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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: 1084)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Board is pleased to announce the unaudited condensed consolidated interim financial results for the six months ended 30 June 2021 as follows:

- Revenue amounted to HK\$494.6 million, increased by 15.4% as compared to HK\$428.5 million for the six months ended 30 June 2020.
- Gross profit amounted to HK\$106.9 million and the gross profit margin was 21.6%, as compared to HK\$96.4 million and 22.5%, respectively, for the six months ended 30 June 2020.
- Profit for the period amounted to HK\$33.7 million and the net profit margin was 6.8%, as compared to HK\$34.5 million and 8.1%, respectively, for the six months ended 30 June 2020.

The Board has resolved to declare an interim dividend for the six months ended 30 June 2021 of HK1.5 cents per share.

The board (the “**Board**”) of directors (the “**Directors**”) of Green Future Food Hydrocolloid Marine Science Company Limited (the “**Company**”) is pleased to announce the condensed consolidated interim financial results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the six months ended 30 June 2020, as follows:

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2021*

*(All amounts expressed in HK\$ thousands unless otherwise stated)*

	Note	Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	6	494,634	428,487
Cost of sales	6	(387,706)	(332,061)
<b>Gross profit</b>		<b>106,928</b>	96,426
Other income		4,158	4,700
Other (losses)/gains – net		(1,455)	571
Net impairment gains/(losses) on financial assets		215	(181)
Selling and distribution expenses		(10,218)	(8,447)
Administrative expenses		(44,948)	(34,925)
<b>Operating profit</b>		<b>54,680</b>	58,144
Finance income		84	1,496
Finance costs		(10,907)	(13,438)
<b>Finance costs – net</b>		<b>(10,823)</b>	(11,942)
<b>Profit before income tax</b>		<b>43,857</b>	46,202
Income tax expense	8	(10,191)	(11,666)
<b>Profit for the period</b>		<b>33,666</b>	34,536
<b>Profit for the period attributable to:</b>			
Owners of the Company		34,086	36,126
Non-controlling interests		(420)	(1,590)
		<b>33,666</b>	34,536
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic earnings per share (HK\$)	9	0.042	0.045
Diluted earnings per share (HK\$)	9	0.041	0.044

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

*(All amounts expressed in HK\$ thousands unless otherwise stated)*

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit for the period</b>	<b>33,666</b>	34,536
<b>Other comprehensive income/(loss)</b>		
Items that may be reclassified subsequently to profit or loss		
– Currency translation differences	<u>5,760</u>	<u>(13,211)</u>
<b>Total comprehensive income for the period</b>	<u><b>39,426</b></u>	<u>21,325</u>
<b>Total comprehensive income for the period is attributable to:</b>		
Owners of the Company	<b>39,068</b>	22,965
Non-controlling interests	<u>358</u>	<u>(1,640)</u>
	<u><b>39,426</b></u>	<u>21,325</u>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

*As at 30 June 2021*

*(All amounts expressed in HK\$ thousands unless otherwise stated)*

		As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
	Note		
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights	11	67,919	62,470
Property, plant and equipment	11	494,457	413,044
Intangible assets	11	90,039	50,272
Prepayments for non-current assets		500	13,070
Deferred income tax assets		12,097	11,746
		665,012	550,602
<b>Current assets</b>			
Financial assets at fair value through profit or loss	14	5,903	3,540
Inventories		610,400	505,426
Trade and other receivables	13	182,665	197,355
Cash and bank balances	12	114,287	171,842
		913,255	878,163
<b>Total assets</b>		<b>1,578,267</b>	<b>1,428,765</b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	8,208	8,164
Other reserves		374,123	363,831
Treasury shares		(12,297)	(12,297)
Retained earnings		416,798	386,552
		786,832	746,250
<b>Non-controlling interests</b>		<b>16,056</b>	<b>7,855</b>
<b>Total equity</b>		<b>802,888</b>	<b>754,105</b>

		As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
	Note		
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank borrowings	18	37,469	28,398
Lease liabilities	18	6,103	7,037
Deferred income		29,561	31,096
Deferred income tax liabilities		6,519	1,803
		<u>79,652</u>	<u>68,334</u>
<b>Current liabilities</b>			
Trade and other payables	17	169,510	132,011
Bank borrowings	18	512,540	461,541
Lease liabilities	18	1,990	1,961
Current income tax liabilities		11,687	10,813
		<u>695,727</u>	<u>606,326</u>
<b>Total liabilities</b>		<u>775,379</u>	<u>674,660</u>
<b>Total equity and liabilities</b>		<u>1,578,267</u>	<u>1,428,765</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2021*

*(All amounts expressed in HK\$ thousands unless otherwise stated)*

	Note	Equity attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Other reserves	Treasury shares	Retained earnings	Total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>(Unaudited)</b>								
<b>Balance at 1 January 2021</b>		<u>8,164</u>	<u>363,831</u>	<u>(12,297)</u>	<u>386,552</u>	<u>746,250</u>	<u>7,855</u>	<u>754,105</u>
<b>Comprehensive income</b>								
Profit for the period		—	—	—	34,086	34,086	(420)	33,666
Other comprehensive income								
– Currency translation differences		—	4,982	—	—	4,982	778	5,760
<b>Total comprehensive income</b>		<u>—</u>	<u>4,982</u>	<u>—</u>	<u>34,086</u>	<u>39,068</u>	<u>358</u>	<u>39,426</u>
<b>Transactions with owners</b>								
Equity-settled share-based payment	16	—	1,439	—	—	1,439	—	1,439
Shares issued due to options exercised during the period	16	44	—	—	—	44	—	44
Acquisition of subsidiaries	19	—	—	—	—	—	7,917	7,917
Transaction with non-controlling interests	19	—	31	—	—	31	(74)	(43)
Profit appropriation to statutory reserves		—	3,840	—	(3,840)	—	—	—
<b>Total transactions with owners</b>		<u>44</u>	<u>5,310</u>	<u>—</u>	<u>(3,840)</u>	<u>1,514</u>	<u>7,843</u>	<u>9,357</u>
<b>Balance at 30 June 2021</b>		<u><u>8,208</u></u>	<u><u>374,123</u></u>	<u><u>(12,297)</u></u>	<u><u>416,798</u></u>	<u><u>786,832</u></u>	<u><u>16,056</u></u>	<u><u>802,888</u></u>

