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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 2022**

The Board is pleased to announce the unaudited condensed consolidated interim financial results for the six months ended 30 June 2022 as follows:

- Revenue amounted to HK\$777.9 million, increased by 57.3% as compared to HK\$494.6 million for the six months ended 30 June 2021.
- Gross profit amounted to HK\$236.0 million and the gross profit margin was 30.3%, increased by HK\$129.1 million and 8.7 percentage point, as compared to HK\$106.9 million and 21.6%, respectively, for the six months ended 30 June 2021.
- Profit for the period amounted to HK\$126.1 million and the net profit margin was 16.2%, increased by HK\$92.4 million and 9.4 percentage point, as compared to HK\$33.7 million and 6.8%, respectively, for the six months ended 30 June 2021.

The Board has resolved to declare an interim dividend for the six months ended 30 June 2022 of HK2.0 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 unaudited condensed consolidated interim financial results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the six months ended 30 June 2021, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

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

		Six months ended 30 June	
		2022	2021
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	6	777,872	494,634
Cost of sales	6	<u>(541,886)</u>	<u>(387,706)</u>
Gross profit		235,986	106,928
Other income		4,911	4,158
Other losses - net		(427)	(1,455)
Net impairment gains on financial assets		609	215
Selling and distribution expenses		(7,731)	(10,218)
Administrative expenses		<u>(53,347)</u>	<u>(44,948)</u>
Operating profit		180,001	54,680
Finance income		57	84
Finance costs		<u>(13,624)</u>	<u>(10,907)</u>
Finance costs – net		(13,567)	(10,823)
Profit before income tax		166,434	43,857
Income tax expense	8	<u>(40,292)</u>	<u>(10,191)</u>
Profit for the period		<u>126,142</u>	<u>33,666</u>
Profit for the period attributable to:			
Owners of the Company		126,080	34,086
Non-controlling interests		<u>62</u>	<u>(420)</u>
		<u>126,142</u>	<u>33,666</u>
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (HK\$)	9	0.153	0.042
Diluted earnings per share (HK\$)	9	<u>0.150</u>	<u>0.041</u>

The notes on pages 10 to 35 are an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2022

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	126,142	33,666
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
– Currency translation differences	<u>(49,059)</u>	<u>5,760</u>
Total comprehensive income for the period	<u>77,083</u>	<u>39,426</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	77,021	39,068
Non-controlling interests	<u>62</u>	<u>358</u>
	<u>77,083</u>	<u>39,426</u>

The notes on pages 10 to 35 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2022

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

		As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Assets			
Non-current assets			
Land use rights	11	64,969	68,415
Property, plant and equipment	11	478,276	504,139
Intangible assets	11	82,082	88,507
Prepayments for non-current assets		3,409	2,339
Deferred income tax assets		12,170	10,461
		<u>640,906</u>	<u>673,861</u>
Current assets			
Inventories		893,533	687,456
Trade and other receivables	13	253,859	198,872
Financial assets at fair value through profit or loss	14	—	5,529
Cash and bank balances	12	85,817	133,832
		<u>1,233,209</u>	<u>1,025,689</u>
Total assets		<u><u>1,874,115</u></u>	<u><u>1,699,550</u></u>
Equity			
Equity attributable to owners of the Company			
Share capital	15	8,253	8,208
Other reserves		331,360	368,018
Treasury shares		(12,582)	(12,582)
Retained earnings		591,419	478,333
		<u>918,450</u>	<u>841,977</u>
Non-controlling interests		<u>8,075</u>	<u>19,889</u>
Total equity		<u><u>926,525</u></u>	<u><u>861,866</u></u>

		As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
	Note		
Liabilities			
Non-current liabilities			
Bank borrowings	18	138,659	94,224
Lease liabilities	18	4,547	5,790
Deferred income		25,081	28,160
Deferred income tax liabilities		5,608	6,270
		<u>173,895</u>	<u>134,444</u>
Current liabilities			
Trade and other payables	17	222,062	178,448
Bank borrowings	18	514,430	500,153
Lease liabilities	18	2,166	2,312
Current income tax liabilities		35,037	22,327
		<u>773,695</u>	<u>703,240</u>
Total liabilities		<u>947,590</u>	<u>837,684</u>
Total equity and liabilities		<u>1,874,115</u>	<u>1,699,550</u>

The notes on pages 10 to 35 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

