Greenfresh®

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 2021

The Board is pleased to announce the consolidated financial results for the year ended 31 December 2021 as follows:

– Revenue amounted to HK$1,163.1 million, representing an increase of 32.6%, as compared to HK$877.2 million for the year ended 31 December 2020.

– Gross profit amounted to HK$270.4 million and the gross profit margin was 23.2%, representing an increase of 41.6% and 1.4 percentage point, as compared to HK$190.9 million and 21.8%, respectively, for the year ended 31 December 2020.

– Profit for the year amounted to HK$103.9 million and the net profit margin was 8.9%, representing an increase of 55.1% and 1.3 percentage point, respectively, as compared to HK$67.0 million and 7.6%, respectively, for the year ended 31 December 2020.

The Directors propose a final cash dividend for the year ended 31 December 2021 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 audited financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 together with the comparative figures for the year 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	Year ended 31 December	
		2021	2020
		HK$000	HK$'000
Revenue	3	**1,163,146**	877,163
Cost of sales	4	**(892,714)**	(686,286)
Gross profit		**270,432**	190,877
Other income		**8,237**	9,417
Other (losses)/gains – net		**(2,075)**	1,818
Net impairment losses on financial assets		**(3,515)**	(128)
Impairment of non-financial assets		**(3,592)**	—
Selling and distribution expenses	4	**(16,667)**	(18,683)
Administrative expenses	4	**(92,762)**	(71,254)
Operating profit		**160,058**	112,047
Finance income		**194**	2,156
Finance costs		**(22,625)**	(26,614)
Finance costs – net		**(22,431)**	(24,458)
Profit before income tax		**137,627**	87,589
Income tax expense	5	**(33,700)**	(20,633)
Profit for the year		**103,927**	66,956
Profit for the year attributable to:			
Owners of the Company		**103,622**	68,902
Non-controlling interests		**305**	(1,946)
		103,927	66,956
Earnings per share attributable to owners of the Company			
Basic earnings per share (HK$)	6	**0.127**	0.085
Diluted earnings per share (HK$)	6	**0.123**	0.084

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Profit for the year	**103,927**	66,956
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
– Currency translation differences	**26,068**	45,655
Total comprehensive income for the year	**129,995**	112,611
Total comprehensive income for the year attributable to:		
Owners of the Company	**129,345**	113,910
Non-controlling interests	**650**	(1,299)
	129,995	112,611

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	As at 31 December	
		2021	2020
		HK$'000	HK$'000
Assets			
Non-current assets			
Land use rights		**68,415**	62,470
Property, plant and equipment		**504,139**	413,044
Intangible assets		**88,507**	50,272
Prepayments for non-current assets		**2,339**	13,070
Deferred income tax assets		**10,461**	11,746
		673,861	550,602
Current assets			
Inventories		**687,456**	505,426
Trade and other receivables	8	**198,872**	197,355
Financial assets at fair value through profit or loss		**5,529**	3,540
Cash and bank balances		**133,832**	171,842
		1,025,689	878,163
Total assets		**1,699,550**	1,428,765

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2021

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Equity		
Equity attributable to owners of the Company		
Share capital	**8,208**	8,164
Other reserves	**368,018**	363,831
Treasury shares	**(12,582)**	(12,297)
Retained earnings	**478,333**	386,552
	841,977	746,250
Non-controlling interests	**19,889**	7,855
Total equity	**861,866**	754,105

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2021

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
Liabilities			
Non-current liabilities			
Bank borrowings		**94,224**	28,398
Lease liabilities		**5,790**	7,037
Deferred income		**28,160**	31,096
Deferred income tax liabilities		**6,270**	1,803
		134,444	68,334
Current liabilities			
Trade and other payables	9	**178,448**	132,011
Bank borrowings		**500,153**	461,541
Lease liabilities		**2,312**	1,961
Current income tax liabilities		**22,327**	10,813
		703,240	606,326
Total liabilities		**837,684**	674,660
Total equity and liabilities		**1,699,550**	1,428,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 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 sale 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. In April 2021, the Group completed the acquisition of 82% equity interests in Hung Tai Shun International Trading Limited, which holds 99.83% ownership of PT Hongxin Algae International ("PT Hongxin"), a company in the business of manufacturing of semi-carrageenan in Indonesia. Subsequent to the acquisition, PT Hongxin mainly supplies to the Group's subsidiary in the PRC.

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").

The Company's shares have been listed on the Stock Exchange since 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 2022.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements which are 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 of the laws of Hong Kong are set out below. 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.

Changes in accounting policies

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

Standards and amendments	**Effective for accounting periods beginning on or after**
Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	1 January 2021
HKFRS 16 (Amendments) 'Covid-19-related Rent Concessions'	1 April 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policies (continued)

(ii) New standards and interpretations not yet adopted

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 2021, 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.

Standards, amendments and interpretations	**Effective for accounting periods beginning on or after**
HKAS 16 (Amendment) 'Property, plant and equipment – proceeds before intended use'	1 January 2022
HKAS 37 (Amendment) 'Onerous contracts – cost of fulfilling a contract'	1 January 2022
HKFRS 3 (Amendment) 'Reference to the conceptual Framework'	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
AG 5 (revised) 'Revised Accounting Guidelines 5 – Merger Accounting for Common Control Combinations'	1 January 2022
HKAS 1 (Amendment) 'Classification of liabilities as current or non-current'	1 January 2023
HK Int 5 (2020) 'Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause '	1 January 2023

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policies (continued)

(ii) New standards and interpretations not yet adopted (continued)

Standards amendments and interpretations	Effective for accounting periods beginning on or after
HKAS 1, HKFRS Practices Statement 2 (Amendment) 'Disclosure of Accounting Policies'	1 January 2023
HKAS 8 (Amendment) 'Definition of Accounting Estimates'	1 January 2023
HKFRS 10 and HKAS 28 (Amendments) 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined
HKAS 12 (Amendment) 'Deferred tax related to Assets and Liabilities arising from a single Transaction'	1 January 2023

3 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.