Equity attributable to owners of the Company

	Share capital HK\$'000	Other reserves HK\$'000	Treasury shares HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Note							
<b>(Unaudited)</b>							
<b>Balance at 1 January 2020</b>	8,000	366,791	—	326,983	701,774	669	702,443
<b>Comprehensive income</b>							
Profit for the period	—	—	—	36,126	36,126	(1,590)	34,536
Other comprehensive income							
– Currency translation differences	—	(13,161)	—	—	(13,161)	(50)	(13,211)
<b>Total comprehensive income</b>	—	(13,161)	—	36,126	22,965	(1,640)	21,325
<b>Transactions with owners</b>							
Final dividend paid	—	(40,820)	—	—	(40,820)	—	(40,820)
Capital contribution from non-controlling interests	—	—	—	—	—	5,581	5,581
Equity-settled share-based payment	16	1,814	—	—	1,814	—	1,814
Shares issued due to options exercised during the period	16	164	—	—	164	—	164
Profit appropriation to statutory reserves	—	5,836	—	(5,836)	—	—	—
<b>Total transactions with owners</b>	164	(33,170)	—	(5,836)	(38,842)	5,581	(33,261)
<b>Balance at 30 June 2020</b>	<u>8,164</u>	<u>320,460</u>	<u>—</u>	<u>357,273</u>	<u>685,897</u>	<u>4,610</u>	<u>690,507</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(All amounts expressed in HK\$ thousands unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	Note	
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Cash (used in)/generated from operations	(5,488)	6,218
Income tax paid	(10,277)	(19,362)
	<u>(15,765)</u>	<u>(13,144)</u>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	(33,143)	—
Purchases of financial assets at fair value		
through profit or loss	(8,460)	—
Purchases of property, plant and equipment	(60,986)	(19,581)
Purchases of intangible assets	(731)	(50)
Proceeds from sale of financial assets at		
fair value through profit or loss	6,176	—
Interest received	84	—
Proceeds from disposal of property, plant and equipment	8,993	2
	<u>(88,067)</u>	<u>(19,629)</u>
Net cash used in investing activities		



		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
<b>Note</b>		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from financing activities</b>			
	Proceeds from borrowings	<b>292,087</b>	304,657
	Restricted cash pledged for bank borrowings	<b>65,000</b>	—
	Proceeds of share issued due to options exercised during the period	<b>44</b>	164
	Proceeds of capital contribution from non-controlling interests	—	5,581
	Repayments of borrowings	<b>(235,663)</b>	(214,818)
	Interest paid	<b>(10,106)</b>	(11,454)
	Settlements of lease liabilities	<b>(1,170)</b>	(1,492)
	Transaction with non-controlling interest	<b>(43)</b>	—
	Final dividend paid	—	(40,820)
	Repayment of convertible bond	—	(30,179)
	Net cash generated from financing activities	<b>110,149</b>	11,639
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,317</b>	(21,134)
	Cash and cash equivalents at beginning of period	<b>106,842</b>	121,172
	Effect of foreign exchange rates changes	<b>1,128</b>	(1,355)
	<b>Cash and cash equivalents at end of period</b>	<b>114,287</b>	98,683
	12	<u><u>114,287</u></u>	<u><u>98,683</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## **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 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 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 have been listed on the Stock Exchange since 17 October 2019.

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

This condensed consolidated interim financial information has been approved for issue by the board of directors of the Company on 30 August 2021.

This condensed consolidated interim financial information has been reviewed, not audited.

## 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), except for the adoption of the new and amended standards as disclosed in note 3 below.

## 3 Significant accounting policies

The principal accounting policies applied in the preparation of this condensed consolidated interim financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020 and the corresponding interim financial period, except for the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### *(i) New and amended standards adopted by the Group*

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

<b>Standard and amendments</b>	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16 regarding interest rate benchmark reform	1 January 2021

### 3 Significant accounting policies (continued)

(ii) *New and amended standards that might be relevant to the Group that have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group.*

<b>Standard and amendments</b>	<b>Effective for accounting periods beginning on or after</b>
Amendment to HKAS 1 regarding classification of liabilities as current or non-current	1 January 2023
Amendments to HKFRS 3 regarding reference to the conceptual framework	1 January 2022
Amendments to HKAS 16 regarding property, plant and equipment proceeds before intended use	1 January 2022
Amendments to HKAS 37 regarding onerous contracts – cost of fulfilling a contract	1 January 2022
HKFRS 17 “Insurance Contracts”	1 January 2023
Annual improvements to HKFRS Standards 2018–2020	1 January 2022
Amendments to HKFRS 10 and HKAS 28 regarding sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is assessing the full impact of the new standard, new interpretations and amendments to standards and interpretations.

### 4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2020.

## **5 Financial risk management**

### **5.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no changes in the risk management policies since last year end.

## 5 Financial risk management (continued)

### 5.1 Financial risk factors (continued)

#### (a) Liquidity risk

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>At 30 June 2021</b>					
<b>(Unaudited)</b>					
Bank borrowings	512,540	6,564	30,905	—	550,009
Interest payable on borrowings	10,434	312	696	—	11,442
Lease liabilities	1,990	2,072	3,226	805	8,093
Trade and other payables (excluding non-financial liabilities)	155,743	—	—	—	155,743
	<u>680,707</u>	<u>8,948</u>	<u>34,827</u>	<u>805</u>	<u>725,287</u>
<b>At 31 December 2020</b>					
<b>(Audited)</b>					
Bank borrowings	461,541	3,683	24,715	—	489,939
Interest payable on borrowings	13,480	221	1,252	—	14,953
Lease liabilities	2,426	2,366	4,391	1,158	10,341
Trade and other payables (excluding non-financial liabilities)	115,573	—	—	—	115,573
	<u>593,020</u>	<u>6,270</u>	<u>30,358</u>	<u>1,158</u>	<u>630,806</u>

## **5 Financial risk management (continued)**

### **5.2 Fair value estimation of financial assets and liabilities measured at amortised cost**

The carrying amounts of the Group's current financial assets (including cash and bank balances, trade and other receivables and financial assets at fair value through profit or loss) and current financial liabilities (including trade and other payables, bank borrowings and lease liabilities) approximated their fair values as at the balance sheet date due to their short maturities.

## **6 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, service fee income, 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 annual 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.

