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**GREEN FUTURE FOOD HYDROCOLLOID MARINE
SCIENCE COMPANY LIMITED**

綠新親水膠體海洋科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01084)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Board is pleased to announce the consolidated financial results for the year ended 31 December 2020 as follows:

- Revenue amounted to HK\$877.2 million, representing a decrease of 11.7%, as compared to HK\$992.9 million for the year ended 31 December 2019.
- Gross profit amounted to HK\$190.9 million and the gross profit margin was 21.8%, as compared to HK\$251.7 million and 25.4%, respectively, for the year ended 31 December 2019.
- Profit for the year amounted to HK\$67.0 million and the net profit margin was 7.6%, as compared to HK\$93.9 million and 9.5%, respectively, for the year ended 31 December 2019.

The Directors propose a final cash dividend for the year ended 31 December 2020 of HK2.5 cents per Share, subject to the approval of the Shareholders at the Annual General Meeting.

The board (the “**Board**”) of directors (the “**Directors**”) of Green Future Food Hydrocolloid Marine Science Company Limited (the “**Company**”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 together with the comparative figures for the year 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Revenue	2	877,163	992,935
Cost of sales	3	(686,286)	(741,200)
Gross profit		190,877	251,735
Other income		9,417	9,124
Other gains/(losses) – net		1,818	(2,662)
Net impairment (losses)/gains on financial assets		(128)	992
Selling and distribution expenses	3	(18,683)	(17,700)
Administrative expenses	3	(71,254)	(85,616)
Operating profit		112,047	155,873
Finance income		2,156	331
Finance costs		(26,614)	(27,633)
Finance costs – net		(24,458)	(27,302)
Profit before income tax		87,589	128,571
Income tax expense	4	(20,633)	(34,681)
Profit for the year		66,956	93,890
Profit for the year attributable to:			
Owners of the Company		68,902	93,309
Non-controlling interests		(1,946)	581
		66,956	93,890
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (HK\$)	5	0.085	0.146
Diluted earnings per share (HK\$)	5	0.084	0.140

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Profit for the year	66,956	93,890
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
– Currency translation differences	<u>45,655</u>	<u>(11,625)</u>
Total comprehensive income for the year	<u>112,611</u>	<u>82,265</u>
Total comprehensive income for the year is attributable to:		
Owners of the Company	113,910	81,684
Non-controlling interests	<u>(1,299)</u>	<u>581</u>
	<u>112,611</u>	<u>82,265</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

		As at 31 December	
	Note	2020	2019
		HK\$'000	HK\$'000
Assets			
Non-current assets			
Land use rights		62,470	60,615
Property, plant and equipment		413,044	361,234
Intangible assets		50,272	52,520
Prepayments for non-current assets		13,070	1,823
Deferred income tax assets		11,746	9,915
		<u>550,602</u>	<u>486,107</u>
Current assets			
Financial assets at fair value through profit or loss		3,540	—
Inventories		505,426	322,428
Trade and other receivables	7	197,355	217,299
Cash and bank balances		171,842	186,172
		<u>878,163</u>	<u>725,899</u>
Total assets		<u><u>1,428,765</u></u>	<u><u>1,212,006</u></u>
Equity			
Equity attributable to owners of the Company			
Share capital		8,164	8,000
Other reserves		363,831	366,791
Treasury shares		(12,297)	—
Retained earnings		386,552	326,983
		<u>746,250</u>	<u>701,774</u>
Non-controlling interests		<u>7,855</u>	<u>669</u>
Total equity		<u><u>754,105</u></u>	<u><u>702,443</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2020

		As at 31 December	
	Note	2020	2019
		HK\$'000	HK\$'000
Liabilities			
Non-current liabilities			
Bank borrowings		28,398	59,276
Lease liabilities		7,037	2,741
Deferred income		31,096	28,799
Deferred income tax liabilities		1,803	1,793
		<u>68,334</u>	<u>92,609</u>
Current liabilities			
Trade and other payables	8	132,011	84,247
Convertible bond		—	29,547
Bank borrowings		461,541	284,879
Lease liabilities		1,961	1,427
Current income tax liabilities		10,813	16,854
		<u>606,326</u>	<u>416,954</u>
Total liabilities		<u>674,660</u>	<u>509,563</u>
Total equity and liabilities		<u>1,428,765</u>	<u>1,212,006</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 General information of the Group

Green Future Food Hydrocolloid Marine Science Company Limited (the “Company”) was incorporated on 3 July 2015 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are in the business of manufacturing and sales of food manufacturing hydrocolloid products including carrageenan products, agar-agar products, blended products and konjac products in the People’s Republic of China (the “PRC”) and overseas.

The ultimate controlling parties of the Group are Mr. Chan Kam Chung, Mr. Chan Shui Yip, Mr. Guo Songsen, Mr. Guo Dongxu, Mr. Guo Yuansuo and Mr. Guo Donghuang who act in concert under a contractual agreement (the “Controlling Shareholders”).

To prepare for the initial listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Group has undertaken a reorganisation (the “Reorganisation”) pursuant to which the Company became the holding company of the subsidiaries comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 September 2019.

The Company’s shares began to list on the Stock Exchange on 17 October 2019.

These consolidated financial statements are presented in Hong Kong Dollar (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

These consolidated financial statements have been approved for issue by the board of directors of the Company on 30 March 2021.

1 General information of the Group (continued)

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, which are carried at fair value.

1.1 Changes in accounting policies

(i) New standards, amendments and interpretations of HKFRSs adopted by the Group

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2020, and have not been early adopted by the Group in preparing these consolidated financial statements. The Group intends to adopt them no later than the respective effective dates of these new standards and amendments. The Group has evaluated the impact of these new standards and amendments, no new standards or amendments have a significant impact on the consolidated financial statements of the Group.

(ii) New standard and amendments of HKFRSs not yet adopted by the Group

Standard and amendments	Effective for accounting periods beginning on or after
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to HKFRS 16 Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 17 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28 Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 17 Insurance contracts	1 January 2023

Management is currently assessing the effects of applying these new standard and amendments on the Group’s consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group. The Group does not expect to adopt these new standard and amendments until their respective effective dates.

2 Revenue and segment information

The Company's executive directors, the chief executive officer, the chief financial officer and the manager for corporate planning are regarded as the Group's chief operating decision maker. The chief operating decision maker examines the Group's performance from a product perspective and has identified five operating segments of its business as follows:

- (i) Manufacturing and sales of agar-agar;
- (ii) Manufacturing and sales of carrageenan;
- (iii) Manufacturing and sales of konjac products;
- (iv) Manufacturing and sales of blended products; and
- (v) Others, such as sales of milk powder etc.