3 Revenue and segment information (continued)

(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 2021 Sales of agar-agar HK$'000	Sales of carrageenan HK$'000	Sales of konjac products HK$'000	Sales of blended products HK$'000	Others HK$'000	Total HK$'000
Sales to customers	**291,371**	**685,748**	**69,508**	**85,777**	**30,742**	**1,163,146**
Cost of sales	**(190,030)**	**(561,886)**	**(60,590)**	**(53,874)**	**(26,334)**	**(892,714)**
Segment results	**101,341**	**123,862**	**8,918**	**31,903**	**4,408**	**270,432**

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

Results of reportable segments	**270,432**
Other income	**8,237**
Other losses – net	**(2,075)**
Net impairment losses on financial assets	**(3,515)**
Impairment of non-financial assets	**(3,592)**
Selling and distribution expenses	**(16,667)**
Administrative expenses	**(92,762)**
Finance income	**194**
Finance costs	**(22,625)**
Profit before income tax	**137,627**
Income tax expense	**(33,700)**
Profit for the year	**103,927**

3 Revenue and segment information (continued)

(a) Segment information (continued)

	Year ended 31 December 2020					
Revenue recognised at a point-in time:	Sales of agar-agar	Sales of carrageenan	Sales of konjac products	Sales of blended products	Others	Total
	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	(154,732)	(441,452)	(40,891)	(43,670)	(5,541)	(686,286)
Segment results	86,774	73,751	3,533	26,240	579	190,877

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	66,956

3 Revenue and segment information (continued)

(a) Segment information (continued)

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

	2021	2020
	HK$'000	HK$'000
China	**557,624**	405,777
Europe	**370,426**	280,622
Asia (excluding China)	**151,310**	108,298
South America	**50,173**	48,565
North America	**29,004**	26,012
Africa	**4,517**	7,889
Oceania	**92**	—
Total	**1,163,146**	877,163

External customers that individually have contributed over 10% of total revenue of the Group for the year ended 31 December 2021 are as follows:

	2021	2020
	HK$'000	HK$'000
Company A	**122,939**	—
Company B	**119,774**	89,247

3 **Revenue and segment information (continued)**

(a) Segment information (continued)

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

	2021	2020
	HK$'000	HK$'000
China	**579,518**	529,204
Hong Kong	**2,205**	3,173
Indonesia	**81,677**	6,479
Total	**663,400**	538,856

(b) Liabilities related to contracts with customers

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

	2021	2020
	HK$'000	HK$'000
Contract liability	**12,440**	6,528

Revenue recognised during the year in relation to contract liability was as below:

	2021	2020
	HK$'000	HK$'000
Revenue recognised during the year that was included in the contract liability at the beginning of the year	**6,528**	2,461

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.

4 Expenses by nature

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

	2021 HK$'000	2020 HK$'000
Raw materials and consumables used	**872,561**	676,242
Changes in inventories of finished goods and work in progress	**(129,852)**	(105,657)
Employee benefit expenses	**119,214**	91,158
Amortisation of land use rights	**1,484**	1,432
Depreciation of property, plant and equipment	**43,408**	36,513
Amortisation of intangible assets	**7,698**	6,376
Utility expenses	**38,388**	30,467
Transportation costs	**8,927**	5,401
Other taxes and levies	**5,464**	4,126
Auditors' remuneration		
– annual audit services of the Company's auditor	**2,651**	2,315
– non-audit services of the Company's auditor	**265**	247
– statutory audit services of subsidiaries' auditor	**293**	218
Advertising and exhibition expense	**1,963**	1,984
Others	**29,679**	25,401
Total	**1,002,143**	776,223

5 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.

	2021	2020
	HK$'000	HK$'000
Current income tax	**32,744**	22,319
Deferred income tax	**956**	(1,686)
Income tax expense	**33,700**	20,633

The Group's income tax comprises:

(i) Cayman Islands, British Virgin Islands ("BVI"), Indonesia and Hong Kong 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.

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

The Group's subsidiaries in Indonesia are subject to Indonesian profits tax at the rate of 22% (2020: 25%) on the estimated assessable profits for the year.

The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year with the certain 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 2021 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% (2020: 16.5%).

5 Income tax expense (continued)

(ii) 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's subsidiaries operate. The Company's subsidiaries incorporated in the PRC are subject to CIT at the rate of 25% (2020: 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 2021 and 2020, respectively.

Lvqi (Fujian) obtained the qualification of certified high and new technology enterprises and has been entitled to preferential income tax rate of 15% since 2015, subject to renewal of the qualification for every three years interval. The latest approval of the qualification is for years 2021 to 2023.

Donghaiwan is qualified as an agricultural products enterprise and is subject to a CIT reduction of 50% as granted by the local tax bureau, and the CIT rate is 12.5% during 2021 and 2020.