## 6 Revenue and segment information (continued)

### (a) Segment information

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

	(Unaudited)					
	For the six months ended 30 June 2021					
	Sales of	Sales of	Sales of	Sales of	Others	Total
	agar-agar	carrageenan	konjac	blended		
	products	products	products	products	products	products
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue recognised at</b>						
<b>a point-in-time:</b>						
Sales to customers	134,285	289,632	31,827	32,790	6,100	494,634
Cost of sales	<u>(86,913)</u>	<u>(246,928)</u>	<u>(27,781)</u>	<u>(20,655)</u>	<u>(5,429)</u>	<u>(387,706)</u>
Segment results	<u><u>47,372</u></u>	<u><u>42,704</u></u>	<u><u>4,046</u></u>	<u><u>12,135</u></u>	<u><u>671</u></u>	<u><u>106,928</u></u>

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

Results of reportable segments	106,928
Other income	4,158
Other losses – net	(1,455)
Net impairment gains on financial assets	215
Selling and distribution expenses	(10,218)
Administrative expenses	(44,948)
Finance income	84
Finance costs	<u>(10,907)</u>
Profit before income tax	43,857
Income tax expense	<u>(10,191)</u>
Profit for the period	<u><u>33,666</u></u>



## 6 Revenue and segment information (continued)

### (a) Segment information (continued)

	(Unaudited)					
	For the six months ended 30 June 2020					
	Sales of	Sales of	Sales of	Sales of	Others	Total
	agar-agar	carrageenan	konjac	blended		
	products	products	products	products	products	products
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue recognised at a point-in-time:</b>						
Sales to customers	109,884	265,913	21,140	25,968	5,582	428,487
Cost of sales	<u>(69,649)</u>	<u>(226,396)</u>	<u>(19,044)</u>	<u>(16,858)</u>	<u>(114)</u>	<u>(332,061)</u>
Segment results	<u>40,235</u>	<u>39,517</u>	<u>2,096</u>	<u>9,110</u>	<u>5,468</u>	<u>96,426</u>

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

Results of reportable segments	96,426
Other income	4,700
Other gains – net	571
Net impairment losses on financial assets	(181)
Selling and distribution expenses	(8,447)
Administrative expenses	(34,925)
Finance income	1,496
Finance costs	<u>(13,438)</u>
Profit before income tax	46,202
Income tax expense	<u>(11,666)</u>
Profit for the period	<u>34,536</u>

## 6 Revenue and segment information (continued)

### (a) Segment information (continued)

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
China	238,662	198,112
Europe	165,060	144,905
Asia (excluding China)	46,869	47,035
South America	25,941	23,922
North America	15,344	12,033
Africa	2,732	2,480
Oceania	26	—
Total	<u>494,634</u>	<u>428,487</u>

## 6 Revenue and segment information (continued)

### (a) Segment information (continued)

External customers that individually have contributed over 10% of total revenue of the Group for the six months ended 30 June 2021 are as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Company A	<u>62,026</u>	<u>—</u>

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

	As at	As at
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
China	595,899	529,204
Hong Kong	2,715	3,173
Indonesia	<u>54,301</u>	<u>6,479</u>
Total	<u>652,915</u>	<u>538,856</u>

## 6 Revenue and segment information (continued)

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

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue recognised during the period that was included in the advance receipts from customers at the beginning of the period	<b><u>6,528</u></b>	<u>2,461</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.

## 7 Profit before income tax

Profit before income tax is stated after crediting and charging the following:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b><i>Crediting</i></b>		
Government grants	3,371	4,594
Net foreign exchange gains on financing activities and operating activities	1,254	—
Net impairment gains on financial assets	215	—
Interest income from banks	84	1,496
<b><i>Charging</i></b>		
Employee benefit expenses, including directors' emoluments	57,781	41,785
Depreciation of property, plant and equipment (note 11)	20,370	17,813
Electricity and water expenses	17,421	13,076
Interest and finance charges on bank borrowings and convertible bond	11,291	12,429
Consulting fee	3,094	3,648
Amortisation of intangible assets (note 11)	3,662	3,229
Net foreign exchange losses on financing activities and operating activities	—	459
Amortisation of land use rights (note 11)	803	704
Net impairment loss on financial assets	—	181

## 8 Income tax expense

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax	10,623	13,295
Deferred income tax	(432)	(1,629)
Income tax expense	<u>10,191</u>	<u>11,666</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) British Virgin Islands ("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 2021 and 2020 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 2020/2021 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%.

## 8 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 the six months ended 30 June 2021 and 2020.

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% for the six months ended 30 June 2021 and 2020.

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% for the six months ended 30 June 2021 and 2020.

### (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. For the six months ended 30 June 2021 and 2020, 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\$441,291,000 as at 30 June 2021 (31 December 2020: HK\$405,751,000), 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.

## 8 Income tax expense (continued)

### (vi) Indonesia profits tax

The Indonesia profits tax has been provided for at the rate of 22% (2020: 25%) on the estimated assessable profit for the six months ended 30 June 2021.

## 9 Earnings per share

### (a) Basic and diluted earnings per share

	Six months ended 30 June	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Basic earnings per share attributable to the ordinary equity holders of the Company	0.042	0.045
Diluted earnings per share attributable to the ordinary equity holders of the Company	<u>0.041</u>	<u>0.044</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.



## 9 Earnings per share (continued)

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$</b>	HK\$
	<b>(Unaudited)</b>	(Unaudited)
<i>Basic and diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company	<u><b>34,086</b></u>	<u>36,126</u>

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (i)	<b>817,053,127</b>	804,799,867
Adjustments for calculation of diluted earnings per share:		
– Share options	<b>8,423,349</b>	9,834,686
– Treasury shares	<u><b>12,240,000</b></u>	<u>—</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u><b>837,716,476</b></u>	<u>814,634,553</u>

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

## 10 Dividends

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Paid final dividend of HK0 cents (2020: HK5.0 cents) per ordinary share	—	40,820

Dividends in relation to the years ended 31 December 2020, amounting to approximately HK\$20,521,000 (2020: HK\$40,820,000), were paid in July 2021 (2020: paid in June 2020).

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Proposed interim dividend of HK1.5 cents (2020: HK2.5 cents) per ordinary share	<u>12,312</u>	<u>20,410</u>

An interim dividend of HK1.5 cents (2020: HK2.5 cent) per share, amounting to a total of HK\$12,312,000, was proposed by the board of directors of the Company on 30 August 2021. The proposed dividend will be distributed out of the share premium account of the Company. This condensed consolidated interim financial information does not reflect it as dividend payable.

## 11 Property, plant and equipment, land use rights and intangible assets

	(Unaudited)			
	Property, plant and equipment	Land use rights	Intangible assets	
			Goodwill	Others
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	413,044	62,470	27,907	22,365
Additions	77,216	—	—	1,014
Acquisition of subsidiaries (note 19)	28,529	5,818	24,278	17,418
Depreciation/amortisation	(20,370)	(803)	—	(3,662)
Disposal	(8,960)	—	—	—
Currency translation differences	4,998	434	320	399
At 30 June 2021	<u>494,457</u>	<u>67,919</u>	<u>52,505</u>	<u>37,534</u>

	(Unaudited)			
	Property, plant and equipment	Land use rights	Intangible assets	
			Goodwill	Others
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	361,234	60,615	26,219	26,301
Additions	16,513	—	—	50
Depreciation/amortisation	(17,813)	(704)	—	(3,229)
Disposal	(3)	—	—	—
Currency translation differences	(3,083)	(1,241)	(505)	(685)
At 30 June 2020	<u>356,848</u>	<u>58,670</u>	<u>25,714</u>	<u>22,437</u>

## 12 Cash and bank balances

	As at <b>30 June</b> <b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	As at 31 December 2020 HK\$'000 (Audited)
Cash and cash equivalents		
– Cash on hand and in banks	<u>114,287</u>	<u>106,842</u>
– Restricted cash - cash in banks	<u>—</u>	<u>65,000</u>
Total of cash and bank balances	<u><b>114,287</b></u>	<u><b>171,842</b></u>

The restricted cash are deposits held at bank as deposit for letter of guarantee and pledged for bank borrowings of the Group as at 31 December 2020, and were released of the guarantee and pledge at 4 January 2021.