The amounts provided to the chief operating decision maker with respect to total assets, total liabilities and capital expenditure are measured in a manner consistent with that of consolidated financial statements. The chief operating decision maker reviews the total assets, total liabilities and capital expenditure at Group level, therefore no segment information of total assets, total liabilities and capital expenditure information was presented.

(a) Segment information

The segment information of the Group during the year is set out as follows:

Revenue recognised at a point-in time:	Year ended 31 December 2020					
	Sales of	Sales of	Sales of	Sales of	Others	Total
	agar-agar	carrageenan	konjac	blended		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to customers	241,506	515,203	44,424	69,910	6,120	877,163
Cost of sales	<u>(154,732)</u>	<u>(441,452)</u>	<u>(40,891)</u>	<u>(43,670)</u>	<u>(5,541)</u>	<u>(686,286)</u>
Segment results	<u>86,774</u>	<u>73,751</u>	<u>3,533</u>	<u>26,240</u>	<u>579</u>	<u>190,877</u>

2 Revenue and segment information (continued)

(a) Segment information (continued)

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	190,877
Other income	9,417
Other gains – net	1,818
Net impairment losses on financial assets	(128)
Selling and distribution expenses	(18,683)
Administrative expenses	(71,254)
Finance income	2,156
Finance costs	(26,614)
Profit before income tax	87,589
Income tax expense	(20,633)
Profit for the year	<u>66,956</u>

Revenue recognised at a point-in-time:	Year ended 31 December 2019				
	Sales of agar-agar	Sales of carrageenan	Sales of konjac products	Sales of blended products	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to customers	336,235	548,745	38,903	69,052	992,935
Cost of sales	<u>(205,180)</u>	<u>(458,667)</u>	<u>(33,691)</u>	<u>(43,662)</u>	<u>(741,200)</u>
Segment results	<u>131,055</u>	<u>90,078</u>	<u>5,212</u>	<u>25,390</u>	<u>251,735</u>

2 Revenue and segment information (continued)

(a) Segment information (continued)

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	251,735
Other income	9,124
Other losses – net	(2,662)
Net impairment gains on financial assets	992
Selling and distribution expenses	(17,700)
Administrative expenses	(85,616)
Finance income	331
Finance costs	<u>(27,633)</u>
Profit before income tax	128,571
Income tax expense	<u>(34,681)</u>
Profit for the year	<u><u>93,890</u></u>

Revenue from external customers by country/region, based on the destination of the shipment, is as follows:

	2020	2019
	HK\$'000	HK\$'000
China	405,777	439,097
Europe	280,622	317,882
Asia (excluding China)	108,298	156,175
South America	48,565	41,055
North America	26,012	34,839
Africa	7,889	3,887
Total	<u>877,163</u>	<u>992,935</u>

2 Revenue and segment information (continued)

(a) Segment information (continued)

External customers that have contributed over 10% of total revenue of the Group for the year ended 31 December 2020 are as follows:

	2020	2019
	HK\$'000	HK\$'000
Company A	89,247	—
Company B	<u>—</u>	<u>136,514</u>

Non-current assets, other than deferred income tax assets, by country/region are as follows:

	2020	2019
	HK\$'000	HK\$'000
China	529,204	468,802
Hong Kong	3,173	559
Indonesia	<u>6,479</u>	<u>6,831</u>
Total	<u>538,856</u>	<u>476,192</u>

(b) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers at the balance sheet date:

	2020	2019
	HK\$'000	HK\$'000
Advance receipts from customers	<u>6,528</u>	<u>2,461</u>

2 Revenue and segment information (continued)

(b) Liabilities related to contracts with customers (continued)

Revenue recognised during the year in relation to advances from customers was as below:

	2020	2019
	HK\$'000	HK\$'000
Revenue recognised during the year that was included in the advance receipts from customers at the beginning of the year	<u>2,461</u>	<u>1,436</u>

For unsatisfied performance obligations, the Group selected to choose a practical expedient and omitted disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

3 Expenses by nature

The expenses charged to cost of sales, selling and distribution expenses and administrative expenses are analysed below:

	2020	2019
	HK\$'000	HK\$'000
Raw materials and consumables used	676,242	699,332
Changes in inventories of finished goods and work in progress	(105,657)	(72,435)
Employee benefit expenses	91,158	93,858
Amortisation of land use rights	1,432	1,538
Depreciation of property, plant and equipment	36,513	33,517
Amortisation of intangible assets	6,376	6,091
Utility expenses	30,467	31,363
Transportation costs	5,401	5,284
Other taxes and levies	4,126	5,481
Auditors' remuneration		
- annual audit services of the Company's auditor	2,315	1,931
- non-audit services of the Company's auditor	247	205
- statutory audit services of subsidiaries' auditor	218	315
Listing expenses	—	12,727
Others	27,385	25,309
Total	<u>776,223</u>	<u>844,516</u>

4 Income tax expense

This note provides an analysis of the Group's income tax expense and shows how the income tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	2020	2019
	HK\$'000	HK\$'000
Current income tax	22,319	34,058
Deferred income tax	(1,686)	623
Income tax expense	<u>20,633</u>	<u>34,681</u>

The Group's income tax comprises:

(i) Cayman Islands profits tax

The Company is an exempted company incorporated in the Cayman Islands and is not liable for taxation in the Cayman Islands on its Cayman Islands or non-Cayman Islands income.

(ii) BVI profits tax

The Group's subsidiaries that are incorporated in the BVI are exempted companies and are not liable for taxation in the BVI on their BVI or non-BVI income.

(iii) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% in 2020 and 2019 on the estimated assessable profits for the year with the following concession.

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2019/2020 onwards, the first HK\$ 2 million of assessable profits of one of the Group's companies incorporated in Hong Kong under Hong Kong profits tax during the year ended 31 December 2020 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK\$ 2 million will continue to be subject to a tax rate of 16.5%.

4 Income tax expense (continued)

(iv) PRC corporate income tax ('CIT')

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to CIT at the rate of 25%, except for Fujian Province Lvqi Food Colloid Company Ltd. ("Lvqi (Fujian)"), Longhai City Donghaiwan Seaweed Breeding Comprehensive Development Company Limited ("Donghaiwan") and Lvqi Trading (Shanghai) Company Ltd ("Lvqi (Shanghai)") which are subject to CIT at the preferential rate of 15%, 12.5% and 5% for 2020 and 2019, respectively.

Lvqi (Fujian) obtained the qualification of certified high and new technology enterprises in 2015 and registered in the local tax bureau to apply the preferential CIT rate of 15% from 2018 to 2021.