Lvqi (Shanghai) is qualified as a small low-profit enterprise and is subject to CIT reduction of 75% as granted by the local tax bureau, and the CIT rate is 20% during 2021 and 2020.

(iii) 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 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 income tax rate of 5%.

The Group's subsidiaries in the PRC have undistributed earnings totalled HK$513,433,000 as at 31 December 2021 (2020: HK$405,751,000), which, if paid out as dividends, would be subject to income 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 the subsidiaries are not expected to distribute these profits in the foreseeable future.

5 Income tax expense (continued)

The income 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:

	2021	2020
	HK$'000	HK$'000
Profit before income tax	**137,627**	87,589
Tax calculated at the applicable statutory tax rates in the respective regions	**36,528**	25,920
Adjustment for tax effect of:		
– Expenses not deductible for tax purpose	**357**	251
– Additional deduction of research and development expenses	**(1,536)**	(776)
– Overprovision of previous year	**(760)**	(1,295)
– Impact of preferential income tax	**(2,709)**	(2,032)
– Previously unrecognised tax losses utilised during the year	**—**	(2,161)
– Tax losses for which no deferred income tax asset was recognised	**1,820**	726
Tax charge	**33,700**	20,633

The weighted average applicable statutory tax rate for the year ended 31 December 2021 was 27% (2020: 30%). The effective tax rate for the year ended 31 December 2021 was 24% (2020: 24%).

5 Income tax expense (continued)

The cumulative deductible tax losses that are not recognised as deferred income tax assets will expire as follows:

	2021	2020
	HK$'000	HK$'000
2023	**1,154**	1,154
2024	**705**	705
2025	**3,224**	3,224
2026	**4,981**	—
	10,064	5,083

6 Earnings per share

(a) Basic and diluted earnings per share

	2021	2020
	HK$	HK$
Basic earnings per share attributable to the ordinary equity holders of the Company	**0.127**	0.085
Diluted earnings per share attributable to the ordinary equity holders of the Company	**0.123**	0.084

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.

6 Earnings per share (continued)

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

	2021	2020
	HK$'000	HK$'000
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company	**103,622**	68,902

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

	2021	2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (Note (i))	**818,954,060**	806,036,787
Adjustments for calculation of diluted earnings per share:		
– Share options	**9,589,726**	11,076,047
– Treasury shares	**12,347,534**	4,577,705
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**840,891,320**	821,690,539

Note:

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

7 Dividends

	2021	2020
	HK$'000	HK$'000
Paid final dividend of HK 2.5 cents (2020: HK 5.0 cents) per ordinary share	**20,215**	40,820
Paid interim dividend of HK 1.5 cents (2020: HK 2.5 cents) per ordinary share	**12,125**	20,110
Total	**32,340**	60,930

Dividends relating to the years ended 31 December 2020, amounting to approximately HK$20,215,000, were paid in July 2021.

Dividends relating to the period ended 30 June 2021, amounting to approximately HK$12,125,000, were paid in October 2021.

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

	2021	2020
	HK$'000	HK$'000
Proposed final dividend of HK 2.5 cents (2020: HK 2.5 cents) per ordinary share	**20,521**	20,410

A final dividend in respect of the year ended 31 December 2021 of HK 2.5 cents (2020: HK 2.5 cents) per share, amounting to a total of HK$20,521,000 (2020: HK$20,410,000), was proposed by the board of directors of the Company on 30 March 2022 (2020: 30 March 2021) and is subject to approval by the Company's shareholders 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.

8 Trade and other receivables

	2021	2020
	HK$'000	HK$'000
Trade receivables	**149,865**	146,282
Loss allowance provision	**(4,274)**	(754)
	145,591	145,528
Prepayments for purchases of raw materials	**20,174**	25,251
Export tax rebate receivables and deductible value-added tax	**25,956**	20,070
Other receivables	**7,151**	6,506
	53,281	51,827
Total trade and other receivables	**198,872**	197,355

(i) Ageing analysis of trade receivables

The ageing analysis of the trade receivables as at 31 December 2021 based on invoice date was as follows:

	2021	2020
	HK$'000	HK$'000
Up to 30 days	**87,941**	75,553
31 to 90 days	**38,629**	39,768
91 to 180 days	**6,375**	6,608
181 to 365 days	**10,383**	12,909
Over one year	**6,537**	11,444
	149,865	146,282

8 Trade and other receivables (continued)

(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.

The expected loss rates are based on the payment profiles of sales over a period of 24 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 2021 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$'000	Settled over 2 years HK$'000	Total HK$'000
At 31 December 2021							
Expected loss rate	0.09%	0.38%	6.52%	11.95%	14.82%	100%	—
Gross carrying amount	126,569	6,375	7,162	3,222	3,968	2,569	149,865
Loss allowance provision	114	24	467	385	588	2,569	4,147
Individually impaired receivables							127
Total provision							4,274

8 Trade and other receivables (continued)

(ii) Impairment of trade receivables (continued)

	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$'000	Settled over 2 years HK$'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

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 24 months.

8 Trade and other receivables (continued)

(ii) Impairment of trade receivables (continued)

As at 31 December 2021, the loss allowance provision for trade receivables are reconciled to the opening loss allowance for that provision as follows:

	2021	2020
	HK$'000	HK$'000
At 1 January	**(754)**	(617)
Increase in loss allowance recognised in profit or loss during the year	**(3,515)**	(128)
Currency translation differences	**(5)**	(9)
At 31 December	**(4,274)**	(754)

During the year ended 31 December 2021, the following losses were recognised in profit or loss in relation to impaired receivables.