### 13 Trade and other receivables

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade receivables	149,002	146,282
Loss allowance provision	(539)	(754)
	<u>148,463</u>	<u>145,528</u>
Export tax rebate receivables and deductible value-added tax	24,889	20,070
Prepayments	3,420	25,251
Other receivables	5,893	6,506
	<u>34,202</u>	<u>51,827</u>
Total trade and other receivables	<u><u>182,665</u></u>	<u><u>197,355</u></u>

The ageing analysis of the trade receivables as at the 30 June 2021 based on invoice date was as follows:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Up to 30 days	83,296	75,553
31 to 90 days	46,637	39,768
91 to 180 days	7,306	6,608
181 to 360 days	3,386	12,909
Over one year	8,377	11,444
	<u>149,002</u>	<u>146,282</u>

## 14 Financial assets at fair value through profit or loss

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
<b>Current assets</b>		
Financial assets at fair value through profit or loss		
– Debt investment	<u>5,903</u>	<u>3,540</u>

## 15 Share capital

	(Unaudited)		(Unaudited)	
	2021	2021	2020	2020
	Shares	HK\$'000	Shares	HK\$'000
As at 1 January	816,392,000	8,164	800,000,000	8,000
At 3 June 2021-shares issued upon exercise of share options	4,432,000	44	—	—
At 8 May 2020-shares issued upon exercise of share options	<u>—</u>	<u>—</u>	16,392,000	164
As at 30 June	<u>820,824,000</u>	<u>8,208</u>	<u>816,392,000</u>	<u>8,164</u>

## **16 Equity-settled share-based payment**

On 26 February 2018, the Controlling Shareholders of the Company transferred 2,044, 364 and 728, totalling 3,136 of their shares in the Company to (i) three employees of the Group, (ii) a former non-controlling shareholder of a subsidiary of the Group (the “former NCI”) and (iii) their personal consultant (the “consultant”), respectively. For the three employees, the vesting period begins from the issuance date and ends 5 years from the earlier of the listing date or 1 January 2019. No vesting period was required for shares transferred to the former NCI and the consultant. On 4 August 2018, the three employees, the former NCI, and the consultant transferred all the 3,136 shares that were granted to them on 26 February 2018 back to the Controlling Shareholders for the purpose of participating in a pre-IPO share option scheme.

On 5 August 2018, the then sole director of the Company approved a pre-IPO share option scheme. On 9 August 2018, the Company granted pre-IPO share options to the three employees, the former NCI and the consultant. The total percentage of shareholding entitled by the share options granted remained majority the same as the total shareholding of the shares transferred by the Controlling Shareholders to the five individuals on 26 February 2018 (the “February Share Transfers”), and the vesting period requirements for the pre-IPO share options remain fairly the same as those for the February Share Transfers, with the vesting period for employees adjusted to begin with the listing date and lasts for 5 years which is not materially different from the vesting period requirement in the February Share Transfer. The grant of these pre-IPO share options was regarded as a modification of the February Share Transfers and there was no material changes in fair value of the options granted and the fair value of the February Share Transfer.

## 16 Equity-settled share-based payment (continued)

The total amounts of the fair value of shares transferred, and subsequently the share options granted, to the three employees are expensed over the vesting period of 5 years and recorded in ‘employee benefit expenses’, and those to the former NCI and the consultant are expensed to ‘administrative expenses’, in the consolidated statement of profit or loss. The equity-settled share-based payment expenses charged to the consolidated statement of profit or loss are as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Employee benefit expenses	<u>1,439</u>	<u>1,814</u>

As at 30 June 2021, the remaining unamortised fair value of shares/options transferred to the three employees amounted to approximately HK\$5,567,000 (2020: HK\$8,821,000) which will be charged to the consolidated statement of profit or loss in the future.

The following assumptions were used to calculate the fair values of the shares transferred by using income approach – expected cash flow discount method:

	26 February
	2018
Long term annual growth rate	3%
Weighted-average cost of capital	<u>18%</u>

Weighted-average cost of capital is determined with reference to a set of comparable companies in the industry.



## 16 Equity-settled share-based payment (continued)

Movements in the number of the options outstanding are as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
As at 1 January	<b>17,728,000</b>	34,120,000
Exercised during the period	<b>(4,432,000)</b>	(16,392,000)
	<b><u>13,296,000</u></b>	<u>17,728,000</u>

Share options outstanding as at 30 June 2021 have the following exercise period and exercise prices:

	Date of grant	Number of share options outstanding as at June 30		Vesting period and maximum % of exercisable share options	Exercise period	Exercise price
		2021	2020			
		(Unaudited)	(Unaudited)			
Options granted to the three employees	9 August 2018	<b>13,296,000</b>	17,728,000	20% each year starting from 17 October 2019	17 October 2019 to 16 October 2024. All unexercised share options after the relevant exercise periods or upon resignation will lapse.	HK\$0.01
Options granted to the former NCI and the consultant	9 August 2018	—	—	100% from 17 April 2020	17 April 2020 to 16 April 2025	HK\$0.01
		<b><u>13,296,000</u></b>	<u>17,728,000</u>			

## 17 Trade and other payables

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade payables	95,629	65,622
Payables for property, plant and equipment	22,220	17,229
Acquisition consideration payable to Mr. Cai Ming Huang (note 19, note 22)	25,000	—
Employee benefit payables	9,499	8,353
Advance receipts from customers	3,174	6,528
Amounts due to a relate party (note 22)	2,203	106
Other taxes payable	1,094	1,557
Amount due to a third party	—	23,764
Others	10,691	8,852
	<u>169,510</u>	<u>132,011</u>

Trade payables are usually paid within 90 days of recognition.

The ageing analysis of trade payables as at 30 June 2021 based on invoice date was as follows:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
0-90 days	93,326	64,991
91-180 days	2,234	610
181-360 days	69	21
	<u>95,629</u>	<u>65,622</u>

## 17 Trade and other payables (continued)

The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature.