Donghaiwan is qualified as an agricultural products enterprise and is subject to a CIT reduction of 50% granted by the local tax bureau, and the CIT rate is 12.5% during 2020 and 2019.

Lvqi (Shanghai) is qualified as a small low-profit enterprise and is subject to CIT reduction of 75% granted by the local tax bureau, and the CIT rate is 20% during 2020 and 2019.

(v) PRC withholding income tax

According to the CIT Law, a 10% withholding tax on dividends received/receivable will be levied on the PRC companies' immediate holding companies established out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies. During 2020 and 2019, the holding companies of the Group's subsidiaries in the PRC are Hong Kong incorporated companies and are subject to a withholding tax rate of 5%.

The Group has undistributed earnings of HK\$ 402,677,000 as at 31 December 2020 (2019: HK\$ 366,618,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entities are able to control the timing of distributions from their subsidiaries and are not expected to distribute these profits in the foreseeable future.

4 Income tax expense (continued)

(vi) Indonesia profits tax

The Indonesia profits tax has been provided for at the rate of 25% (2019: 25%) on the estimated assessable profit during the year.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the consolidated entities as follows:

	2020	2019
	HK\$'000	HK\$'000
Profit before income tax	<u>87,589</u>	<u>128,571</u>
Tax calculated at the applicable statutory tax rates in the respective regions	25,920	37,471
Adjustment for tax effect of:		
– Expenses not deductible for tax purpose	251	800
– Additional deduction of research and development expenses	(776)	(842)
– Overprovision of previous year	(1,295)	(951)
– Impact of preferential income tax	(2,032)	(2,334)
– Previously unrecognised tax losses now recouped to reduce current tax expense	(2,161)	—
– Tax losses for which no deferred income tax asset was recognised	<u>726</u>	<u>537</u>
Tax charge	<u>20,633</u>	<u>34,681</u>

The weighted average applicable statutory tax rate for the year ended 31 December 2020 was 30% (2019: 29%). The effective tax rate for the year ended 31 December 2020 was 24% (2019: 27%).

5 Earnings per share

(a) Basic and diluted earnings per share

	2020	2019
	HK\$	HK\$
Basic earnings per share attributable to the ordinary equity holders of the Company	<u>0.085</u>	<u>0.146</u>
Diluted earnings per share attributable to the ordinary equity holders of the Company	<u>0.084</u>	<u>0.140</u>

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares in issue during the financial period and excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversation of all dilutive potential ordinary shares.

(b) Reconciliations of earnings used in calculating earnings per share

	2020	2019
	HK\$'000	HK\$'000
<i>Basic and diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company	<u>68,902</u>	<u>93,309</u>

5 Earnings per share (continued)

(c) Weighted average number of shares used as the denominator

	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (i)	806,036,787	641,095,890
Adjustments for calculation of diluted earnings per share:		
– Share options	11,076,047	25,195,962
– Treasury shares	4,577,705	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>821,690,539</u>	<u>666,291,852</u>

(i) The weighted average number of ordinary shares has been retrospectively adjusted for the effects of share options and treasury shares.

6 Dividends

	2020	2019
	HK\$'000	HK\$'000
Paid final dividend of HK 5.0 cents (2019: nil) per ordinary share	40,820	—
Paid interim dividend of HK2.5 cents (2019: nil) per ordinary share	20,110	—
Total	<u>60,930</u>	<u>—</u>

Dividends relating to the years ended 31 December 2019, amounting to approximately HK\$40,820,000 (2019: nil), were paid in June 2020.

Dividends relating to the period ended 30 June 2020, amounting to approximately HK\$20,110,000 (2019: nil), were paid in September 2020.

The above dividends were distributed out of the share premium account of the Company.

6 Dividends (continued)

	2020	2019
	HK\$'000	HK\$'000
Proposed final dividend of HK2.5 cents (2019: HK5.0 cents) per ordinary share	<u>20,410</u>	<u>40,000</u>

A final dividend in respect of the year ended 31 December 2020 of HK2.5 cents (2019: HK5.0 cents) per share, amounting to a total of HK\$20,410,000 (2019: HK\$40,000,000) was proposed by the board of directors of the Company on 30 March 2021 (2019: 30 March 2020) and is subject to approval by the Company's shareholder in the forthcoming annual general meeting of the Company. The proposed dividend will be distributed out of the share premium account of the Company. These financial statements do not reflect this as dividend payable.

7 Trade and other receivables

	2020	2019
	HK\$'000	HK\$'000
Trade receivables	146,282	183,806
Loss allowance provision	(754)	(617)
	<u>145,528</u>	<u>183,189</u>
Prepayments	25,251	17,644
Export tax rebate receivables and deductible value-added tax	20,070	12,965
Other receivables	6,506	3,501
	<u>51,827</u>	<u>34,110</u>
Total trade and other receivables	<u><u>197,355</u></u>	<u><u>217,299</u></u>

(i) Ageing analysis of trade receivables

The ageing analysis of the trade receivables as at the 31 December 2020 based on invoice date was as follows:

	2020	2019
	HK\$'000	HK\$'000
Up to 30 days	75,553	142,678
31 to 90 days	39,768	33,304
91 to 180 days	6,608	3,259
181 to 360 days	12,909	2,179
Over one year	11,444	2,386
	<u>146,282</u>	<u>183,806</u>

(ii) Impairment of trade receivables

For trade receivables, the Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

7 Trade and other receivables (continued)

(ii) Impairment of trade receivables (continued)

The expected loss rates are based on the payment profiles of sales over a period of 36 months before balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the consumer price index of China in which it sells its goods and services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The loss allowance provision of trade receivables as at 31 December 2020 is as follows:

	Settled in 3 months HK\$'000	Settled in 4-6 months HK\$'000	Settled in 7-9 months HK\$'000	Settled in 10-12 months HK\$'000	Settled over 1 year HK\$'000	Total HK\$'000
At 31 December 2020						
Expected loss rate	0.02%	0.06%	1.57%	3.06%	3.41%	
Gross carrying amount excluding individually impaired receivables and notes receivables	109,002	5,200	11,766	1,143	11,304	138,415
Loss allowance provision	22	3	185	35	386	631
Individually impaired receivables						123
Total provision						754
At 31 December 2019						
Expected loss rate	0.01%	0.04%	4.48%	8.37%	9.56%	
Gross carrying amount excluding individually impaired receivables and notes receivables	168,515	2,533	1,772	407	2,101	175,328
Loss allowance provision	17	1	79	34	201	332
Individually impaired receivables						285
Total provision						617

7 Trade and other receivables (continued)

(ii) Impairment of trade receivables (continued)

Impairment losses are recognised in profit or loss within net impairment (losses)/gains on financial assets. Receivables for which an impairment provision was recognised are written off against the provision when there is no reasonable expectation of recovering additional cash. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 36 months.