	2021	2020
	HK$'000	HK$'000
Individually impaired receivables	**—**	171
Provision for impairment according to the expected credit losses matrix	**(3,515)**	(299)
Net impairment losses	**(3,515)**	(128)

8 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 (2020: 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:

	2021	2020
	HK$'000	HK$'000
USD	**41,604**	53,761
RMB	**152,395**	141,611
HK$	**1,141**	542
Other currencies	**3,732**	1,441
	198,872	197,355

9 Trade and other payables

	2021	2020
	HK$'000	HK$'000
Trade payables	**95,979**	65,622
Payables for property, plant and equipment	**23,750**	17,229
Amount due to a third party	**22,016**	23,764
Contract liabilities - advance receipts from customers	**12,440**	6,528
Employee benefit payables	**9,632**	8,353
Other taxes payable	**5,084**	1,557
Amount due to a related party	**—**	106
Others	**9,547**	8,852
	178,448	132,011

Trade payables are usually paid within 90 days of recognition.

The ageing analysis of the trade payables as at 31 December 2021 based on invoice date was as follows:

	2021	2020
	HK$'000	HK$'000
0 - 90 days	**93,095**	64,991
91 - 180 days	**276**	610
181 - 360 days	**125**	21
over 360 days	**2,483**	—
	95,979	65,622

9 Trade and other payables (continued)

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.

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

	2021	2020
	HK$'000	HK$'000
RMB	**98,490**	83,428
USD	**67,965**	48,522
HK$	**679**	61
IDR	**11,314**	—
	178,448	132,011

CHAIR1MAN'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 2021.

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 koniac has become increasingly popular under the trend of promoting healthy 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 a certain of our customers, which plays a significant role in enhancing customer loyalty. Moreover, through product research and development, we are capable of supporting and facilitating the development of new applications and end products for the customers, thereby helping us to obtain customer orders as a source of profit contribution, which is also a long-term business development strategy of the Group.

Business Overview for 2021

Having survived from the devastating impact of the outbreak of the COVID-19 coronavirus disease and its variant (the "**COVID-19 pandemic**") in 2020, the global economy recovered progressively to various degree in 2021. For the domestic market of PRC, benefiting from the strict implementation of "dynamic zero" control over the contagion of the COVID-19 pandemic, economic performance in the PRC reflected an impressive rebound in 2021 and recorded a robust growth in export value during the year. For the overseas market, due to the availability of vaccines and the escalation of vaccination coverage, relaxation of the COVID-19 pandemic control measures was broadly adopted by the western countries which effectively stimulated internal demand and fueled the strong recovery of their economies.

In 2021, the Group recorded a total sales revenue of HK$1,163.1 million (2020: HK$877.2 million), representing an increase of 32.6% from the previous year, mainly due to the strong demand from both domestic and overseas buyers of all types of the Group's hydrocolloid products. Net profit of the Group for the year ended 31 December 2021 increased by HK$36.9 million to HK$103.9 million (2020: HK$67.0 million), primarily due to the increase in sales volume by 27.2% coupled with the increase in gross profit margin by 1.4 percentage point during the year. The extent of increase in net profit for the year, as compared to that of gross profit, was partially offset by the increase in impairment of non-financial assets, administrative expenses and income tax expense of the year of HK$3.6 million, HK$21.5 million and HK$13.1 million, respectively.

During the year, sales volume of all types of the Group's hydrocolloid products increased to various extent. Sales of agar-agar products was HK$291.4 million (2020: HK$241.5 million), representing an increase of 20.6% from the previous year. Sales of carrageenan products was HK$685.7 million (2020: HK$515.2 million), representing an increase of 33.1% from the previous year. Sales of konjac and blended products were HK$69.5 million and HK$85.8 million, respectively (2020: HK$44.4 million and HK$69.9 million, respectively), representing an increase of 56.5% and 22.7%, respectively from the previous year.

In 2021, dollar-terms growth in domestic sales in the PRC and overseas market were 37.4% and 28.4%, respectively, as compared to the year ended 31 December 2020. Domestic sales in the PRC and overseas sales accounted for 47.9% and 52.1% of our annual sales in 2021 (2020: 46.3% and 53.7%), respectively, which is largely stable as compared to the previous year. The stronger dollar-terms growth in domestic sales in the PRC, as compared to overseas sales was mainly attributed to the early resumption of economic and production activities in the PRC back in the middle of 2020, while the recovery of economies in western countries became more obvious from the middle of 2021 after a higher vaccination coverage was achieved. The Directors believe that alongside with the further relaxation of the COVID-19 pandemic control measures and the resumption of international travelling on a world-wide basis, the Group would be able to further strengthen sales growth in overseas market through the re-participation of international trade shows and the launching of on-site marketing activities.

During the year, the Group has acquired 82% equity shareholding in Hung Tai Shun International Trading Limited ("**Hung Tai Shun**"), a company incorporated in Hong Kong, which in turn holds 99.83% of the issued share capital of PT Hongxin Algae International ("**Hongxin**"), a company incorporated in Indonesia which principally engages in the manufacture and sales of semi-refined carrageenan. Concurrently, the Group has also acquired the remaining 0.17% of the issued capital of Hongxin. The transactions were carried out pursuant to the Group's business strategy of diversifying production facilities geographically for enhancement of cost competitiveness. Hongxin achieved an encouraging results for the post-acquisition period from 15 April 2021 to 31 December 2021 and looking forward, we expect to expediate our investment in the second-phase expansion of the production capacity in Hongxin as planned so as to materialise further economies of scale and to meet the increasing demand for our products.