## 18 Convertible bond, bank borrowings and lease liabilities

	(Unaudited)			(Audited)		
	As at 30 June 2021			As at 31 December 2020		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings (b)						
– secured	149,504	32,689	182,193	124,048	28,398	152,446
– unsecured	363,036	4,780	367,816	337,493	—	337,493
	<u>512,540</u>	<u>37,469</u>	<u>550,009</u>	<u>461,541</u>	<u>28,398</u>	<u>489,939</u>
Lease liabilities (c)						
– unsecured	1,990	6,103	8,093	1,961	7,037	8,998
Total borrowings	<u>514,530</u>	<u>43,572</u>	<u>558,102</u>	<u>463,502</u>	<u>35,435</u>	<u>498,937</u>
Total secured borrowings	149,504	32,689	182,193	124,048	28,398	152,446
Total unsecured borrowings	<u>365,026</u>	<u>10,883</u>	<u>375,909</u>	<u>339,454</u>	<u>7,037</u>	<u>346,491</u>
Total borrowings	<u>514,530</u>	<u>43,572</u>	<u>558,102</u>	<u>463,502</u>	<u>35,435</u>	<u>498,937</u>

## 18 Convertible bond, bank borrowings and lease liabilities (continued)

### (a) Convertible bond

The Company issued a convertible bond for HK\$60 million on 20 November 2017. The bond was convertible, at the option of the holder, into ordinary shares of the Company for a maximum of 2% shareholding of the Company at the conversion price as agreed, and the remaining balance would be repayable on 20 November 2019. On 28 February 2018, the conversion option was fully exercised by the convertible bondholder by converting a portion of the bond, amounting to HK\$4,821,000, for 1,120 ordinary shares of the Company, representing 2% shareholding of the Company at the date of conversion. On 28 December 2018, the Company signed an amendment agreement with the convertible bondholder to extend the expiry date of the repayment of the remaining bond balance to 15 July 2020 and the interest rate was adjusted to 13% per annum for the period from 21 November 2019 to 15 July 2020. On 21 November 2019, the Company repaid HK\$25 million of the bond, and on 12 March 2020, the Company fully repaid the remaining balance of the bond of HK\$30,179,000.

The movements of the convertible bond for the period are set out below:

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (Audited)</b>
<i>Host debt component:</i>		
At 1 January	—	29,547
Repayment of convertible bond	—	(30,179)
Interest expense	—	1,395
Interest payment	—	(763)
	<hr/>	<hr/>
At 30 June	<hr/> <hr/>	<hr/> <hr/>

## 18 Convertible bond, bank borrowings and lease liabilities (continued)

### (b) Bank borrowings

During the six months ended 30 June 2021, movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
At 1 January	489,939	344,155
Proceeds from bank borrowings	292,087	304,657
Repayments of bank borrowings	(235,663)	(214,818)
Currency translation differences	3,646	(10,184)
	<u>550,009</u>	<u>423,810</u>
At 30 June	<u>550,009</u>	<u>423,810</u>

For the six months ended 30 June 2021, the weighted average effective interest rates on bank borrowings were 4.45% (2020: 4.81%).

## 18 Convertible bond, bank borrowings and lease liabilities (continued)

### (c) Lease liabilities

Lease liabilities of the Group were related to buildings and vehicles of the Group.

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Minimum lease payments:		
Within one year	2,352	2,426
Later than 1 year and no later than 5 years	6,120	6,757
Over 5 years	836	1,158
	<u>9,308</u>	<u>10,341</u>
Future finance charges	<u>(1,215)</u>	<u>(1,343)</u>
Total lease liabilities	<u><u>8,093</u></u>	<u><u>8,998</u></u>
Payable:		
Within one year	1,990	1,961
Over one year	6,103	7,037
Total lease liabilities	<u><u>8,093</u></u>	<u><u>8,998</u></u>

### (d) Other disclosures

#### (i) Fair value

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

## 18 Convertible bond, bank borrowings and lease liabilities (continued)

### (d) Other disclosures (continued)

#### (ii) Undrawn borrowing facilities

The Group had the following undrawn borrowing facilities:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Bank borrowings, at floating rates		
– Expiring within one year	<u>80,656</u>	<u>146,488</u>

#### (iii) Denomination currency

The carrying amounts of the Group's convertible bond, bank borrowings and lease liabilities were denominated in the following currencies:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
USD	141,100	128,512
RMB	364,605	317,555
HK\$	<u>52,397</u>	<u>52,870</u>
	<u>558,102</u>	<u>498,937</u>

## 19 Business combination

On 26 March 2021, a subsidiary of the Company, Green Fresh (H.K) International Co., Limited, entered into an agreement with a third party to acquire 82% of the equity interest in Hung Tai Shun International Trading Limited, which holds 99.83% ownership of PT Hongxin Algae International. The transaction was completed on 15 April 2021 and the total purchase consideration was HK\$60,000,000, payable in cash, and the identifiable net assets acquired was HK\$35,722,000.

Details of the purchase consideration, the identifiable net assets acquired and the resultant goodwill are as follows:

	HK\$'000
Purchase consideration:	
Cash paid	35,000
Consideration payable (note 17)	<u>25,000</u>
Total purchase consideration	<u><u>60,000</u></u>

Acquisition-related costs amounting to HK\$845,000 were excluded from the purchase consideration and were recognised as expenses during the period ended 30 June 2021.



## 19 Business combination (continued)

The identifiable assets and liabilities recognised at the date of acquisition are as follows:

	<b>Fair value</b>
	HK\$'000
Cash and cash equivalents	1,857
Inventories	2,485
Trade and other receivables	2,603
Land use rights (note 11)	5,818
Intangible assets (note 11)	17,418
Property, plant and equipment (note 11)	28,529
Deferred income tax assets	81
Deferred income tax liabilities	(4,905)
Trade and other payables (note 17)	<u>(10,247)</u>
Total identifiable net assets at fair value	<u><u>43,639</u></u>
Less: Non-controlling interest	<u>(7,917)</u>
Fair value of identifiable net assets acquired	<u><u>35,722</u></u>

Goodwill arising on acquisition:

	HK\$'000
Purchase consideration	60,000
Less: Fair value of identifiable net assets acquired	<u>(35,722)</u>
Goodwill arising on acquisition	<u><u>24,278</u></u>

Goodwill arose in the acquisition of Hung Tai Shun International Trading Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the revenue growth, future market development and preferential policy of Hung Tai Shun International Trading Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

## 19 Business combination (continued)

Net cash outflow during the year on the acquisition:

	HK\$'000
Consideration paid in cash	35,000
Less: cash and cash equivalent balances acquired	<u>(1,857)</u>
Net outflow of cash – investing activities	<u><u>33,143</u></u>

On 15 April 2021, the Group acquired an additional 0.17% of the issued shares of PT Hongxin Algae International for HK\$43,000. Immediately prior to the purchase, the carrying amount of the existing 18.14% non-controlling interest in PT Hongxin Algae International was HK\$7,917,000. The Group recognised a decrease in non-controlling interests of HK\$74,000 and an increase in equity attributable to owners of the parent of HK\$31,000. The effect on the equity attributable to the owners of PT Hongxin Algae International during the year is summarised as follows:

	HK\$'000
Carrying amount of non-controlling interests acquired	74
Consideration paid to non-controlling interests	<u>(43)</u>
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	<u><u>31</u></u>

There were no transactions with non-controlling interests in 2020.