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

		Equity attributable to owners of the Company						
	Note	Share capital	Other reserves	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)								
Balance at 1 January 2022		8,208	368,018	(12,582)	478,333	841,977	19,889	861,866
Comprehensive income								
Profit for the period		—	—	—	126,080	126,080	62	126,142
Other comprehensive income								
– Currency translation differences		—	(49,059)	—	—	(49,059)	—	(49,059)
Total comprehensive income		—	(49,059)	—	126,080	77,021	62	77,083
Transactions with owners								
Equity-settled share-based payment	16	—	1,064	—	—	1,064	—	1,064
Shares issued due to options exercised during the period	15	45	—	—	—	45	—	45
Transaction with non-controlling interests		—	(1,657)	—	—	(1,657)	—	(1,657)
Disposal of a subsidiary		—	—	—	—	—	(11,876)	(11,876)
Profit appropriation to statutory reserves		—	12,994	—	(12,994)	—	—	—
Total transactions with owners		45	12,401	—	(12,994)	(548)	(11,876)	(12,424)
Balance at 30 June 2022		<u>8,253</u>	<u>331,360</u>	<u>(12,582)</u>	<u>591,419</u>	<u>918,450</u>	<u>8,075</u>	<u>926,525</u>

		Equity attributable to owners of the Company							
		Share	Other	Treasury	Retained	Total	Non-	Total	
Note		capital	reserves	shares	earnings		controlling	equity	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	interests	HK\$'000	
							HK\$'000		
(Unaudited)									
Balance at 1 January 2021		8,164	363,831	(12,297)	386,552	746,250	7,855	754,105	
Comprehensive income									
Profit for the period		—	—	—	34,086	34,086	(420)	33,666	
Other comprehensive income									
– Currency translation differences		—	4,982	—	—	4,982	778	5,760	
Total comprehensive income		—	4,982	—	34,086	39,068	358	39,426	
Transactions with owners									
Equity-settled share-based payment		16	—	1,439	—	—	1,439	—	1,439
Shares issued due to options									
exercised during the period		15	44	—	—	—	44	—	44
Acquisition of subsidiaries			—	—	—	—	7,917	7,917	
Transaction with non-controlling interests			—	31	—	—	31	(74)	(43)
Profit appropriation to statutory reserves			—	3,840	—	(3,840)	—	—	
Total transactions with owners			44	5,310	—	(3,840)	1,514	7,843	9,357
Balance at 30 June 2021		8,208	374,123	(12,297)	416,798	786,832	16,056	802,888	

The notes on pages 10 to 35 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	(19,977)	(5,488)
Income tax paid	(26,941)	(10,277)
Net cash used in operating activities	<u>(46,918)</u>	<u>(15,765)</u>
Cash flows from investing activities		
Purchases of financial assets at fair value through profit or loss	(18,964)	(8,460)
Disposal of a subsidiary	(18,313)	—
Purchases of property, plant and equipment	(27,474)	(60,986)
Purchases of intangible assets	(233)	(731)
Proceeds from sale of financial assets at fair value through profit or loss	24,657	6,176
Interest received	57	84
Proceeds from disposal of property, plant and equipment	21	8,993
Acquisition of subsidiaries, net of cash acquired	—	(33,143)
Net cash used in investing activities	<u>(40,249)</u>	<u>(88,067)</u>

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Proceeds from borrowings	459,652	292,087
Proceeds of share issued due to options exercised during the period	45	44
Restricted cash pledged for notes payable	(3,650)	—
Collection of restricted cash	—	65,000
Repayments of borrowings	(405,377)	(235,663)
Interest paid	(13,914)	(10,106)
Settlements of lease liabilities	(1,100)	(1,170)
Transaction with non-controlling interest	(1,657)	(43)
	<u>33,999</u>	<u>110,149</u>
Net cash generated from financing activities		
Net (decrease)/increase in cash and cash equivalents	(53,168)	6,317
Cash and cash equivalents at beginning of period	133,832	106,842
Effect of foreign exchange rates changes	1,503	1,128
	<u>82,167</u>	<u>114,287</u>
Cash and cash equivalents at end of period		

The notes on pages 10 to 35 are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

1 General information of the Group

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

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

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

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited 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 2022.

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 2022 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 2021, 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 2021 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 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.

