,115
Food additives	149,850	165,608
	<u>298,601</u>	<u>324,723</u>

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 RMB241.4 million, representing a decline of 12% as compared with that of RMB273.5 million for the Previous Period. The decline in cost of sales is due to the decrease of revenue and the increase of gross profit margin.

Gross profit and gross profit margin

Gross profit of the Group for the Period rose by RMB6.0 million to RMB57.2 million (Previous Period: RMB51.2 million), and the gross profit margin increased to 19.1% for the Period (Previous Period: 15.8%). The increase in the gross profit margin was mainly due to the increase of high-profit margin products in the overall sales proportion.

Management Discussion and Analysis

Other income and gains

Other income and gains primarily consist of bank interest income, government grants and others. Other income decreased by RMB2.1 million or 64% from RMB3.3 million for the Previous Period to RMB1.2 million for the Period primarily due to the decrease in exchange gain and government grants.

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Bank interest income	659	1,053
Government grants*	420	1,054
Others	133	115
Exchange gains	—	1,121
	<u>1,212</u>	<u>3,343</u>

* 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 RMB2.6 million, a 17% decrease to RMB12.8 million for the Period from RMB15.4 million for the Previous Period. The decrease was mainly attributed to the decrease in labor costs and logistics service costs.

Administrative expenses

Administrative expenses primarily consist of depreciation, entertainment, listing expense, rent and rates, research and development, staff salaries and benefits and others. The administrative expenses decreased by RMB2.9 million, a 13% decrease to RMB19.6 million for the Period from RMB22.5 million for the Previous Period. The decrease was mainly attributed to the decrease in labor costs.

Finance costs

The finance costs represented interests on other loans and lease liabilities. Finance costs decreased by RMB0.4 million to RMB0.3 million for the Period from RMB0.7 million for the Previous Period. The decrease was mainly due to the decrease of short-term bank loans.

Income tax expenses

The Group's income tax expenses increased by RMB2.2 million from RMB4.9 million for the Previous Period to RMB7.1 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax in the PRC	7,693	4,597
Current income tax in HK	234	1,838
Deferred income tax expense relating to origination and reversal of temporary differences	(799)	(1,548)
Total tax charge for the period	<u>7,128</u>	<u>4,887</u>

Profit for the Period

As a result of the foregoing, the profit for the Period increased by RMB8.3 million, or 78%, from RMB10.6 million for the Previous Period to RMB18.9 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 2024.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had the following capital commitments at the end of the Period:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Contracted, but not provided for: Buildings	<u>53,792</u>	<u>146,392</u>

Management Discussion and Analysis

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the Period. As at 30 June 2024, the capital of the Company comprises RMB472.1 million, representing an increase of RMB17.6 million as compared to RMB454.5 million as at 30 June 2023, which was attributable to the continuous profit.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group's receivable turnover days as at 30 June 2024 increased to 53 days as compared to 48 days as at 31 December 2023.

Cash position

The Group's cash and cash equivalents balances as at 30 June 2024 amounted to RMB176.5 million, representing an increase of RMB19.0 million as compared to RMB157.5 million as at 31 December 2023, which was attributable to cash generated from operating cash flow.

As at 30 June 2024, the Group's indebtedness comprised bank borrowings of RMB77.6 million, lease liabilities of RMB3.7 million and amount due to related companies of RMB4.5 million. The Group's indebtedness comprised bank borrowings of RMB44.7 million, lease liabilities of RMB3.6 million and amount due to related companies of RMB7.3 million as at 31 December 2023. None of the indebtedness was secured at 30 June 2024 and 31 December 2023.

As at 30 June 2024, the gearing ratio, calculated as debt divided by total assets, was 27.8%, as compared with 22.0% as at 31 December 2023. 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 RMB472.1 million as at 30 June 2024 from that of RMB462.8 million as at 31 December 2023, 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 2024, there were no charges on the Group's assets (as at 30 June 2023: Nil).