## 20 Commitments

### (a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is set out below:

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (Audited)</b>
Contracted but not recognised as liabilities:		
Property, plant and equipment	<u>23,465</u>	<u>54,052</u>

## 21 Contingent liabilities

At 30 June 2021, the Group had no material contingent liabilities (31 December 2020: nil).

## 22 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

During the period, other than the acquisition of subsidiaries disclosed as note 19, the Group had no other significant related party transactions, and the following is a summary of significant balances arising from related party transactions as at the end of the reporting period.

## 22 Related party transactions (continued)

### (a) Balances with related parties

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Amounts due to related parties:		
– Mr. Cai Ming Huang (note 17, note 19) (i)	25,000	—
– Mr. Guo Dongxu (ii)	2,203	106
	<u>27,203</u>	<u>106</u>
Prepayment to a related party:		
– Mr. Guo Dongxu (iii)	—	11,882
	<u>—</u>	<u>11,882</u>

- i. The amount due to Mr. Cai Ming Huang was related to the acquisition of subsidiaries as disclosed in note 17 and note 19.
- ii. The amount due to Mr. Guo Dongxu was the rental payable which was unsecured, non-interest bearing and repayable on demand.
- iii. The prepayment to Mr. Guo Dongxu was related to the purchase of office premises from Mr. Guo Dongxu in year 2020. The purchase was completed in February 2021.

### (b) Key management compensation

For the six months ended 30 June 2021, the key management compensation amounted to approximately HK\$7,921,000 (2020: HK\$6,135,000).

## 23 Events after the balance sheet date

There are no other material subsequent events undertaken by the Company or by the Group after 30 June 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is a leading producer of seaweed-based and plant-based hydrocolloid products in the PRC and the global market. The Group's products, including a wide range of agar-agar, carrageenan, konjac gum and blended products, provide additional and desirable functional properties, such as thickening, water-retention and stabilising functions, to different types of end products, including processed food, cosmetics and biotechnology products, apart from their rich soluble dietary fibres contents. In addition, the Group can modify and enhance the product functions by blending different colloids, gums and materials. For example, the konjac gum blended products will provide plant-based artificial meat with a mouthfeel resembling that of real meat and a rich nutrient profile in response to the current health conscious amongst the consumers.

The Group is distinctive from the conventional product manufacturers in that the Group is positioned itself primarily a long-term business partner of its customers in the supply of functional materials and the development of the end-products, both of which will enhance the customers' loyalty. Through the Group's efforts on the product research and development, the Group has also assisted customers in the development of new applications and new end products that enable the Group to secure continuous customer orders and increase profit contributions as part of the long-term business development strategy of the Group.

### **Business Review**

In the first half of 2021, there were positive indications of economic recovery following the global roll-out of coronavirus ("COVID-19") vaccines, even though the overall global pandemic situation remained volatile. The pace of economic recovery in different countries is different.

For the six months ended 30 June 2021 (the “**Period**”), the Group’s total revenue was HK\$494.6 million (2020: HK\$428.5 million), representing an increase of 15.4% as compared to the same period of last year. As stated in the Company’s 2020 annual report, the COVID-19 pandemic and the related control measures had severely affected the retail markets and consequently, the demand for certain products of the Group decreased. Such a situation is considered temporary and will be improved over time. During the Period, all hydrocolloid products recorded increases in revenue period-to-period, due to the trend of economic recovery. On the other hand, during the Period, the amount of net profit of the Group was HK\$33.7 million (2020: HK\$34.5 million), representing a slight decrease of 2.3%. During the Period, there was a modest decrease of 0.9% in the overall gross profit margin. Although there was increase in the sales volume and the amount of revenue, the positive effect of which was offset by the increases in the cost of sales as well as the selling and administrative expenses which were largely due to the increase in the staff cost incurred by the Group during the Period.

During the Period, whilst there were differences in the levels of demand for our hydrocolloid products in different markets, there were general increases in the level of demand in the industry globally. The sales in the PRC and overseas markets accounted for 48.3% and 51.7% of our sales for the Period, respectively (2020: 46.2% and 53.8%). The COVID-19 contingency and preventive measures implemented in the PRC led to a notable increase of revenue of 20.5% in the PRC market as compared to the same period of last year. As a result of the economic recovery of the European, North and South American regions, the revenue from the respective markets has also increased by 13.9%, 27.5% and 8.4%, respectively, in dollar terms. In contrast, the Asian region (excluding the PRC) recorded a slight decrease in revenue of 0.3% during the Period due to the disruptions in the retail business as a result of various kinds of business lock-downs and travel restrictions brought by the COVID-19 pandemic.

### **Advantages in Technology and Scale**

By strengthening the product research and development capability and the related marketing efforts, the Group expanded the sales of quick-dissolve agar-agar products for use in dairy products. The revenue of quick-dissolve agar-agar products recorded an increase of 33.6% for the Period as compared to the same period of 2020 and quick-dissolve agar-agar products

remained as one of the Group's products with the highest gross profit margin. The Directors believe that with steady and growing demands for dairy products, the quick-dissolve agar-agar products of the Group will be increasingly important. Furthermore, the konjac gum has become a key ingredient of various health foods for its rich soluble dietary fibers, and its development is on the momentum. As for the daily necessities, the markets for gel-type air fresheners and beauty products such as face masks were further developed during the Period. The Directors expect that the diversity in the end products and the applications will be key areas for our expansion in the future.

The COVID-19 pandemic was a major challenge throughout 2020 and the Period, and it would continue for the remaining of 2021. The Group's revenue has rebound alongside the economic recovery of the major regions in the world. This is a clear indication of the strong resilience of the food industry at all times, and also the competitiveness of the Group as an industry leader. Despite the relatively uncertain business environment in the near future, the Group is committed to maintaining stable business and improving returns on investments by leveraging its strengths in the business scale and the technical expertise.

### **Business Prospects**

Even though the COVID-19 pandemic has caused significant uncertainty to the global economy, the end product markets for hydrocolloid products remain generally stable as the key applications of hydrocolloid products are basic consumer goods including food and household products, and the prospect of hydrocolloid products is promising. As part of the core value of the Group of "innovation, growth, and re-innovation", the Group will continue to support and facilitate the development of end products and new end-use applications for the customers and to further expand the markets.