The Directors believe that our financial results demonstrated the strategic edge, competitiveness and resilience of the Group as an industry leader.

2021 Final Cash Dividend

In order to share the operating results of the Company with our shareholders (the "**Shareholders**"), the Directors propose a final cash dividend of HK 2.5 cents per share for the year ended 31 December 2021, 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$20.5 million. Dividends will be paid in cash.

Subsequent Events

On 25 March 2022, a member of the Group entered into an equity acquisition agreement ("**Equity Acquisition Agreement**") with Shanghai Quanyue Investment Management Company Limited ("**Shanghai Quanyue**"), a company incorporated in the PRC and Mr. FENG Shifei ("**Mr. FENG**"), pursuant to which the Group will acquire from Shanghai Quanyue and Mr. FENG 35.0% and 4.0% of the equity interest in Lvqi Trading (Shanghai) Company Ltd. ("**Lvqi (Shanghai)**"), a company incorporated in the PRC and a non wholly-owned subsidiary of the Company, at a total consideration of RMB1.42 million and RMB163,000, respectively (the "**Equity Acquisition**"). Following completion of the Equity Acquisition, Lvqi (Shanghai) will become a wholly-owned subsidiary of the Company.

On 25 March 2022, a member of the Group entered into an equity disposal agreement ("**Equity Disposal Agreement**", together with the Equity Acquisition Agreement, the "**Equity Transfer Agreements**") with Junxi Industrial (Shanghai) Co., Ltd. ("**Junxi Industrial**"), the existing shareholder of the 49.0% equity interest in Brilliant Bioscience (Shanghai) Co., Ltd. ("**Brilliant (Shanghai)**"), a company incorporated in the PRC and a non wholly-owned subsidiary of the Company, pursuant to which the Group will sell to Junxi Industrial 51.0% of the equity interest in Brilliant (Shanghai), for a cash consideration of HK$12.7 million (the "**Equity Disposal**"). Following completion of the Equity Disposal, Brilliant (Shanghai) will cease to be a subsidiary of the Company.

90% of the equity interest in Shanghai Quanyue and 60% of the equity interest in Junxi Industrial is held by Mr. ZHANG Jianguo ("**Mr. ZHANG**"). As the counterparties to the Equity Transfer Agreements are directly and indirectly controlled by the same individual who is a connected person of the Company at the subsidiary level, they will be aggregated for the purpose of computing the relevant percentage ratios (as defined under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) under Rules 14A.81 and 14.22 of the Listing Rules. On an aggregate basis, the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the Equity Transfer Agreements, exceeds 5% but is less than 25%, the Equity Disposal and the Equity Acquisition constitute discloseable transactions for the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shanghai Quanyue is a substantial shareholder of Lvqi (Shanghai) and accordingly is a connected person of the Company at the subsidiary level under the Listing Rules. Junxi Industrial is a substantial shareholder of Brilliant (Shanghai) and a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, each of the Equity Acquisition and the Equity Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As (i) the Equity Transfer Agreements are entered into with connected persons of the Company at the subsidiary level; (ii) the Board has approved the Equity Acquisition and the Equity Disposal; and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of each of the Equity Transfer Agreements (including the amount of the consideration) are negotiated on an arm's length basis on normal commercial terms and are fair and reasonable which are in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Equity Acquisition and the Equity Disposal are subject to the reporting and announcement requirements, and are exempt from the circular, independent financial advice and independent shareholders' approval requirements.

Details of the Equity Acquisition and the Equity Disposal were set out in the announcement dated 25 March 2022 and the supplemental announcement dated 29 March 2022 issued by the Company.

Save as disclosed above, no significant events have been taken place subsequent to 31 December 2021 and up to the date of this announcement.

Prospects

Due to the catastrophic impact of the COVID-19 pandemic, the global food products market has once been adversely affected by the lockdown measures interrupting both the supply chain and the retail channel. Looking ahead, with the increase in the vaccination coverage all over the world, pandemic control measures are expected to be fully lifted in an orderly manner in the near future. As such, we believe that the global demand of food products shall resume to its growing trend and the Group shall be able to 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 pursuit of excellence through continuous 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 gratitude 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 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Opportunities Brought from the relaxation of the COVID-19 pandemic control measures

In 2021, the global economy recovered progressively to various degree. For the domestic market of PRC, benefit from the strict implementation of "dynamic zero" control over the contagion of the COVID-19 pandemic, economic performance in the PRC reflected an impressive rebound in 2021 and recorded a robust growth in export value for the year. For the overseas market, due to the availability of vaccines and the escalation of vaccination coverage, relaxation of the COVID-19 pandemic control measures was broadly adopted by the western countries which effectively stimulated internal demand and fueled the strong recovery of their economies.

During the year, domestic sales revenue in the PRC increased by 37.4%, while overseas sales revenue in the Europe, North America and Asia (excluding China) increased by 32.0%, 11.5%, and 39.7%, respectively, as compared to 2020. However, as Africa countries were materially affected by the COVID-19 pandemic, the sales revenue in the Africa in 2021 decreased by 42.7%, as compared to previous year. In 2021, domestic sales in the PRC and overseas sales accounted for 47.9% and 52.1% of our annual sales, respectively (2020: 46.3% and 53.7%), which was largely stable as compared to the previous year.