EMPLOYEES AND REMUNERATION POLICIES

The Group had 126 employees as at 30 June 2024 (as at 31 December 2023: 157). 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.

Other Information

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 2024, 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 C3 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 2024, none of the Directors or chief executive of the Company or their respective close associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

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

As at 30 June 2024, 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 2024, 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 summarised in the section headed “Share Option Scheme” in Appendix IV to the prospectus of the Company dated 14 June 2018. No option has been granted during the Period.

Other Information

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2024, the Group held 28,125,200 shares, representing approximately 8.59% equity interest in Tianye Innovation Company (“**Tianye**”) which is principally engaged 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. On 2 February 2023, Tianye’s shares were delisted from the National Equities Exchange And Quotations Co., Ltd. (NEEQ) and were transferred to the Beijing Stock Exchange Co. Ltd. (BSE stock code: 832023).

As at 30 June 2024, the Group’s investments in associates of Tianye amounted to RMB106.4 million, representing approximately 16.3% of the Group’s total asset as at 30 June 2024. The Group recorded a realised gain of RMB2.3 million and received dividends of RMB0.3 million during the Period. The Group considers the performance of Tianye was satisfactory during the Period. Looking forward, the Group holds a positive view on the prospects of this investment and currently has no plan to change this 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 2024.

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 C1 to the Listing Rules for the Period. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 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, 16 August 2024

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

For the six months ended 30 June 2024

	<i>Notes</i>	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	4	298,601	324,723
Cost of sales		(241,432)	(273,538)
Gross profit		57,169	51,185
Other income and gains, net	4	1,212	3,343
Selling and distribution expenses		(12,782)	(15,381)
Administrative expenses		(19,598)	(22,510)
Other expenses		(1,895)	(2,270)
Finance costs		(345)	(652)
Share of profit of an associate		2,306	1,742
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	26,067	15,457
Income tax expense	6	(7,128)	(4,887)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		18,939	10,570
PROFIT FOR THE PERIOD		18,939	10,570
Attributable to:			
Owners of the parent		18,939	10,570
Non-controlling interests		—	—
		18,939	10,570

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

For the six months ended 30 June 2024

	<i>Notes</i>	2024 (Unaudited) RMB'000	2023 (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	0.02
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>(1,820)</u>	<u>(4,143)</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>1,268</u>	<u>5,428</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>(552)</u>	<u>1,285</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>18,387</u>	<u>11,855</u>
Attributable to:			
Owners of the parent		<u>18,387</u>	<u>11,855</u>
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>18,387</u>	<u>11,855</u>

Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	145,808	86,227
Right-of-use assets		34,628	35,295
Other intangible assets		—	60
Investments in an associate		106,402	104,232
Deferred tax assets		3,820	3,580
Long-term time deposit	12	30,000	30,000
Pledged deposits	12	—	1,256
Total non-current assets		<u>320,658</u>	<u>260,650</u>
CURRENT ASSETS			
Inventories	10	51,166	57,107
Trade and bills receivables	11	64,897	84,341
Prepayments, deposits and other receivables		21,306	12,306
Due from related parties	16	6,257	5,172
Pledged deposits	12	12,734	16,576
Cash and cash equivalents	12	176,536	157,502
Total current assets		<u>332,896</u>	<u>333,004</u>
CURRENT LIABILITIES			
Trade and bills payables	13	24,409	27,457
Other payables and accruals		66,438	41,664
Amounts due to related parties	16	4,538	7,314
Interest-bearing bank and other borrowings		20,000	20,000
Lease liabilities		1,392	1,267
Tax payable		4,349	5,034
Total current liabilities		<u>121,126</u>	<u>102,736</u>
NET CURRENT ASSETS		<u>211,770</u>	<u>230,268</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>532,428</u>	<u>490,918</u>
NON-CURRENT LIABILITIES			
Lease liabilities		2,275	2,343
Interest-bearing bank borrowings		57,573	24,708
Deferred tax liabilities		500	1,059
Total non-current liabilities		<u>60,348</u>	<u>28,110</u>
NET ASSETS		<u>472,080</u>	<u>462,808</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	5,681	5,681
Reserves		466,399	457,127
Total equity		<u>472,080</u>	<u>462,808</u>