As at 31 December 2020, the loss allowance provision for trade receivables are reconciled to the opening loss allowance for that provision as follows:

	2020	2019
	HK\$'000	HK\$'000
At 1 January	(617)	(1,616)
(Increase in)/reversal of loss allowance recognised in profit or loss during the year	(128)	992
Currency translation differences	(9)	7
	<u> </u>	<u> </u>
At 31 December	<u>(754)</u>	<u>(617)</u>

During the year ended 31 December 2020, the following (losses)/gains were recognised in profit or loss in relation to impaired receivables.

	2020	2019
	HK\$'000	HK\$'000
Individually impaired receivables	171	—
(Provision)/reversal of provision for impairment according to the expected credit losses matrix	(299)	992
	<u> </u>	<u> </u>
Net impairment (losses)/gains	<u>(128)</u>	<u>992</u>

7 Trade and other receivables (continued)

(iii) Impairment of other financial assets at amortised cost

Other financial assets at amortised cost include other receivables.

All of these financial assets are considered to have a low risk of default and each of the counterparties has a strong capacity to meet its contractual cash flow obligations in the near term, hence the Group considered them to have low credit risk, and thus the impairment provision recognised is limited to 12 months expected losses.

The Group has assessed that the expected credit losses for these financial assets are not material under the 12 months expected losses method. Thus, no loss allowance provision was recognised during the year (2019: nil). The Group does not hold any collateral in relation to these other receivables.

(iv) Fair values of trade and other receivables

The carrying amounts of the Group's trade and other receivables approximated their fair values as at the balance sheet date due to their short term nature.

The carrying amounts of the Group's trade and other receivables (including prepayments) are denominated in the following currencies:

	2020	2019
	HK\$'000	HK\$'000
USD	53,761	76,850
RMB	141,611	139,942
HK\$	542	507
Other currencies	1,441	—
	197,355	217,299

8 Trade and other payables

	2020	2019
	HK\$'000	HK\$'000
Trade payables	65,622	48,947
Payables for property, plant and equipment	17,229	10,717
Amounts due to a third party	23,764	—
Employee benefit payables	8,353	9,270
Advance receipts from customers	6,528	2,461
Other taxes payable	1,557	1,910
Amounts due to related parties	106	99
Payables for listing expenses	—	4,888
Others	8,852	5,955
	<u>132,011</u>	<u>84,247</u>

Trade payables are usually paid within 90 days of recognition.

The ageing analysis of trade payables as at 31 December 2020 based on invoice date was follows:

	2020	2019
	HK\$'000	HK\$'000
0-90 days	64,991	48,637
91-180 days	610	310
181-360 days	21	—
	<u>65,622</u>	<u>48,947</u>

The amounts due to a third party as at 31 December 2020 was unsecured, bearing interest rate at 6% per annum.

The carrying amounts of the Group's trade and other payables approximated their fair values as at the balance sheet date due to their short term nature.

8 Trade and other payables (continued)

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2020	2019
	HK\$'000	HK\$'000
RMB	83,428	39,478
USD	48,522	42,869
HK\$	61	1,900
	<u>132,011</u>	<u>84,247</u>

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2020.

Long-Term Business Strategy

The Group is a leading producer of seaweed-based and plant-based hydrocolloid products in the PRC and the global market. Our products, mainly including agar-agar, carrageenan, blended products and konjac gum, provide functional properties such as thickening, water-retention and stabilising functions for various end products such as processed food, cosmetics and biotechnology products, and make up the main contents of many health foods for their rich soluble dietary fibres. In addition, we can extend product functions through blending different colloids and gums. For example, konjac gum blended products enable plant-based artificial meat to offer the mouthfeel resembling that of real meat, at the same time konjac has become increasingly popular under the trend of promoting health eating.

Distinguished from other conventional manufacturers, we are primarily a long-term partner of our customers in both the supply of raw materials and product development for certain of our customers, which is significant in enhancing customer loyalty. Moreover, through product research and development, we can support and facilitate the development of new applications and end products for the customers, thereby helping us to obtain customer orders and this is a source of profit contribution, which is also a long-term business development strategy of the Group.

Business Overview for 2020

In 2020, the global economy is affected by the multiple pandemic waves of the COVID-19 pandemic, coupled with the intensified Sino-US political and trade frictions since 2019, businesses of nearly all kinds have been encountering tremendous challenges in all areas including revenue loss, deterioration of bottom line and even business survival.

During the year, most parts of the world took contingent measures to prevent the spread of the COVID-19 pandemic which included a halt in production, restrictions in dining and retail activities and social distancing requirements. In 2020, total sales revenue of the Group was HK\$877.2 million (2019: HK\$992.9 million), representing a decrease of 11.7% from the previous year, mainly due to the aforesaid disruption imposed to consumer activities which in turn affected the demand of food ingredients from food manufacturers. Net profit of the Group for the year ended 31 December 2020 decreased by HK\$26.9 million to HK\$67.0 million (2019: HK\$93.9 million), primarily due to the decrease in revenue for the year and decrease in gross profit margin by 3.6% as a result of our launch of strategic promotional activities during the year in view of the difficult business environment. The extent of decrease in net profit for the year, as compared to that of gross profit, was partially offset by the decrease in administrative expenses, finance costs-net and income tax expense of the year of HK\$14.4 million, HK\$2.8 million and HK\$14.0 million, respectively.

Despite the demand for food ingredients by food manufacturers was affected to an extent, our businesses suffered to a lesser extent due to the diversification of our products portfolio. During the year, sales of carrageenan products was less impacted as compared to other products as they are more commonly used in frozen and processed meat products to meet daily needs, encouraging the government a priority in ensuring smooth retail channels and supply chain. In 2020, sales of carrageenan products was HK\$515.2 million (2019: HK\$548.7 million), representing an decrease of 6.1% from the previous year, and sales of other products was in aggregate HK\$362.0 million (2019: HK\$444.2 million), representing an decrease of 18.5% from the previous year.

Notwithstanding our business strategy to gradually increase the proportion of the overseas sales, in 2020, the sales in the PRC and the overseas accounted for 46.3% and 53.7% of our annual sales, respectively (2019: 44.2% and 55.8%), which is largely stable as compared to last year. The Directors believe that the temporary reversal in trend is primarily as a result of the degree of impact by the COVID-19 pandemic and the extent and length of lockdown measures implemented in the respective regions. With strict containment measures implemented in China since the outbreak of COVID-19 in early 2020 including stringent testing protocol and national-level mobility restrictions, China has shown a beginning of recovery from the COVID-19 pandemic since mid-2020 and hence the China market outperformed most overseas markets including Europe, North America and Asia (excluding China), which remained impacted throughout 2020.