Standard and amendments	Effective for accounting periods beginning on or after
HKAS 16 (Amendments) - Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKFRS 3 (Amendments) - Reference to the Conceptual Framework	1 January 2022
HKAS 37 (Amendments) - Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020	1 January 2022

3 Significant accounting policies (continued)

(ii) *New and amended standards not yet effective*

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

Standard and amendments	Effective for accounting periods beginning on or after
HKFRS 17 Insurance Contracts	1 January 2023
Amendments to HKAS 8 regarding Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 regarding Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 1 regarding Classification of Liabilities as Current or Non-current	1 January 2023
HK Int 5 (2020) regarding Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2 regarding Disclosure of Accounting Policies	1 January 2023
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 2021.

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 2021.

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
At 30 June 2022					
(Unaudited)					
Bank borrowings	514,430	37,462	99,670	1,527	653,089
Interest payable on borrowings	11,181	5,430	4,916	282	21,809
Lease liabilities	2,130	2,022	2,664	163	6,979
Trade and other payables (excluding non-financial liabilities)	195,538	—	—	—	195,538
	<u>723,279</u>	<u>44,914</u>	<u>107,250</u>	<u>1,972</u>	<u>877,415</u>
At 31 December 2021					
(Audited)					
Bank borrowings	500,153	30,247	63,977	—	594,377
Interest payable on borrowings	14,971	5,130	2,545	—	22,646
Lease liabilities	2,714	2,629	3,011	511	8,865
Trade and other payables (excluding non-financial liabilities)	151,292	—	—	—	151,292
	<u>669,130</u>	<u>38,006</u>	<u>69,533</u>	<u>511</u>	<u>777,180</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 four 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 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 2022					
	Sales of	Sales of	Sales of	Sales of		
	agar-agar	carrageenan	konjac	blended	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue recognised at a point-in-time:						
Sales to customers	180,348	510,833	33,251	46,880	6,560	777,872
Cost of sales	<u>(114,565)</u>	<u>(363,893)</u>	<u>(29,190)</u>	<u>(28,932)</u>	<u>(5,306)</u>	<u>(541,886)</u>
Segment results	<u><u>65,783</u></u>	<u><u>146,940</u></u>	<u><u>4,061</u></u>	<u><u>17,948</u></u>	<u><u>1,254</u></u>	<u><u>235,986</u></u>

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

Results of reportable segments	235,986
Other income	4,911
Other losses – net	(427)
Net impairment gains on financial assets	609
Selling and distribution expenses	(7,731)
Administrative expenses	(53,347)
Finance income	57
Finance costs	<u>(13,624)</u>
Profit before income tax	166,434
Income tax expense	<u>(40,292)</u>
Profit for the period	<u><u>126,142</u></u>

6 Revenue and segment information (continued)

Segment information (continued)

	(Unaudited)					Total HK\$'000
	For the six months ended 30 June 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	
Revenue recognised at a point-in-time:						
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>47,372</u>	<u>42,704</u>	<u>4,046</u>	<u>12,135</u>	<u>671</u>	<u>106,928</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>33,666</u>

6 Revenue and segment information (continued)

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
China	308,051	238,662
Europe	282,083	165,060
Asia (excluding China)	120,588	46,869
South America	42,713	25,941
North America	22,402	15,344
Africa	1,963	2,732
Oceania	72	26
Total	<u>777,872</u>	<u>494,634</u>

7 Profit before income tax

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Crediting</i>		
Government grants	4,842	3,371
Net impairment gains on financial assets	609	215
Net foreign exchange gains on financing activities and operating activities	282	1,254
Gain on disposal of a subsidiary	153	—
Interest income from banks	57	84
<i>Charging</i>		
Employee benefit expenses, including directors' emoluments	62,870	57,781
Depreciation of property, plant and equipment (note 11)	24,871	20,370
Amortisation of intangible assets (note 11)	4,030	3,662
Amortisation of land use rights (note 11)	642	803
Electricity and water expenses	19,912	17,421
Interest and finance charges on bank borrowings	13,492	11,291
Consulting fee	2,885	3,094

8 Income tax expense

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax	42,649	10,623
Deferred income tax	(2,357)	(432)
Income tax expense	<u>40,292</u>	<u>10,191</u>

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 20% (2021: 22%) on the estimated assessable profits for the six months ended 30 June 2022.

The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2021: 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 2021/2022 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 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% (2021: 16.5%).