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	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 2024 (audited)	5,681	176,985	206	52,061	3,601	224,274	462,808
Profit for the period	—	—	—	—	—	18,939	18,939
Other comprehensive income for the period :							
Exchange differences on translation of financial statements into presentation currency	—	—	—	—	(552)	—	(552)
Total comprehensive income for the period	—	—	—	—	(552)	18,939	18,387
Final 2023 dividend declared	—	(9,288)	—	—	—	—	(9,288)
Share of other changes in equity of an associate	—	—	173	—	—	—	173
At 30 June 2024 (unaudited)	<u>5,681</u>	<u>167,697</u>	<u>379</u>	<u>52,061</u>	<u>3,049</u>	<u>243,213</u>	<u>472,080</u>

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the parent						
	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*	Total equity RMB'000
At 1 January 2023 (audited)	5,681	186,101	(54)	47,517	3,617	208,561	451,423
Profit for the period	—	—	—	—	—	10,570	10,570
Other comprehensive income for the period :							
Exchange differences on translation of financial statements into presentation currency	—	—	—	—	1,285	—	1,285
Total comprehensive income for the period	—	—	—	—	1,285	10,570	11,855
Final 2022 dividend declared	—	(8,762)	—	—	—	—	(8,762)
At 30 June 2023 (unaudited)	5,681	177,339	(54)	47,517	4,902	219,131	454,516

* These reserve accounts comprise the consolidated reserves of RMB448,835,000 and RMB466,399,000, in the consolidated statements of financial position as at 30 June 2023 and 2024, respectively.

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	<i>Notes</i>	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax:		26,067	15,457
Adjustments for:			
Finance costs		345	652
Interest income	4	(659)	(1,053)
Share of profit of an associate		(2,306)	(1,742)
Depreciation of property, plant and equipment	9	155	252
Loss on deemed disposal		—	1,690
Amortisation of other intangible assets		60	69
Depreciation of right-of-use assets		1,473	1,842
Gain on termination of leases		(15)	—
Impairment on trade receivables		383	569
Write-down of inventories to net realisable value	5	71	(105)
Decrease in inventories		5,870	17,592
Decrease/(increase) in trade and bills receivables		19,061	(18,985)
(Increase)/decrease in prepayments, other receivables and other assets		(10,085)	100
Decrease/(increase) in pledged deposits		5,098	(524)
Decrease in trade payables		(5,824)	(10,326)
Increase in other payables and accruals		24,774	1,533
Cash generated from operations		64,468	7,021
Interest paid		(71)	(90)
Bank interest received	4	659	1,053
Income tax paid		(8,612)	(9,541)
Net cash flows from/(used in) operating activities		56,444	(1,557)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	<i>Notes</i>	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investment income received		309	—
Purchase of intangible assets		—	(196)
Purchases of items of property, plant and equipment	9	(58,780)	(21,304)
Net cash flows used in investing activities		(58,471)	(21,500)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		52,865	20,000
Repayment of bank loans		(20,000)	—
Interest paid		(911)	(562)
Principal portion of lease payments		(1,058)	(1,196)
Dividends paid		(9,288)	(8,762)
Net cash flows from financing activities		21,608	9,480
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		19,581	(13,577)
Cash and cash equivalents at beginning of period		157,502	182,199
Effect of foreign exchange rate changes, net		(547)	1,267
CASH AND CASH EQUIVALENTS AT END OF PERIOD		176,536	169,889
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statements of financial position	12	176,536	169,889
Cash and cash equivalents as stated in the statements of cash flows		176,536	169,889

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 2024 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 2023.