Although the COVID-19 pandemic has caused extensive challenges to business environment in 2020, comparing with other companies engaging in consumer goods and services, the Group has managed to mitigate the extent of decrease in income and net profit, as compared to that of 2019. The Directors believe that our results demonstrated the competitiveness and resilience of the Group as an industry leader.

2020 Final Cash Dividend

In order to share the operating results of the Company with our shareholders, the Directors propose a final cash dividend of HK2.5 cents per Share for the year ended 31 December 2020, which demonstrated the Company's continuous efforts in attaining the target dividend payout each year after considering the available resources, amounting to a total of HK\$20.4 million. Dividends will be paid in cash.

Subsequent Events

On 26 March 2021, a member of the Group entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Mr. CAI Ming Huang, the sole shareholder of Hung Tai Shun International Limited (“**Hung Tai Shun**”), in respect of the acquisition of a total of 8,200 ordinary shares, representing 82% of Hung Tai Shun’s total issued shares at a total consideration of HK\$60.0 million. Hung Tai Shun is a company incorporated in Hong Kong and holds 99.83% of the issued share capital of PT Hongxin Algae International (“**Hongxin**”), a company incorporated in Indonesia with principal business engaging in the manufacture and sales of semi-refined carrageenan. The remaining 0.17% issued share capital of Hongxin was held by Mr. CAI Ming Can, an associate of Mr. CAI Ming Huang. Pursuant to the Sale and Purchase Agreement, Mr. CAI Ming Can shall transfer the 0.17% issued share capital of Hongxin to the Group on or before completion. The transaction is carried out pursuant to the Group’s business strategy of diversifying production facilities geographically for enhancement of cost competitiveness. The transaction is expected to be completed by 15 April 2021 and the Group’s total designed capacity in the manufacture of semi-refined carrageenan will be increased from 3,685 tonnes per year to 7,985 tonnes per year after completion of the transaction.

Prospects

Due to the global catastrophic impact of the COVID-19 pandemic, the food products market has once been off balance in choices and smoothness of retail channels. Looking ahead, with the increase in the size of vaccinated populations all over the world, lockdown measures are expected to be lifted in an orderly manner. As such, we believe that consumer activities will resume normal in the foreseeable future and the Group will benefit from it as a leading provider of food ingredients.

Although the global economy will still be shrouded in uncertainties in the near future, we will strive to improve our performance and investment returns by leveraging on our strengths in our business scale as industry leader and technical expertise founded in the continuous pursuit of excellence in product research and development.

Appreciation

On behalf of the Board of Directors, I would like to express my sincere gratitude to all the shareholders, customers, suppliers and business partners for their unwavering support. In the meantime, I would like to express my heartfelt thanks to the Directors, management and all the staff for their unremitting efforts and contributions over the years.

CHAN Kam Chung

Chairman

Hong Kong, 30 March 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

Challenges Brought from the COVID-19 Pandemic

In 2020, the domestic and global demands for our hydrocolloid products varied from region to region, mainly due to the degree of impact by the COVID-19 pandemic and the extent and length of lockdown measures implemented in respective regions. During the year, sales revenue in the China market saw a decrease of 7.6%, while sales revenue in the Europe, North America and Asia (excluding China) markets saw a larger decrease of 11.7%, 25.3% and 30.7%, respectively, as compared to that of 2019. On the other hand, benefited from new customers in South Africa, there was an increase of 103.0% in revenue in the Africa market during the year. In 2020, the sales in the PRC and the overseas accounted for 46.3% and 53.7% of our annual sales, respectively (2019: 44.2% and 55.8%), which was maintained largely stable as compared to last year.

Product Research and Development and Expansion to New Market

By strengthening product research and development capabilities and our prolonged efforts made in marketing campaigns, we succeeded in expanding the market for quick-dissolve agar-agar products for use in dairy products, and our sales revenue recorded an encouraging leap in 2019. Although our sales growth was temporarily interrupted by the COVID-19 pandemic in 2020 and recorded a decrease in the sales revenue of agar-agar as compared to 2019, quick-dissolve agar-agar products remained as one of our products with the highest gross profit margin in 2020, maintaining, together with other conventional products, the overall gross profit margin of agar-agar products for the year. Our Directors believe that as the demand for dairy products stabilises and grow, quick-dissolve agar-agar products are of great business value. Besides, in addition to traditional processed foods, we have also endeavored to expand the use of our products in the application of pet foods. It is expected that China pet foods market will have a great development potential in the foreseeable future. Furthermore, konjac gum has already been widely recognised as a key ingredient of various health foods due to its rich soluble dietary fibers and we expect a promising sales growth in years ahead. As a long-term vision, we expect that the diversity of end products and applications will be the key driver for our future expansion.

Complementary strategies for product and market

The sales volume and sales revenue of carrageenan and agar-agar products, contributing to approximately 86.5% and 86.3% of our sales quantity and sales revenue for the year ended 31 December 2020, in aggregate decreased by 1.7% and 14.5%, respectively, as compared to 2019. The sales volume and sales revenue of konjac products increased by 20.9% and 14.2%, respectively, for the year ended 31 December 2020, as compared to 2019, while the sales volume and sales revenue of blended products increased by 2.9% and 1.2%, respectively, as compared to 2019. Benefitting from the diversification and complementarity of our colloid products, our Group is able to adjust our sales efforts in light of changes in market demand in end products, thereby maintaining a fairly stable revenue base over time.

Prospects

We are prudently optimistic about the prospects in 2021. Despite that the uncertainties brought from the COVID-19 pandemic is expected to remain in effect in the near term, looking forward, with the increase in the size of vaccinated populations all over the world, lockdown measures are expected to be lifted in an orderly manner. As such we believe that consumer activities will resume normal in the foreseeable future and the Group will benefit from it as a leading provider of food ingredients. Furthermore, our Directors believe that our company shares the organic growth and rebound with a broad array of existing end products markets, and new end products launched from time to time will drive further sales growth . Overall, the prospect of hydrocolloid products is promising.