8 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% (2021: 25%), except for Fujian Province Lvqi Food Colloid Company Ltd. (“Lvqi (Fujian)”), Longhai City Donghaiwan Seaweed Breeding Comprehensive Development Company Limited (“Donghaiwan”) which are subject to CIT at the preferential rate of 15% and 12.5% for six months ended 2022 and 2021, 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% granted by the local tax bureau, and the CIT rate is 12.5% for the six months ended 30 June 2022 and 2021.

(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. For the six months ended 30 June 2022 and 2021, 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\$630,403,000 as at 30 June 2022 (31 December 2021: HK\$513,433,000), 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.

9 Earnings per share

(a) Basic and diluted earnings per share

	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Basic earnings per share attributable to the ordinary equity holders of the Company	0.153	0.042
Diluted earnings per share attributable to the ordinary equity holders of the Company	<u>0.150</u>	<u>0.041</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 conversion of all dilutive potential ordinary shares.

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Basic and diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company	<u>126,080</u>	<u>34,086</u>

9 Earnings per share (continued)

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

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (i)	821,414,933	817,053,127
Adjustments for calculation of diluted earnings per share:		
– Share options	7,390,001	8,423,349
– Treasury shares	12,490,000	12,240,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>841,294,934</u>	<u>837,716,476</u>

Note:

- (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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Proposed interim dividend of HK2 cents (2021: HK1.5 cents) per ordinary share	<u>16,505</u>	<u>12,312</u>

An interim dividend of HK2 cents (2021: HK1.5 cents) per share, amounting to a total of HK\$16,505,000, was proposed by the board of directors of the Company on 30 August 2022. 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 2022	504,139	68,415	54,826	33,681
Additions	23,249	—	—	217
Disposal of a subsidiary	(2,086)	—	—	—
Depreciation/amortisation	(24,871)	(642)	—	(4,030)
Disposal	(726)	—	—	—
Currency translation differences	(21,429)	(2,804)	(1,263)	(1,349)
At 30 June 2022	<u>478,276</u>	<u>64,969</u>	<u>53,563</u>	<u>28,519</u>

	(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	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>

12 Cash and bank balances

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Cash and cash equivalents		
– Cash on hand	444	293
– Cash in banks	<u>81,723</u>	<u>133,539</u>
– Cash on hand and in banks	<u>82,167</u>	<u>133,832</u>
– Restricted cash - cash in banks	<u>3,650</u>	<u>—</u>
Total of cash and bank balances	<u><u>85,817</u></u>	<u><u>133,832</u></u>

The restricted cash are deposits held at bank as deposit and pledged for issue of notes payable of the Group.

13 Trade and other receivables

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade receivables	189,809	149,865
Loss allowance provision	(3,605)	(4,274)
	<u>186,204</u>	<u>145,591</u>
Prepayments for purchases of raw materials	2,861	20,174
Export tax rebate receivables and deductible value-added tax	46,042	25,956
Amounts receivables for disposal of a subsidiary(i)	12,700	—
Other receivables	6,052	7,151
	<u>67,655</u>	<u>53,281</u>
Total trade and other receivables	<u><u>253,859</u></u>	<u><u>198,872</u></u>

- (i) On 25 March 2022, the Group entered into an equity disposal agreement to dispose the 51% equity interests in Brilliant Bioscience(Shanghai) Co., Ltd, a non-wholly owned subsidiary of the Group, to the non-controlling shareholder of Junxi Industrial, at a cash consideration of HK\$12.7 million, and the amounts have not been received by the period ended 30 June 2022.

The ageing analysis of the trade receivables as at the 30 June 2022 based on invoice date was as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Up to 30 days	114,954	87,941
31 to 90 days	51,455	38,629
91 to 180 days	8,143	6,375
181 to 365 days	11,834	10,383
Over one year	3,423	6,537
	<u>189,809</u>	<u>149,865</u>

14 Financial assets at fair value through profit or loss

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Current assets		
Financial assets at fair value through profit or loss		
– Debt investment	—	5,529

15 Share capital

	(Unaudited)		(Unaudited)	
	2022	2022	2021	2021
	Shares	HK\$'000	Shares	HK\$'000
As at 1 January	820,824,000	8,208	816,392,000	8,164
At 3 June 2021-shares issued upon exercise of share options	—	—	4,432,000	44
At 6 June 2022-shares issued upon exercise of share options	4,432,000	45	—	—
As at 30 June	<u>825,256,000</u>	<u>8,253</u>	<u>820,824,000</u>	<u>8,208</u>

16 Equity-settled share-based payment

On 5 August 2018, the then sole director of the Company approved a pre-IPO share option scheme of the Company. On 9 August 2018, the Company granted pre-IPO share options to the three employees, the former non-controlling shareholder of a subsidiary and a personal consultant to the directors of the Company. For the shares options granted to the three employees, the vesting period is 5 years from the listing date. No vesting period was set for share options granted to the other two parties.