Product Research and Development and Expansion to New Market

By strengthening product research and development capabilities and through our long-standing efforts made in marketing campaigns, we succeeded in expanding the market for quick-dissolve agar-agar products for use in dairy products, and the sales revenue of agar-agar products recorded an encouraging growth of 41.0% in 2021, as compared to 2020. Amongst all sub-categories of agar-agar products, quick-dissolve agar-agar products remained as one of our products with the highest gross profit margin in 2021, driving, together with other conventional products, the increase in overall gross profit margin of agar-agar products for the year. Our Directors believe that 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 the pet foods market in the PRC 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 the Group's 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 agar-agar and carrageenan products, contributing to approximately 83.1% and 84.0% (2020: 86.5% and 86.3%) of our total sales volume and total sales revenue for the year ended 31 December 2021, with sales volume and dollar-terms sales value in aggregate increased by 22.3% and 29.1%, respectively, as compared to 2020. The sales volume and sales revenue of konjac products increased by 53.2% and 56.5%, respectively, for the year ended 31 December 2021, as compared to 2020, while the sales volume and sales revenue of blended products increased by 17.5% and 22.7%, respectively, as compared to 2020. The increased proportions of konjac and blended products which carry relatively higher profit potential in our sales mix signifies the pay-off of our strategic efforts in search of profit maximization through product elevation. 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 solid and high-yielding revenue base over time.

Prospects

We are prudently optimistic about the prospects in 2022. Despite that the uncertainties brought from the COVID-19 pandemic are expected to remain in effect in the near term, looking forward, with the increase in vaccination coverage all over the world, lockdown measures are expected to be fully lifted in an orderly manner in the near future. As such, we believe that the global demand of food products shall resume to its growing trend and the Group shall be able to benefit from it as a leading provider of food ingredients. As evidenced by the decent growth in both revenue size and profitability achieved in the year, the prospect of hydrocolloid products is promising as a whole.

The Group's development strategy is to continue to invest in product research and development and to develop new applications and markets. Currently, we have been aligning our efforts and resources in Shanghai 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-added bakery products 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, during the year, the Group has completed the acquisition of a majority equity interest in 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. With this strategic move, the Directors expect the Group to excel further on both business scale and competitiveness in the future.

FINANCIAL REVIEW

Revenue

Having survived the devastating impact of the COVID-19 pandemic in 2020, the global economy recovered progressively to various degree in 2021. For the domestic market of PRC, benefit from the strict implementation of "dynamic zero" control over the contagion of the COVID-19 pandemic, economic performance in the PRC reflected an impressive rebound in 2021 and recorded a robust growth in export value for the year. For the overseas market, due to the availability of vaccines and the escalation of vaccination coverage, relaxation of the COVID-19 pandemic control measures was broadly adopted by the western countries which effectively stimulated internal demand and fueled the strong recovery of their economies.

For the year ended 31 December 2021, the Group's sales revenue was HK$1,163.1 million (2020: HK$877.2 million), representing an increase of 32.6% as compared to the previous year. During the year, the sales revenue of agar-agar and carrageenan products increased by 20.6% and 33.1%, respectively while that of konjac and blended products increased by 56.5% and 22.7%, respectively. The total sales revenue of carrageenan and agar-agar products, contributing to 84.0% of the sales revenue of the Group, decreased by 2.3% in overall proportion for the year ended 31 December 2021 as compared to 2020, as a result of the increase in the proportion of sales revenue of konjac and blended products during the year.

Cost of Sales

For the year ended 31 December 2021, the cost of sales of the Group was HK$892.7 million (2020: HK$686.3 million), representing an increase of 30.1%. Our cost of sales basically consisted of the cost of raw materials (seaweed and konjac) and ancillary materials and labor costs which accounted for 81.7% of the cost of sales in 2021 (2020: 82.6%). The increase in the cost of sales was attributable to the increase in sales revenue of 32.6% for the year, but in smaller magnitude due to the improvement of gross profit margin by 1.4 percentage point. The improvement in gross profit margin was mainly due to the favorable movement of average selling price across all hydrocolloid products against the increase in cost of sales as a result of the strong demand from the buyer side. Besides, cost of sales of the year was further contained through the enhancement in production scale and hence cost-effectiveness, despite the fact that there was a drastic increase in freight and logistic costs during the year caused by the curb of global logistic capacity arising from the lockdown measures against the COVID-19 pandemic.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, the gross profit of the Group was HK$270.4 million (2020: HK$190.9 million), representing an increase of 41.6%. The overall gross profit margin was 23.2% in 2021, representing an increase of 1.4 percentage point as compared to 2020. The gross profit margin of carrageenan and konjac products increased by 3.8 percentage point and 4.8 percentage point, respectively during the year. On the other hand, the gross profit margin of agar-agar and blended products decreased slightly by 1.1 percentage point and 0.3 percentage point, respectively during the year. The extent of increase of the overall gross profit margin, however, was partly offset by the increase in direct labor cost comprising mainly staff salaries and social insurance expenses. The former was due to the general increment of salary as well as the resumption of full working force from the disruptions of the COVID-19 pandemic during the year while the latter was due to the resumption of normal social insurance contribution rate during the year as compared to the payment of concessionary rate during 2020 as part of the government's supportive measure to business enterprises in the PRC. Furthermore, the year's gross profit margin was further offset by the inclusion of sales related transportation cost switched from the selling and distribution expenses during the year according to the newly revised PRC accounting standards.