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 2023, 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 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “ 2020 Amendments ”)
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “ 2022 Amendments ”)
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 RMB22,243,000 and RMB26,432,000 in the six months ended 30 June 2023 and 2024, 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	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Revenue from contract with customers		
Sale of goods	298,601	324,723

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2024

Segments	Food ingredients <i>RMB'000</i> (Unaudited)	Food additives <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of goods or services			
Sales of goods	148,751	149,850	298,601
Geographical markets			
Mainland China	140,270	147,383	287,653
Thailand	6,839	173	7,012
Vietnam	1,642	2,294	3,936
	148,751	149,850	298,601
Timing of revenue recognition			
Goods transferred at a point in time	148,751	149,850	298,601

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 2023

Segments	Food ingredients RMB'000 (Unaudited)	Food additives RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or services			
Sales of goods	159,115	165,608	324,723
Geographical markets			
Mainland China	149,703	163,584	313,287
Thailand	6,208	327	6,535
Vietnam	3,204	1,697	4,901
	159,115	165,608	324,723
Timing of revenue recognition			
Goods transferred at a point in time	159,115	165,608	324,723
For the six months ended 30 June			
	2024	2023	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Other income and gains			
Government grants*	420	1,054	
Bank interest income	659	1,053	
Exchange gains	—	1,121	
Others	133	115	
	1,212	3,343	

* 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(a) Cost of sales:		
Cost of inventories sold	241,432	273,538
(b) Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	16,967	17,729
Pension scheme contributions	3,318	3,923
Other welfare	504	550
	20,789	22,202
(c) Other items:		
Depreciation of property, plant and equipment	9 155	252
Amortisation of other intangible assets	60	69
Depreciation of right-of-use assets	1,473	1,842
Research and development costs:		
Current year expenditure	1,810	2,395
Lease payments not included in the measurement of lease liabilities	1,072	1,194
Auditor remuneration	78	51
Travel expenses	988	1,522
Foreign exchange differences, net	1,462	(1,121)
Accrual of impairment of trade receivables	383	569
Write-down of inventories to net realisable value	71	(105)
Bank interest income	(659)	(1,053)

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	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Current income tax in the PRC	7,693	4,597
Current income tax in the Hong Kong	234	1,838
Deferred income tax expense relating to origination and reversal of temporary differences	(799)	(1,548)
Total tax charge for the period	7,128	4,887

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	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Final declared — HK1.50 cent (approximately RMB1.37 cent) (30 June 2023: HK1.50 cent (approximately RMB1.34 cent)) per ordinary share	9,288	8,762

On 27 March 2024, the board of directors declared a final dividend of HK1.50 cent (six months ended 30 June 2023: HK1.50 cent) per ordinary share, amounting to a total of approximately RMB9,288,000 (six months ended 30 June 2023: RMB8,762,000).

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 (2023: 680,000,000), and the weighted average number of ordinary shares of 680,000,000 (2023: 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 2024 and 2023.

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	18,939	10,570
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	0.02
Diluted earnings per share (RMB)	0.03	0.02

Notes to the Interim Condensed Consolidated Financial Statements

9. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000 (Unaudited)	Motor vehicles RMB'000 (Unaudited)	Office equipment RMB'000 (Unaudited)	Construction in progress RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
31 December 2023					
At 31 December 2022 and 1 January 2023:					
Cost	789	1,424	3,155	758	6,126
Accumulated depreciation	(614)	(1,098)	(2,871)	—	(4,583)
Net carrying amount	175	326	284	758	1,543
At 1 January 2023, net of accumulated depreciation					
Additions	30	—	75	85,010	85,115
Disposals	—	—	(5)	—	(5)
Exchange realignment	(15)	13	—	—	(2)
Depreciation provided during the period	(71)	(200)	(153)	—	(424)
At 31 December 2023, net of accumulated depreciation	119	139	201	85,768	86,227
At 31 December 2023:					
Cost	817	1,422	3,062	85,768	91,069
Accumulated depreciation	(698)	(1,283)	(2,861)	—	(4,842)
Net carrying amount	119	139	201	85,768	86,227