The total amounts of the fair value of the share options to the three employees are expensed over the vesting period of 5 years and recorded in ‘employee benefit expenses’ in the consolidated statement of profit or loss. Those to the other two parties were expensed and recorded in ‘administrative expenses’ in the consolidated statement of profit or loss in 2019.

The equity-settled share-based payment expenses charged to the consolidated statement of profit or loss during the period ended 30 June 2022 are as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Employee benefit expenses	<u>1,064</u>	<u>1,439</u>

As at 30 June 2022, the remaining unamortised fair value of shares/options transferred to the three employees amounted to approximately HK\$3,064,000 (2021: HK\$4,128,000) which will be charged to the consolidated statement of profit or loss in the future.

16 Equity-settled share-based payment (continued)

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.

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
As at 1 January	13,296,000	17,728,000
Exercised during the period	<u>(4,432,000)</u>	<u>(4,432,000)</u>
	<u>8,864,000</u>	<u>13,296,000</u>

16 Equity-settled share-based payment (continued)

Share options outstanding as at 30 June 2022 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
		2022 (Unaudited)	2021 (Unaudited)			
Options granted to the three employees	9 August 2018	8,864,000	13,296,000	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

17 Trade and other payables

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade payables	158,648	95,979
Payables for property, plant and equipment	19,876	23,750
Contract liabilities - advance receipts from customers	11,226	12,440
Employee benefit payables	10,494	9,632
Other taxes payable	4,804	5,084
Amount due to a relate party (note 21)	1,565	—
Amount due to a third party	—	22,016
Others	15,449	9,547
	222,062	178,448

17 Trade and other payables (continued)

Trade payables are usually paid within 90 days of recognition.

The ageing analysis of trade payables as at 30 June 2022 based on invoice date was as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0 to 90 days	155,739	93,095
91 to 180 days	566	276
181 to 365 days	164	125
Over 365 days	2,179	2,483
	<u>158,648</u>	<u>95,979</u>

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 Bank borrowings and lease liabilities

	(Unaudited)			(Audited)		
	As at 30 June 2022			As at 31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings (a)						
– secured	111,281	86,730	198,011	97,100	94,224	191,324
– unsecured	403,149	51,929	455,078	403,053	—	403,053
	<u>514,430</u>	<u>138,659</u>	<u>653,089</u>	<u>500,153</u>	<u>94,224</u>	<u>594,377</u>
Lease liabilities (b)						
– unsecured	2,166	4,547	6,713	2,312	5,790	8,102
Total borrowings	<u>516,596</u>	<u>143,206</u>	<u>659,802</u>	<u>502,465</u>	<u>100,014</u>	<u>602,479</u>
Total secured borrowings	111,281	86,730	198,011	97,100	94,224	191,324
Total unsecured borrowings	<u>405,315</u>	<u>56,476</u>	<u>461,791</u>	<u>405,365</u>	<u>5,790</u>	<u>411,155</u>
Total borrowings	<u>516,596</u>	<u>143,206</u>	<u>659,802</u>	<u>502,465</u>	<u>100,014</u>	<u>602,479</u>

Notes:

(a) Bank borrowings

The bank borrowings of the Group as at 30 June 2022 and were secured by the pledge of the Group's land use rights, buildings as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Unaudited)
Land use rights	75,473	30,439
Buildings	<u>28,757</u>	<u>50,088</u>
Total assets pledged as security	<u>104,230</u>	<u>80,527</u>

For the six months ended 30 June 2022, the weighted average effective interest rates on bank borrowings were 4.46% (2021: 4.45%).

The bank loans of the Group are supported by guarantees from Mr. Chan Kam Chung and Mr. Guo Dongxu, the directors of the Company, to the extent of HKD115,953,000 as at 30 June 2022.

18 Bank borrowings and lease liabilities (continued)

(b) Lease liabilities

Lease liabilities are related to buildings of the Group.