Net Impairment of Non-Financial Assets

During the year the Group recognised impairment loss of property, plant and equipment as those assets' carrying amount exceeds their recoverable amount (2020: Nil).

Selling and Distribution Expenses

In 2021, selling and distribution expenses of the Group were HK$16.7 million (2020: HK$18.7 million), representing a decrease of 10.7%. The decrease was primarily attributable to the decrease in per unit transportation cost a result of the increase in sales volume during the year. In addition, further cost reduction was achieved due to the switching out of sales related transportation cost to the cost of sales according to the newly revised PRC accounting standard during the year and as a composite effect of the aforesaid factors, the ratio of selling and distribution expenses to revenue manifested an encouraging improvement during the year as compared to the same period of 2020.

Administrative Expenses

In 2021, administrative expenses of the Group were HK$92.8 million (2020: HK$71.3 million), representing an increase of 30.2%, which was mainly attributable to the increase in staff salaries and social insurance expenses caused by a general salary increment and the resumption of normal social insurance contribution rate during the year. Besides, there was an increase in provision for doubtful debts corresponding to the increase in account receivable balances and the updated risk profile.

Finance Costs

In 2021, finance income and costs of the Group were HK$0.2 million and HK$22.6 million (2020: HK$2.2 million and HK$26.6 million), representing a decrease of 90.9% and 15.0%, respectively. The decrease in finance income was mainly due to the decrease in the average balance of interest-earning deposits during the year, which was partly due to the full applications of the unused listing proceeds brought forward from last year. The decrease in finance costs was mainly attributable to the decrease in loan interest rate in the PRC and decreased average loan balance during the year due to the improvement in the Company's liquidity achieved through the improvement of business performance.

Income Tax Expense

In 2021, income tax expenses of the Group were HK$33.7 million (2020: HK$20.6 million), representing an increase of HK$13.1 million or 63.6%, mainly due to the corresponding increase in taxable profit for the year of approximately 57.1%, as compared to 2020 and the additional change of deferred income tax during the year.

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Current income tax	**32,744**	22,319
Deferred income tax	**956**	(1,686)
Income tax expense	**33,700**	20,633

Profit Attributable to Owners of the Company

In 2021, profit attributable to owners of the Company were HK$103.6 million (2020: HK$68.9 million), after the share of operating loss attributable to certain non-controlling shareholders of a subsidiary. Main reasons attributable to the increase in profit attributable to owners of the Company resemble those attributable to the increase in profit for the year as explained in above.

Liquidity and Financial Resources

As at 31 December 2021, the Group's cash and bank balances amounted to HK$133.8 million (2020: HK$171.8 million), representing a decrease of HK$38.0 million from 31 December 2020. The financial ratios of the Group as at 31 December 2021 were as follows:

	As at 31 December 2021	As at 31 December 2020
Current ratio	**1.46**	1.45
Gearing ratio[1]	**36.0%**	31.5%

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 2021, the Group's net current assets were HK$322.4 million, representing an increase of HK$50.6 million from HK$271.8 million as at 31 December 2020, primarily due to the increase in inventories and trade and other receivables of HK$182.0 million and HK$1.5 million, respectively as at 31 December 2021, offset mainly by the increase short-term bank borrowings, trade and other payables and income tax liabilities of HK$38.6 million, HK$46.4 million and HK$11.5 million, respectively, and also the decrease in cash and cash equivalent of HK$38.0 million.

Borrowings

As at 31 December 2021, the total bank borrowings of the Group amounted to HK$594.4 million, of which HK$500.2 million shall be repaid within one year and HK$94.2 million shall be repaid after one year. The carrying amounts of bank borrowings were denominated in Hong Kong dollars, United States ("**US**") 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 31 December 2021, the weighted average interest rate on bank borrowings (per annum) was 4.44% (2020: 5.21%).

Interest Rate Risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group does not hedge its cash flow and fair value interest rate risk.

Pledge of Assets

As at 31 December 2021, the Group had pledged its buildings, land use rights and bank deposits with a carrying value of HK$80.5 million (2020: HK$138.9 million) as security for its borrowings. As at 31 December 2021, the amount of secured bank borrowings was HK$191.3 million (2020: HK$152.4 million).

Future Plans for Material Investments or Capital Assets

As part of the Group's business strategy of diversifying production facilities geographically for enhancement of cost competitiveness, the Group is expected to invest further in the expansion of production capacity of Hongxin during 2022.

Save as disclosed above, 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 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 which principally engages 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.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries during the year ended 31 December 2021.

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 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 2021, the Group had 1,177 full-time employees, of whom 990 were based in Mainland China and 187 were based in Hong Kong and other countries and territories. The total staff costs, including the emoluments of the Directors, amounted to HK$119.2 million for the year ended 31 December 2021 (2020: HK$91.2 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 (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 on 3 June 2021. As at 31 December 2021, the issued share capital of the Company was 820,824,000 shares. Save as disclosed above, no option had been granted, exercised, lapsed or cancelled during the year under the Pre-IPO Share Option Scheme. The Company had 13,296,000 outstanding share options 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 year, no option had been granted, exercised, lapsed or cancelled under the Post-IPO Share Option Scheme.