The Group's development strategy is to continue to invest in product research and development and to develop new applications and markets. Currently, the two subsidiaries in Shanghai focus on the research and development as well as the sale of quick-dissolve agar-agar products and blended products. Further, the Group is committed to explore and develop the high value-add bakery product market and has started the OEM business of fiber-rich health foods for personal consumption. In terms of the Group's effort to diversify the

geographical location of the production facilities as well as ongoing cost-reductions, the Group has completed the acquisition of a majority equity interest in PT Hongxin Algae International (“**Hongxin**”), a company incorporated in Indonesia principally engaging in the manufacture of semi-refined carrageenan and konjac gum products with clear advantages in lower operating cost and proximity to seaweed resources, during the Period. With this strategic move, the Directors expect to excel further on both business scale and competitiveness.

### **Interim Dividend**

In order to share the operating results of the Company with our shareholders, the Board has resolved to declare an interim cash dividend of HK1.5 cents per share for the Period, amounting to a total of HK\$12.3 million, to be paid to all shareholders of the Company with their names recorded on the register of members of the Company at the close of business on Tuesday, 14 September 2021. The interim dividend is expected to be payable on or about Friday, 15 October 2021.

### **Closure of Register of Members**

For the purpose of ascertaining shareholders’ entitlement to the proposed interim dividend, the register of members of the Company will be closed on Tuesday, 14 September 2021, on which day no transfer of shares will be registered. To qualify for the proposed interim 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 4:30 p.m. on Monday, 13 September 2021.



## **Financial Review**

### **Revenue**

For the Period, the Group's revenue was HK\$494.6 million (2020: HK\$428.5 million), increased by 15.4% as compared to the same period of last year. During the Period, the revenue of all hydrocolloid products increased, in which agar-agar, carrageenan, konjac and blended products increased by 22.2%, 8.9%, 50.6% and 26.3%, respectively, as compared to the same period of last year. The total revenue of agar-agar and carrageenan products, contributing 85.7% of the total revenue of the Group, recorded a slight decrease of 2.0% for the Period as compared to the same period of 2020. This indicates that our efforts on products and market development have led to an increase in revenue contributed from konjac and blended products.

### **Cost of Sales**

For the Period, the cost of sales of the Group was HK\$387.7 million (2020: HK\$332.1 million), representing an increase of 16.7%. Our cost of sales mainly consisted of the cost of raw materials (seaweed and konjac) and ancillary materials and production lost. The increase in the cost of sales during the Period was mainly a result of the increase in sales volume as well as the increase in direct labor cost comprising mainly staff salaries and social insurance expenses. The former was due to the resumption of normal payroll during the Period as compared to the down-trimmed payroll caused by disruptions to works during the initial stage of the pandemic and related close-down measures implemented in China last year. The latter was due to the resumption of normal social insurance contribution rate during the Period as compared to the payment of concessionary rate during the first half of 2020 as part of the government's supportive measure to business enterprises in China. Besides, we also found an increase in other manufacturing costs during the Period as the sales volume and general cost levels increased.

## **Gross Profit and Gross Profit Margin**

For the Period, the gross profit of the Group was HK\$106.9 million (2020: HK\$96.4 million), representing an increase of 10.9%. The overall gross profit margin for the Period was 21.6%, representing a slight decrease of 0.9% as compared to the same period of 2020. The gross profit margin of agar-agar and carrageenan were down by 1.3% and 0.1%, respectively, while those of konjac and blended products were improved by 2.8% and 1.9%, respectively. Being the key products of the Group, the slight decrease in gross margin for agar-agar and carrageenan was mainly due to the adoption of conservative pricing strategy purported to step-up inventory circulations. On the other hand, improvement in cost efficiency for Konjac and blended products was achieved through the increase in sales and production volume during the Period.

## **Selling and Distribution Expenses**

For the Period, the selling and distribution expenses of the Group were HK\$10.2 million (2020: HK\$8.4 million), representing an increase of 21.4%, which was mainly attributable to the increase in staff salaries and social insurance expenses during the Period. Besides, there was a general increase in logistic related and promotional expenses due to the increase in sales volume during the Period. On the whole, the ratio of selling and distribution expenses to revenue remained stable during the Period as compared to the same period of 2020.

## **Administrative Expenses**

For the Period, the administrative expenses of the Group were HK\$44.9 million (2020: HK\$34.9 million), representing an increase of 28.7%, which was mainly attributable to the increase in staff salaries and social insurance expenses during the Period. Besides, there was an increase in business travelling expenses due to the further open-up of domestic travel in China during the Period.

## Net Finance Costs

For the Period, the finance income and costs of the Group were HK\$84,000 and HK\$10.9 million, respectively, (2020: HK\$1.5 million and HK\$13.4 million), representing a decrease of 94.4% for finance income and 18.7% for finance costs. The decrease in finance income was mainly due to the decrease in interest-earning surplus fund during the Period, while the decrease in finance costs was due to the decrease in interest charged on convertible bond that was fully repaid in March 2020.

## Income Tax Expense

For the Period, the income tax expense of the Group was HK\$10.2 million (2020: HK\$11.7 million), representing a decrease of HK\$1.5 million or 12.6%, which was mainly due to the corresponding increase in the relevant deduction of deferred income tax during the Period.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax	<b>10,623</b>	13,295
Deferred income tax	<b>(432)</b>	(1,629)
Income tax expense	<b><u>10,191</u></b>	<b><u>11,666</u></b>

## Profit Attributable to Owners of the Company

For the Period, profit attributable to owners of the Company was HK\$34.0 million (2020: HK\$36.1 million), representing a mild decrease of 5.8% as compared to the same period of last year.

## Liquidity and Financial Resources

As at 30 June 2021, the Group's cash and cash equivalents and restricted cash amounted to HK\$114.3 million, representing a decrease of HK\$57.5 million from 31 December 2020. The financial ratios of the Group as at 30 June 2021 were as follows:

	<b>As at 30 June 2021</b>	As at 31 December 2020
Current ratio	<b>1.30</b>	1.63
Gearing ratio <sup>1</sup>	<b>35.3%</b>	30.2%

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

## Net Current Assets

As at 30 June 2021, the Group's net current assets were HK\$217.5 million, representing a decrease of HK\$54.3 million from HK\$271.8 million as at 31 December 2020, primarily due to the increase of HK\$105.0 million in inventories and the decrease of HK\$14.7 million and HK\$57.5 million in receivables and cash balance, and the increase of HK\$37.4 million in payables and the increase of HK\$51.0 million in the balance of short-term bank loans as at 30 June 2021. These changes created a composite effect to the net current assets level.

## Borrowings

As at 30 June 2021, the total bank borrowings of the Group amounted to HK\$550.0 million, of which HK\$512.5 million shall be repaid within one year and HK\$37.5 million shall be repaid after one year. The carrying amounts of bank borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi.