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Minimum lease payments:		
Within one year	2,130	2,714
Later than 1 year and no later than 5 years	4,686	5,640
Over 5 years	163	511
	<u>6,979</u>	<u>8,865</u>
Future finance charges	(266)	(763)
Total lease liabilities	<u><u>6,713</u></u>	<u><u>8,102</u></u>
Payable:		
Within one year	2,166	2,312
Over one year	4,547	5,790
Total lease liabilities	<u><u>6,713</u></u>	<u><u>8,102</u></u>

19 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:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Contracted but not recognised as liabilities:		
Property, plant and equipment	<u>14,600</u>	<u>10,916</u>

20 Contingent liabilities

At 30 June 2022, the Group had no material contingent liabilities (31 December 2021: nil).

21 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.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the period, and significant balances arising from related party transactions as at the end of the reporting period.

21 Related party transactions (continued)

(a) Transactions with related parties

Two directors provided personal guarantees for the Group's bank borrowings. Details are set out in note 18.

(b) Balances with related parties

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Amount due to a related party (note 17)		
– Mr. Cai Ming Huang, the minority shareholder of a subsidiary	<u>1,565</u>	<u>—</u>

(c) Key management compensation

For the six months ended 30 June 2022, the key management compensation amounted to approximately HK\$ 6,132,000 (2021: HK\$7,921,000).

22 Events after the balance sheet date

There are no other material subsequent events undertaken by the Company or by the Group after 30 June 2022.

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. In 2020 and 2021, we ranked first amongst the agar-agar products as well as the refined and semi-refined carrageenan products manufacturers, in the People's Republic of China (the "PRC") market in terms of the sales value, sales volume and the related market shares. Also, we are the largest manufacturer of agar-agar products and refined and semi-refined carrageenan products globally in 2020 and 2021*. Our products, mainly including agar-agar, carrageenan, blended products and konjac gum, provide functional properties such as thickening, water-retention and stabilising functions for various end products such as processed food, cosmetics and biotechnology products, and make up the main contents of many health foods for their rich soluble dietary fibres. In addition, we can extend product functions through blending different colloids and gums. For example, konjac gum blended products enable plant-based artificial meat to offer the mouthfeel resembling that of real meat, at the same time konjac has become increasingly popular under the trend of promoting healthy eating.

Distinguished from other conventional manufacturers, we are primarily a long-term partner of our customers in the supply of raw materials and in certain cases product development for 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 Review

In the first half of 2022, riding on the nearly full recovery from the impacts of coronavirus ("COVID-19") in most parts of the globe, and benefits from the strong demand of agar-agar and carrageenan products from both local and overseas food manufacturer buyers, we have enjoyed a decent increase in sales revenue and significant improvement in gross profit margin and net profit.

* Frost & Sullivan Market Research Report (June 2022)

For the six months ended 30 June 2022 (the “**Period**”), the Group’s total revenue was HK\$777.9 million (2021: HK\$494.6 million), representing an increase of 57.3% as compared to the same period of last year. As stated in the Company’s annual report for the year ended 31 December 2021, the early resumption of economic and production activities amidst COVID-19 in the PRC, the recovery in economies of western countries after a higher coverage of vaccination, and the looming inflationary pressure of natural resources worked together to drive up the demand of food and food additives included hydrocolloid products on a global dimension. Net profit of the Group for the Period increased by HK\$92.4 million to HK\$126.1 million, primarily due to the increase in sales volume by 11.2% coupled with the increase in gross profit margin by 8.7 percentage point, up to 30.3% during the Period caused mainly by the increase in average selling prices ranged from 8.4% to 63.3% across different products in response to the soaring prices of seaweeds started in late 2021 and continued throughout the Period. The extent of increase in net profit for the Period as compared to that of gross profit, was partially offset by the increase in administrative expenses, finance costs and income tax expense of the Period of HK\$8.4 million, HK\$2.7 million and HK\$30.1 million, respectively.

During the Period, the sales value in the PRC and overseas markets accounted for 39.6% and 60.4% of our total sales value, respectively (2021: 48.3% and 51.7%). The increase in sales value in the PRC market, relative to that of overseas markets, was in a lesser magnitude due to the constraints imposed to the retail channels for end-products brought from the COVID-19 lockdown measures escalated in various parts of the PRC during the second quarter. On the other hand, riding on the nearly full recovery from the impacts of COVID-19, during the Period, value of product sold to European, North and South American and Asia (excluding China) markets increased by 70.9%, 46.0%, 64.7% and 157.3% respectively.