Treasury Shares

The Group bought back of a further of 250,000 (2020: 12,240,000) of the Company's shares during 2021 in pursuant to the share award scheme adopted on 10 July 2020 (the "**Share Award Scheme**"). Up to 31 December 2021, the total consideration paid to buy back these shares was HK$12,582,000 (2020: HK$12,297,000), 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 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.

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, 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 balance of the unutilised net proceeds raised from the Share Offer as at 31 December 2020 has been fully utilised by 31 December 2021. The table below sets forth the use of net proceeds raised from the Share Offer up to 31 December 2021:

	Planned use of net proceeds from the Share Offer HK$'000	Remaining balance as of 31 December 2020 HK$'000	Amount utilised as of 31 December 2021 HK$'000	Remaining balance as of 31 December 2021 HK$'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**	50,978	50,978	—

	Planned use of net proceeds from the Share Offer HK$'000	Remaining balance as of 31 December 2020 HK$'000	Amount utilised as of 31 December 2021 HK$'000	Remaining balance as of 31 December 2021 HK$'000
Acquisition of existing seaweed processing facilities in Indonesia with a designed annual capacity of 4,300 tonnes of semi-refined carrageenan	**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	20,548	—
General working capital	**17,500**	—	—	—
Total	**183,700**	92,626	92,626	—

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 2021 and 2020 were HK$77.5 million and HK$61.1 million, respectively.

Commitments

The Group's capital commitments in respect of those that have been contracted for as at 31 December 2021 and 2020 amounted to HK$10.9 million and HK$54.0 million, respectively.

Lease Liabilities

Lease liabilities are related to buildings of the Group.

	2021	2020
	HK$'000	HK$'000
Minimum lease payments:		
Less than 1 year	**2,714**	2,426
Over 1 year and less than 5 years	**5,640**	6,757
Over 5 years	**511**	1,158
	8,865	10,341
Future finance charges	**(763)**	(1,343)
Total lease liabilities	**8,102**	8,998

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 2021.

Events After the Reporting Period

On 25 March 2022, a member of the Group entered into the Equity Acquisition Agreement with Shanghai Quanyue, a company incorporated in the PRC and Mr. FENG, pursuant to which the Group will acquire from Shanghai Quanyue and Mr. FENG 35.0% and 4.0% of the equity interest in Lvqi (Shanghai), a company incorporated in the PRC and a non wholly-owned subsidiary of the Company, at a total consideration of RMB1.42 million and RMB163,000, respectively. Following completion of the Equity Acquisition, Lvqi (Shanghai) will become a wholly-owned subsidiary of the Company.

On 25 March 2022, a member of the Group entered into the Equity Disposal Agreement with Junxi Industrial, the existing shareholder of the 49.0% equity interest in Brilliant (Shanghai), a company incorporated in the PRC and a non wholly-owned subsidiary of the Company, pursuant to which the Group will sell to Junxi Industrial 51.0% of the equity interest in Brilliant (Shanghai), for a cash consideration of HK$12.7 million. Following completion of the Equity Disposal, Brilliant (Shanghai) will cease to be a subsidiary of the Company.

90% of the equity interest in Shanghai Quanyue and 60% of the equity interest in Junxi Industrial is held by Mr. ZHANG. As the counterparties to the Equity Transfer Agreements are directly and indirectly controlled by the same individual who is a connected person of the Company at the subsidiary level, they will be aggregated for the purpose of computing the relevant percentage ratios (as defined under the Listing Rules under Rules 14A.81 and 14.22 of the Listing Rules. On an aggregate basis, the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the Equity Transfer Agreements, exceeds 5% but is less than 25%, the Equity Disposal and the Equity Acquisition constitute discloseable transactions for the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shanghai Quanyue is a substantial shareholder of Lvqi (Shanghai) and accordingly is a connected person of the Company at the subsidiary level under the Listing Rules. Junxi Industrial is a substantial shareholder of Brilliant (Shanghai) and a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, each of the Equity Acquisition and the Equity Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As (i) the Equity Transfer Agreements are entered into with connected persons of the Company at the subsidiary level; (ii) the Board has approved the Equity Acquisition and the Equity Disposal; and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of each of the Equity Transfer Agreements (including the amount of the consideration) are negotiated on an arm's length basis on normal commercial terms and are fair and reasonable which are in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Equity Acquisition and the Equity Disposal are subject to the reporting and announcement requirements, and are exempt from the circular, independent financial advice and independent shareholders' approval requirements.

Details of the Equity Acquisition and the Equity Disposal were set out in the announcement dated 25 March 2022 and the supplemental announcement dated 29 March 2022 issued by the Company.

Save as disclosed above, no significant events have been taken place subsequent to 31 December 2021 and up to the date of this announcement.

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**") in Part 2 of Appendix 14 to 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 2021, except for the deviation from code provision C.2.1 of the CG Code as described below.

Under code provision C.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.

Audit Committee

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 annual results for the year ended 31 December 2021, the consolidated audited financial statements for the year ended 31 December 2021 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 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 during the year ended 31 December 2021.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year, the Company repurchased 250,000 shares of the Company pursuant to the Share Award Scheme.

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 2021 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 (the "**Annual General Meeting**") will be held on Wednesday, 1 June 2022. 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 Friday, 27 May 2022 to Wednesday, 1 June 2022, 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 branch share registrar in Hong Kong, 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 Thursday, 26 May 2022.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 8 June 2022 to Friday, 10 June 2022, 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 branch share registrar in Hong Kong, 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 Tuesday, 7 June 2022.

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 2021 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 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 March 2022

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.