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 2024					
At 31 December 2023 and 1 January 2024:					
Cost	817	1,422	3,062	85,768	91,069
Accumulated depreciation	<u>(698)</u>	<u>(1,283)</u>	<u>(2,861)</u>	<u>—</u>	<u>(4,842)</u>
Net carrying amount	<u>119</u>	<u>139</u>	<u>201</u>	<u>85,768</u>	<u>86,227</u>
At 1 January 2024, net of accumulated depreciation					
	119	139	201	85,768	86,227
Additions	15	—	40	59,686	59,741
Exchange realignment	(1)	(3)	(1)	—	(5)
Depreciation provided during the period	<u>(67)</u>	<u>(41)</u>	<u>(47)</u>	<u>—</u>	<u>(155)</u>
At 30 June 2024, net of accumulated depreciation	<u>66</u>	<u>95</u>	<u>193</u>	<u>145,454</u>	<u>145,808</u>
At 30 June 2024:					
Cost	824	1,412	3,100	145,454	150,790
Accumulated depreciation	<u>(758)</u>	<u>(1,317)</u>	<u>(2,907)</u>	<u>—</u>	<u>(4,982)</u>
Net carrying amount	<u>66</u>	<u>95</u>	<u>193</u>	<u>145,454</u>	<u>145,808</u>

Notes to the Interim Condensed Consolidated Financial Statements

10. INVENTORIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Food ingredients	18,645	22,462
Food additives	33,873	36,465
	52,518	58,927
Provision for inventories	(1,352)	(1,820)
	51,166	57,107

11. TRADE AND BILLS RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	75,353	92,269
Impairment	(12,059)	(11,751)
	63,294	80,518
Bills receivable	1,603	3,823
	64,897	84,341

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 AND BILLS 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	55,426	75,664
3 to 6 months	7,192	4,074
6 months to 1 year	676	780
	63,294	80,518

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Cash and bank balances	219,270	205,334
Less: Pledged time deposits:		
Pledged for letters of credit — non-current	—	(1,256)
Pledged for letters of credit — current	(12,734)	(16,576)
Non-pledged time deposit with original maturity of more than one year when acquired	(30,000)	(30,000)
Cash and cash equivalents	176,536	157,502

At the end of the reporting period, the cash and bank balances of the Group denominated in US dollars (“**USD**”) amounted to RMB2,064,000 (2023: RMB2,050,000); denominated in Hong Kong dollars (“**HKD**”) amounted to RMB9,557,000 (2023: RMB2,030,000) and denominated in Vietnamese Dong (“**VND**”) amounted to RMB1,089,000 (2023: RMB767,000), denominated in Thailand Baht (“**THB**”) amounted to RMB1,120,000 (2023: RMB1,495,000).

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	<u>24,409</u>	<u>27,457</u>

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

14. SHARE CAPITAL

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Authorised: 2,000,000,000 (31 December 2023: 2,000,000,000) shares of HK\$0.01 each	<u>16,708</u>	<u>16,708</u>
Issued and fully paid: 680,000,000 (31 December 2023: 680,000,000) shares of HK\$0.01 each	<u>5,681</u>	<u>5,681</u>

15. COMMITMENTS

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contracted, but not provided for: Buildings	<u>53,792</u>	<u>80,486</u>
	<u>53,792</u>	<u>80,486</u>

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	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Entity controlled by the controlling shareholder:		
Sales to related parties	10,615	9,758
Purchases from related parties	15,390	16,017
Purchases from associates	1,485	806
Rental expenses	108	81
Total	27,598	26,662
Mr. Huang Haixiao:		
Rental expenses	320	427

- b) Outstanding balances with related parties:

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Due to related parties	4,538	7,314
Due from related parties	6,257	5,172

- c) Key management personnel

	For the six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Other emoluments:		
Salaries, allowances and benefits in kind	2,727	2,214
Pension scheme contributions	256	282
	2,983	2,496

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 2023 and 2024.