Our development strategy is to continue to invest in product research and development, optimise our product portfolio and develop new markets. During the first quarter of 2020, we established a subsidiary in Shanghai specialising in the research and development, marketing and sales of dairy products, meal replacement products and other specialty blended products, in order to accelerate the expansion of our market share. In addition we also endeavor to achieve continuous enhancement in cost effectiveness through geographical diversification of production facilities and ongoing refinement of management polices and organization structure.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's sales revenue was HK\$877.2 million (2019: HK\$992.9 million), representing a decrease of 11.7% as compared to the previous year. During the year, the sales revenue of konjac and blended products increased by 14.2% and 1.2%, respectively, while that of agar-agar and carrageenan products decreased by 28.2% and 6.1%, respectively. The total sales revenue of carrageenan and agar-agar products, contributing to 86.3% of the sales revenue of the Group, decreased by 2.9% in overall proportion for the year ended 31 December 2020 as compared to 2019. The decrease in revenue was primarily due to the sluggish demand in food ingredients by food manufacturers caused by the repeated disruptions in consumer activities including choices of food and the limitations on retail sales due to the lockdown measures adopted in most parts of the globe during the year. Despite the demand for food ingredients by food manufacturers was affected, our businesses suffered to a lesser extent due to the diversification of our product portfolio. Sales of carrageenan products was less impacted amongst all products as carrageenan are more commonly used in frozen and processed meat products to meet daily needs of meat products, encouraging the government a priority in ensuring smooth retail channels and supply chain.

Cost of Sales

For the year ended 31 December 2020, the cost of sales of the Group was HK\$686.3 million (2019: HK\$741.2 million), representing a decrease of 7.4%. Our cost of sales basically consisted of the cost of raw materials (seaweed and konjac) and ancillary materials and labor costs which accounted for 82.5% of the cost of sales in 2020 (2019: 83.9%). The decrease in the cost of sales was attributable to the decrease in sales revenue of 11.7% for the year, but in lesser magnitude due to the narrow down of gross profit margin by 3.6% as a result of our launch of strategic marketing campaigns and promotions during the year in view of the difficult business environment.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2020, the gross profit of the Group was HK\$190.9 million (2019: HK\$251.7 million), representing a decrease of 24.2%. The overall gross profit margin was 21.8% in 2020, representing a decrease of 3.6% as compared to 2019. The gross profit margin of blended products increased by 0.7% in 2020 whilst that of agar-agar, carrageenan and konjac products decreased by 3.1%, 2.1% and 5.4%, respectively, during the same year. The extent of decrease of gross profit margin across products varied with the extent of sales promotion in terms of price discount offered from time to time.

Selling and Distribution Expenses

In 2020, selling and distribution expenses of the Group were HK\$18.7 million (2019: HK\$17.7 million), representing an increase of 5.6%, which was primarily attributable to the increase in sales quantity in China and hence transportation cost as compared to 2019. Furthermore, due to the setting up of a new subsidiary in Shanghai during the year for the purpose of marketing quick-dissolve agar-agar and specialty blended products, selling and distribution expense increased accordingly.

Administrative Expenses

In 2020, administrative expenses of the Group were HK\$71.3 million (2019: HK\$85.6 million), representing a decrease of 16.7%, mainly due to the decrease in listing expenses and decrease in travelling expenses corresponding to city lockdown as preventive measures of the COVID-19 pandemic and reduction of social insurance contributed by employer under the newly enacted government policy.

Finance Costs

In 2020, finance income and costs of the Group were HK\$2.2 million and HK\$26.6 million (2019: HK\$0.3 million and HK\$27.6 million), representing an increase of 551.4% and a decrease of 3.7%, respectively. The rise in finance income was mainly generated from the interest income on deposits of the proceeds from listing of the Company. The decrease in finance costs was mainly attributable to the repayment in full the remaining balance of convertible bond which carried higher interest rate but at the same time interest expenses increased in line with the increase in the average working capital loans and trade loans from banks.

Income Tax Expense

In 2020, income tax expenses of the Group were HK\$20.6 million (2019: HK\$34.7 million), representing a decrease of HK\$14.1 million or 40.5%, mainly due to the corresponding decrease in taxable profit for the year of approximately 31.9%, as compared to 2019 and the partial reversal of deferred income tax during the year.

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Current income tax	22,319	34,058
Deferred income tax	(1,686)	623
Income tax expense	<u>20,633</u>	<u>34,681</u>

Profit Attributable to Owners of the Company

In 2020, profit attributable to owners of the Company were HK\$68.9 million (2019: HK\$93.3 million), after the share of operating loss attributable to certain non-controlling shareholders of a subsidiary newly set up during the year. Main reasons attributable to the decrease in profit attributable to owners of the Company resembles those attributable to the decrease in profit for the year as explained in above.

Liquidity and Financial Resources

As at 31 December 2020, the Group's cash and cash equivalents and restricted cash amounted to HK\$171.8 million, representing a decrease of HK\$14.3 million from 31 December 2019. The financial ratios of the Group as at 31 December 2020 were as follows:

	As at 31 December 2020	As at 31 December 2019
Current ratio	1.45	1.74
Gearing ratio ¹	31.5%	21.4%

Note 1: Gearing ratio is calculated as net debt divided by the total of net debt and equity

Net Current Assets

As at 31 December 2020, our net current assets were HK\$271.8 million, representing a decrease of HK\$37.1 million from HK\$308.9 million as at 31 December 2019, primarily due to the increase in inventories of HK\$183.0 million as at 31 December 2020, offset by the increase in trade and other payables and short-term bank borrowings of HK\$47.8 million and HK\$176.7 million, respectively.

Borrowings

As at 31 December 2020, the total bank borrowings of the Group amounted to HK\$489.9 million, of which HK\$461.5 million shall be repaid within one year and HK\$28.4 million shall be repaid after one year. The carrying amounts of bank borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi.

On 20 November 2017, the Group issued a convertible bond for HK\$60 million to an independent third party (hereinafter referred to as the “**convertible bond holder**”) with annual interest rates of 5% and 10%, respectively, chargeable in different phases. On 28 February 2018, the convertible bond holder exercised all conversion rights under the agreement and acquired 2.0% equity in the Company at the consideration of HK\$4.8 million. Thereafter, the maturity date of the convertible bonds was extended from the original date of 20 November 2019 to 15 July 2020 with applicable interest rate of 13% in accordance with the amended agreement between the Company and the convertible bond holder dated 28 December 2018. On 21 November 2019, the Company used its own free funds to early redeem the convertible bond of HK\$25 million. On 12 March 2020, the Company repaid in full the cash value of the remaining bond at HK\$30.2 million.

The Group did not use any financial instruments for hedging purposes and did not have any net foreign currency investments hedged against existing borrowings and/or other hedging instruments. As at 31 December 2020, the weighted average interest rate on bank borrowings (per annum) was 5.21% (2019: 5.51%).