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 30 June 2021, the weighted average interest rate on bank borrowings (per annum) was 4.45%.

### **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 30 June 2021, the Group had pledged its buildings, land use rights and bank deposits with a carrying value of HK\$94.2 million (31 December 2020: HK\$139.3 million) as security for its borrowings. As at 30 June 2021, the amount of secured bank borrowings was HK\$182.2 million (31 December 2020: HK\$152.4 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, the Group did not have other future plans for material investments or capital assets.

## **Material Acquisitions and Disposal of Subsidiaries**

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 Trading 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 which principally engaging in the manufacture and sale of semi-refined carrageenan. The transaction was carried out in accordance with the Group’s business strategy of diversifying its production facilities geographically to increase its cost competitiveness. The transaction was completed on 15 April 2021 and the Group’s total designed capacity in the manufacture of semi-refined carrageenan has been increased from 3,685 tonnes per year to 7,985 tonnes per year after completion of the transaction.

## **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 Mainland China. The Group’s receipts and payments were mainly 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 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 30 June 2021, the Group had 1,052 full-time employees, of whom 1,011 were based in Mainland China and 41 were based in Hong Kong and other countries and territories.

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 (the “**Pre-IPO Share Option Scheme**”) on 5 August 2018 to recognise the important contributions of related employees and individuals. On 9 August 2018, the Company granted share options for 34,120,000 ordinary shares of the Company upon exercise under the Pre-IPO Share Option Scheme. The exercise price was HK\$0.01, representing 0.86% of the final offer price of the share issued in connection with the listing. On 27 May 2021, the Board accepted the further exercise of an aggregate sum of 4,432,000 share options by the participants of the Pre-IPO Share Option Scheme for the year 2021 involving a total of 4,432,000 ordinary shares, and the shares became listed shares after the relevant share certificates were issued by the Hong Kong Share Registrar of the Company on 3 June 2021. As at 30 June 2021, the issued share capital of the Company was 820,824,000 shares. No option was granted, lapsed or cancelled during the Period. The Company had 13,296,000 share options outstanding under the Pre-IPO Share Option Scheme, representing 1.6% of issued share capital of the Company as of the date of this announcement, which shall be exercisable over the pre-determined exercise period.

The Group adopted the post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”) on 25 September 2019.

During the Period, no option had been granted, exercised, lapsed or cancelled under the Post-IPO Share Option Scheme.

## 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 share offer (the “**Share Offer**”) amounted to HK\$183.7 million which are the same as the announcement of the Company dated 16 October 2019 (the “**Announcement**”). The net proceeds have been utilised in accordance with the plan set forth in the Announcement (see table below) and for net proceeds not yet utilised are deposited with banks in Hong Kong and the PRC.

	Unutilised net proceeds from the Share Offer as of 31 December 2020	Net proceeds from the Share Offer utilised as of 30 June 2021	Unutilised net proceeds from the Share Offer as of 30 June 2021	Expected timeline for utilising the remaining net proceeds from the Share Offer
Planned use of net proceeds from the Share Offer	HK\$'000	HK\$'000	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	—	—	—
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	62,100	50,987	3,563	47,415
				Expected to be utilised in full as of 31 March 2022



	Planned use of net proceeds from the Share Offer	Unutilised net proceeds from the Share Offer as of 31 December 2020	Net proceeds from the Share Offer utilised as of 30 June 2021	Unutilised net proceeds from the Share Offer as of 30 June 2021	Expected timeline for utilising the remaining net proceeds from the Share Offer
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Construction of a production plant in Indonesia and purchase of machinery, with a designed annual capacity of 3,000 tonnes of semi-refined carrageenan <sup>(1)</sup>	21,100	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	20,548	20,413	135	Expected to be utilised in full as of 30 November 2021
General working capital	17,500	—	—	—	—
<b>Total</b>	<b>183,700</b>	<b>92,626</b>	<b>45,076</b>	<b>47,550</b>	

*Note:*

- (1) 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 the 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.

On 26 March 2021, a member of the Group entered into the Sale and Purchase Agreement with Mr. CAI Ming Huang, the sole shareholder of 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 Hongxin, a company incorporated in Indonesia principally engaging in the manufacture and sales of semi-refined carrageenan. The transaction was completed on 15 April 2021 upon the payment of the initial and further deposits in aggregate of HK\$35.0 million as stipulated in the Sales and Purchase Agreement in which part of it was financed by the underlying listing proceeds in the sum of HK\$21.1 million originally designated for the construction of a production plant in Indonesia and purchase of machinery, with a designed annual capacity of 3,000 tonnes 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 Period were HK\$61.0 million (2020: HK\$19.6 million).

## Commitments

(1) The Group's capital commitments in respect of those that have been contracted for as at 30 June 2021 and 31 December 2020 amounted to HK\$23.4 million and HK\$54.1 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:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Less than 1 year	<b>2,352</b>	2,426
Over 1 year and less than 5 years	<b>6,120</b>	6,757
Over 5 years	<b>836</b>	1,158
	<b><u>9,308</u></b>	<u>10,341</u>

## **Contingent Liabilities**

The Group did not have any material contingent liabilities as of 30 June 2021.

## **Subsequent Events**

As of the date of this announcement, the Group had no significant subsequent event that warrants to be disclosed except for the proposed interim dividend.

## **Issue of Shares by the Company in the Period**

On 27 May 2021, the Board accepted the further exercise of an aggregate sum of 4,432,000 share options by the participants of the Pre-IPO Share Option Scheme for the year 2021 involving a total of 4,432,000 ordinary shares, and the shares became listed shares after the relevant share certificates were issued by the Hong Kong Share Registrar of the Company on 3 June 2021.

## **Purchase, Sale or Redemption of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Period.

## 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 forth in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set forth in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 since its listing.

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 for the six months ended 30 June 2021, 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 CEO. 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 high-caliber 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.

## **Audit Committee and Review of the Interim Results**

The Company established the audit committee (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 interim results for the Period, the condensed consolidated interim financial statements for the Period and this announcement.

The condensed consolidated interim financial information is unaudited but has been reviewed by PricewaterhouseCoopers, the independent auditors of the Company, in compliance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **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 to 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.

## **Publication of Interim Report**

This announcement is published on the websites of the Company ([www.greenfreshfood.com](http://www.greenfreshfood.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report for the Period containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched 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 August 2021

*As of the date of this announcement, the Board comprises Mr. Chan Kam Chung, Mr. Guo Dongxu, Mr. Chan Shui Yip and Mr. She Xiaoying as executive Directors, Mr. Guo Songsen as non-executive Director and Mr. Ho Kwai Ching, Mark, Mr. Ng Man Kung and Mr. Hu Guohua as independent non-executive Directors.*