Ongoing Investment in Product Technology

The Group sets out long-term goal in offering products carrying higher level of product technology which enables us to differentiate further from its competitors in meeting the changing needs of customers. Through our ongoing investment in the product research and development capability, the Group shall be able to enhance product mix and hence profitability in a sustainable manner. For instance, quick-dissolve agar-agar used in dairy products and deep-processed carrageenan products used in bakery products are products with ample market potential and the Directors believe that these products shall become key contributors to the enhancement of the Group's profit margin in the foreseeable future. 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.

Business Prospects

Even though the COVID-19 pandemic has once caused significant disruptions to the global economy with certain residual effect remains to-date, the end-product markets for hydrocolloid products performed outstandingly during the Period as the key applications of hydrocolloid products are basic consumer goods including food and household products. This is a clear indication of the strong resilience as well as responsiveness of our industry at all times, also the competitiveness of the Group as industry leader.

In terms of the Group's effort to diversify the geographical location of the production facilities as well as ongoing endeavor in cost-reductions, the Group has completed the acquisition of a majority equity interest in PT Hongxin Algae International ("**Hongxin**"), a company incorporated in Indonesia engages principally in the manufacture of semi-refined carrageenan with clear advantages in lower operating cost and proximity to seaweed resources, in 2021. During the Period, the Group has made full use of Hongxin's production capacity in meeting the strong demand from the customer side. Riding on the uprising trend, the Directors shall accelerate the expansion of Hongxin's production capacity in 2022 and maximise output from the Group at the same time promote its scale advantages in the long run.

Looking forward, the prospect of hydrocolloid products is promising and the Group is committed to powering sustainable growth of business and improving returns on investments by leveraging its strengths in the business scale and the technical expertise.

Interim Dividend

In order to share the operating results of the Company with our shareholders, the Board has resolved to declare an interim dividend of HK2.0 cents per share for the Period, amounting to a total of HK\$16.5 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 Thursday, 15 September 2022. The interim dividend is expected to be payable on or about Thursday, 20 October 2022.

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 Thursday, 15 September 2022, 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 Wednesday, 14 September 2022.

Financial Review

Revenue

For the Period, the Group's revenue was HK\$777.9 million (2021: HK\$494.6 million), increased by 57.3% as compared to the same period of last year. During the Period, the sales revenue of agar-agar, carrageenan, konjac and blended products increased by 34.3%, 76.4%, 4.5% and 43.0%, respectively, as compared to the same period of last year. The key driver of revenue growth of this Period, apart from the increase in sales volume brought from the strong market demand, was attributed mainly to the persisting increase in purchase prices of seaweeds since late 2021 and way through the first half of 2022, which in turn provided room for top-tier players like our Group to pass on cost and increase the selling prices of products and hence achieved a substantial growth in sales revenue. The total sales revenue of agar-agar and carrageenan products, contributing 88.9% of the total sales revenue of the Group, represented an increase of 3.2% as compared to the same period of 2021. This was mainly due to the relatively higher growth rate recorded for agar-agar and carrageenan during the Period which applies mainly in food products of basic necessities.

Cost of Sales

For the Period, the cost of sales of the Group was HK\$541.9 million (2021: HK\$387.7 million), representing an increase of 39.8%. Our cost of sales mainly consisted of the cost of raw materials (seaweed and konjac) and ancillary materials and production cost. The increase in the cost of sales during the Period was mainly as a result of the increase in sales volume as well as the increase in the purchase prices of seaweeds or material cost component since late 2021 way through the first half of 2022. During the Period, direct labor cost and manufacturing cost increased as production time and volume increased, however, the percentage proportion out of the total cost of sales was maintained fairly stable, as compared to the same period of last year.

Gross Profit and Gross Profit Margin

For the Period, the gross profit of the Group was HK\$236.0 million (2021: HK\$106.9 million), representing an increase of 120.7%. The overall gross profit margin for the Period was 30.3%, representing an impressive increase of 8.7 percentage point as compared to the same period of 2021. The gross profit margin of agar-agar, carrageenan and blended products were increased by 1.2 percentage point, 14.1 percentage point and 1.3 percentage point, respectively, while that of konjac product were slightly decreased by 0.5 percentage point. Amidst the strong demand in terms of quantities of agar-agar and carrageenan during the Period, selling prices of those escalated and passed on to customers continuously in response to the persisting increase in purchase prices of seaweeds since late 2021 and way through the first half of 2022. As a consequence of the soaring product selling prices, the Group was able to widen its gross profit margin further by disposing its on-hand inventory manufactured previously at a relatively lower cost. It is noteworthy that this is also an expected outcome under the Group's inventory management strategy devised based on the latest market situation from time to time.