Interest Rate Risk

The interest rate risk of the Group arises from short-term interest-bearing deposits and bank borrowings. The Group is exposed to the interest rate risk of cash flow on short-term deposits and bank borrowings at the variable rate. Bank borrowings and the convertible bond obtained at fixed interest rates expose the Group to fair value interest rate risk.

The Group does not have any significant interest-bearing assets other than short-term interest-bearing deposits. The Directors do not expect any material impact on interest-bearing assets from interest rate movement, as interest rates on short-term deposits are not expected to fluctuate substantially.

Pledge of Assets

As at 31 December 2020, the Group had pledged its buildings, land use rights and bank deposits with a carrying value of HK\$138.9 million (2019: HK\$150.1 million) as security for its borrowings. As at 31 December 2020, the amount of secured bank borrowings was HK\$152.4 million (2019: HK\$131.6 million).

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Company's Prospectus dated 30 September 2019 issued for the Share Offer, and the Company's announcement dated 26 March 2021 in relation to the acquisition of a total of 8,200 ordinary shares, representing 82% of Hung Tai Shun's total issued shares at a total consideration of HK\$60.0 million (for details please refer to the section "Events After the end of Reporting Period"), the Group did not have other future plans for material investments or capital assets.

Material Acquisitions and Disposal of Subsidiaries

There was no material acquisition or disposal of subsidiaries during the year ended 31 December 2020.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group adopts a conservative approach for cash management and investment on funds. The net proceeds from the listing have mainly been placed on short-term bank deposits with reputable banks in Hong Kong and the PRC. The Group's receipts and payments were denominated in Renminbi and US dollars with limited foreign exchange risk exposure in the latter. Besides, as the conversion of Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government, the directors of the Company consider that there is no significant exposure on Renminbi-denominated assets. The Group will closely monitor foreign exchange exposure and will consider hedging should the need arises.

Employees and Remuneration Policy

As at 31 December 2020, the Group had 1,030 full-time employees of whom 1,022 were based in Mainland China and 8 were based in Hong Kong and other countries. The total staff costs, including the emoluments of the Directors, amounted to HK\$91.2 million for the year ended 31 December 2020 (year ended 31 December 2019: HK\$93.9 million).

The management of the Group maintains good working relationship with its employees and provides training to keep the employees abreast of the latest developments of its products and production processes. Remuneration packages offered to the Group's employees are generally competitive and consistent with the prevailing levels in the market and are reviewed on a regular basis. Apart from basic remuneration and statutory retirement benefit scheme, discretionary bonuses may be provided to selected employees taking into consideration the Group's performance and the performance of the individual employee.

Prior to the listing, the Group adopted the Pre-IPO Share Option Scheme on 5 August 2018 to recognize the important contributions of related employees and individuals. As at 31 December 2019, the Company granted share options for 34,120,000 Ordinary Shares of the Company upon exercise. During the year, a total of 16,392,000 share options were converted to the Company's Ordinary Shares according to the vesting plan stipulated in Share Options Scheme and the total number of Issued Ordinary Shares to-date of this announcement is 816,392,000.

Treasury Shares

The Group bought back of a total of 12,240,000 (2019: Nil) of the Company's shares during 2020 in pursuant to the Share Award Scheme adopted on 10 July 2020. The total consideration paid to buy back these shares was HK\$12,297,000 (2019: Nil), which has been deducted from equity attributable to the owners of the Company.

Use of Net Proceeds from the Share Offer

The Company was listed on the Stock Exchange on 17 October 2019, the amount of the net proceeds raised from the shares offer (the "**Share Offer**") amounted to HK\$183.7 million which are the same as the announcement of the Company dated 16 October 2019.

As stated in the announcement of the Company dated 29 January 2021, the Board proposed a change in the use of net proceeds from the Share Offer in relation to HK\$21.1 million, representing 11.5% of the total net proceeds from the Share Offer. The net proceeds from the Share Offer were originally planned to be used for the construction of a new production plant in Indonesia for semi-refined carrageenan, but such land acquired by the Group has been informed by the Indonesian government that it would be resumed for public use.

As stated in the announcement of the Company dated 26 March 2021 and pursuant to the Sale and Purchase Agreement, the corresponding amount of net proceeds from the Share Offer will be used for partial payment of the acquisition of 82% of Hung Tai Shun's total issued shares, which in turn holds 99.83% issued share capital of Hongxin, a company incorporated in Indonesia with principal business engaging in the manufacture and sales of semi-refined carrageenan.

The net proceeds raised from the Shares Offer have been utilised in accordance with the plan set forth in the announcements dated 16 October 2019, 29 January 2021 and 26 March 2021 (see table below) and net proceeds not yet utilised are deposited with banks in Hong Kong and the PRC.

Planned use of net proceeds from the Share Offer (As disclosed in the Announcement) HK\$'000	Net proceeds from the Share Offer utilised as at 31 December 2019 HK\$'000	Net proceeds from the Share Offer utilised as at 31 December 2020 HK\$'000	Unutilised net proceeds from the Share Offer as at 31 December 2020 HK\$'000
Partial financing of the construction of a new production plant adjacent to the location of production plant operated and owned by Lvqi (Fujian) and purchase of machinery, with a designed annual capacity of 180 tonnes of refined iota carrageenan products, 1,500 tonnes of konjac gum products and 1,500 tonnes of quick- dissolve agar-agar products	20,200	20,200	—
Construction of a new production plant in Longhai city, Zhangzhou City, Fujian Province and purchase of machinery, with a designed annual capacity of 50 tonnes of agarose, 10 tonnes of agar microspheres and 200 tonnes of agarophyte ⁽¹⁾	62,100	—	11,122
			50,978

	Planned use of net proceeds from the Share Offer (As disclosed in the Announcement) HK\$'000	Net proceeds from the Share Offer utilised as at 31 December 2019 HK\$'000	Net proceeds from the Share Offer utilised as at 31 December 2020 HK\$'000	Unutilised net proceeds from the Share Offer as at 31 December 2020 HK\$'000
Acquisition of existing seaweed processing facilities in Indonesia with a designed annual capacity of 4,300 tonnes of semi-refined carrageenan ⁽²⁾	21,100	—	—	21,100
Construction of a new production plant in Zhangzhou city, Fujian Province and purchase of machinery, with a designed annual capacity of 1,000 tonnes of agar-agar products	62,800	—	42,252	20,548
General working capital	17,500	17,500	—	—
Total	<u>183,700</u>	<u>37,700</u>	<u>53,374</u>	<u>92,626</u>

Notes:

- (1) The construction work of the project has commenced during the second half of 2020.
- (2) As per the Company's announcement dated 29 January 2021, the Group was informed by the land office of district of Situbondo, province of East Java, Indonesia that the relevant land parcels acquired and purported for the subject project would be affected by the land acquisition of local government for the construction of a toll road project. In light of such situation, the Directors have decided the amount of net proceeds from Share Offer originally designated for the subject project would be reallocated for acquisition of existing seaweed processing facilities in Indonesia that could have similar production capacity of semi-refined carrageenan.

Capital Expenditures

Our capital expenditures primarily comprise cash expenditures for plant, equipment and land use rights. Our capital expenditures for the years ended 31 December 2020 and 2019 were HK\$61.1 million and HK\$43.4 million, respectively.

Commitments

- (1) The Group's capital commitments in respect of those that have been contracted for as at 31 December 2020 and 2019 amounted to HK\$54.1 million and HK\$1.9 million, respectively.
- (2) Operating leases commitments

The Group leases certain office buildings, vehicles and land use rights under non-cancellable operating lease agreements. The lease terms for office buildings are negotiated for terms ranging from one to ten years, and those for land use rights are under terms of 30 to 50 years.

The aggregate future minimum lease payments under non-cancellable operating leases of the Group are as follows:

	2020	2019
	HK\$'000	HK\$'000
Less than 1 year	2,426	1,594
Over 1 year and less than 5 years	6,757	2,891
Over 5 years	1,158	265
	10,341	4,750
Future finance charges	(1,343)	(582)
Total lease liabilities	8,998	4,168

In accordance with HKFRS 16, the above operating lease commitments, except for those relating to low-value or short-term leases, have been accrued for as lease liabilities (excluding future finance charges) in the financial statements of the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as of 31 December 2020.

Events After the end of Reporting Period

On 26 March 2021, a member of the Group entered into a Sale and Purchase Agreement with Mr. CAI Ming Huang, the sole shareholder of Hung Tai Shun, a company incorporated in Hong Kong, which in turn holds 99.83% of the issued share capital of Hongxin, a company incorporated in Indonesia with principal business engaging in the manufacture and sales of semi-refined carrageenan, in respect of the acquisition of a total of 8,200 ordinary shares, representing 82% of Hung Tai Shun's total issued shares at a total consideration of HK\$60.0 million. The remaining 0.17% issued share capital of Hongxin was held by Mr. CAI Ming Can, an associate of Mr. CAI Ming Huang. Pursuant to the Sale and Purchase Agreement, Mr. CAI Ming Can shall transfer the 0.17% issued share capital of Hongxin to the Group on or before completion. The transaction was carried out pursuant to the Group's business strategy of diversifying production facilities geographically for enhancement of cost competitiveness. The transaction is expected to be completed by 15 April 2021 and the Group's total designed capacity in the manufacture of semi-refined carrageenan will be increased from 3,685 tonnes per year to 7,985 tonnes per year after completion of the transaction.

Corporate Governance

The Company believes that good corporate governance can enhance its overall effectiveness, and thus create additional value for our shareholders. The Company is committed to maintaining high standards and has applied the Principles that are set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Company's corporate governance practices are based on these Principles. The Board believes that good corporate governance standards are essential in contributing to the provision of a framework for the Company to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies, and enhance transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices with effect from the Listing Date.

In the opinion of the Directors, the Company has complied with all the code provisions of the CG Code and to a large extent the recommended best practices in the CG Code during the year ended 31 December 2020, except for the deviation from code provision A.2.1 of the CG Code as described below.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. CHAN Kam Chung ("Mr. CHAN") is our Chairman and Chief Executive Officer. Mr. CHAN is responsible for formulating our overall strategic planning and business strategies and implementing major development policies and initiatives for the business development of our Group as a whole. Mr. CHAN's vision and leadership have played a pivotal role in our Group's success and achievements to date, and therefore our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. Our long-serving and outstanding senior management team and our Board, which comprise experienced and highcaliber individuals, provide a check on balance of power and authority. Our Board comprises four executive Directors (including Mr. CHAN); one non-executive Director; and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Interests of the Compliance Adviser

As notified by Essence Corporate Finance (Hong Kong) Limited ("Essence"), the Company's compliance adviser, save for the compliance adviser agreement entered into between the Company and Essence dated 26 September 2019 in connection with the Listing, none of Essence or its directors, employees or close associates (as defined in the Listing Rules) had any interest in the Group as at 31 December 2020, which is required to be notified to the Company pursuant to Rule 3A.19 of the Listing Rule.

Audit Committee

The Company established the Audit Committee pursuant to a resolution of Directors passed on 25 September 2019 in compliance with Rule 3.12 of the Listing Rules. The Audit Committee has set up the written terms of reference on 25 September 2019. The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advise in respect of financial reporting at least at half-year intervals, and oversee the risk management policies and internal control procedures of the Group constantly. The Audit Committee consists of three independent non-executive directors, namely Mr. HO Kwai Ching, Mark, Mr. NG Man Kung and Mr. HU Guohua. Mr. HO Kwai Ching, Mark currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the applicable code provisions in the CG Code. The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2020, the consolidated financial statements for the year ended 31 December 2020 and this announcement.

Model Code for Securities Transactions

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code throughout the period from the Listing Date to 31 December 2020.

Purchase, Sale or Redemption of Listed Securities of the Company

The Company bought back of a total of 12,240,000 of the Company's shares pursuant to the Share Award Scheme adopted on 10 July 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year under review.

Scope of Work of PricewaterhouseCoopers

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Closing Register of Shareholders for Entitlement to Attend and Vote at Annual General Meetings and Final Dividend

The forthcoming Annual General Meeting will be held on 1, June 2021. Notice of the Annual General Meeting will be sent to its Shareholders in due course. For the purpose of determining Shareholder's eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 27, May 2021 to 1, June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 26, May 2021.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from 7, June 2021 to 9, June 2021, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712- 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30p.m. on 4, June 2021.

Publication of Annual Results and Annual Report

This announcement is published on the websites of the Company (www.greenfreshfood.com) and the Stock Exchange (www.hkexnews.hk). The 2020 annual report containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and dispatched to the Shareholders in due course.

By order of the Board

**GREEN FUTURE FOOD HYDROCOLLOID
MARINE SCIENCE COMPANY LIMITED**

CHAN Kam Chung

Chairman and Chief Executive Officer

Hong Kong, 30 March 2021

As at the date of this announcement, the executive directors are Mr. CHAN Kam Chung, Mr. GUO Dongxu, Mr. CHAN Shui Yip and Mr. SHE Xiaoying; the non-executive director is Mr. GUO Songsen; and the independent non-executive directors are Mr. HO Kwai Ching, Mark, Mr. NG Man Kung and Mr. HU Guohua.