Selling and Distribution Expenses

For the Period, the selling and distribution expenses of the Group were HK\$7.7 million (2021: HK\$10.2 million), representing a decrease of 24.5%, which was mainly attributable to the switching out of sales related transportation cost to the cost of sales according to the newly revised PRC accounting standard rolled out during the first half of 2021, the decrease was partly offset by the increase in logistic related expenses due to the increase in sales volume during the Period. On the whole, the ratio of selling and distribution expenses to sales revenue decreased significantly due to the composite effect of significant increase in sales revenue and the switching out of sales related transportation cost during the Period.

Administrative Expenses

For the Period, the administrative expenses of the Group were HK\$53.3 million (2021: HK\$44.9 million), representing an increase of 18.7%, which was mainly attributable to the increase in staff salaries and social insurance expenses caused mainly by the annual salary increment and also the inclusion of staff cost of Hongxin during the Period which was became a subsidiary of the Group effective from 15 April 2021. Besides, during the Period there was an increase in the depreciation charge of certain office premises acquired by the Group during the first half of 2021.

Net Finance Costs

For the Period, the finance income and costs of the Group were HK\$57,000 and HK\$13.6 million, respectively, (2021: HK\$84,000 and HK\$10.9 million), representing a decrease of 32.1% for finance income and an increase of 24.8% for finance costs. The decrease in finance income was directly linked to the amount and duration of bank deposit made during the Period, while the increase in finance costs was due to the increase in interest expenses in relation to the increase in average balance of outstanding bank loans during the Period.

Income Tax Expense

For the Period, the income tax expense of the Group was HK\$40.3 million (2021: HK\$10.2 million), representing an increase of HK\$30.1 million or 295.1%, which was mainly due to the significant increase in pre-tax profit which was partly offset by the increase in the reversal of deferred income tax during the Period.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax	42,649	10,623
Deferred income tax	(2,357)	(432)
Income tax expense	<u>40,292</u>	<u>10,191</u>

Profit Attributable to Owners of the Company

For the Period, profit attributable to owners of the Company was HK\$126.1 million (2021: HK\$34.1 million), representing an impressive increase of 269.8% as compared to the same period of last year, as a result of the increase in corresponding magnitude in the net profit of the Group for the Period.

Liquidity and Financial Resources

As at 30 June 2022, the Group's cash and bank balances amounted to HK\$85.8 million, representing a decrease of HK\$48.0 million from 31 December 2021. The financial ratios of the Group as at 30 June 2022 were as follows:

	As at 30 June 2022	As at 31 December 2021
Current ratio	1.59	1.46
Gearing ratio ¹	38.3%	36.0%

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

Net Current Assets

As at 30 June 2022, the Group's net current assets were HK\$459.5 million, representing an increase of HK\$137.1 million from HK\$322.4 million as at 31 December 2021, primarily due to the increase of HK\$206.1 million in inventories and the decrease of HK\$48.0 in cash and bank balances; partly offset by the increase in HK\$55.0 million in receivables, the increase of HK\$43.6 million in payables and the increase of HK\$14.3 million in the balance of short-term bank loans as at 30 June 2022. These changes created a composite effect to the net change of net current assets level across the relevant periods.

Borrowings

As at 30 June 2022, the total bank borrowings of the Group amounted to HK\$653.1 million, of which HK\$514.4 million shall be repaid within one year and HK\$138.7 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 2022, the weighted average interest rate on bank borrowings (per annum) was 4.46% (2021: 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 2022, the Group had pledged its buildings and land use rights with a carrying value of HK\$104.2 million (31 December 2021: HK\$80.5 million) as security for its borrowings. As at 30 June 2022, the amount of secured bank borrowings was HK\$198.0 million (31 December 2021: HK\$191.3 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 in 2022.

Save as disclosed above, the Group did not have other future plans for material investments or capital assets.

Material Acquisition and Disposal of Subsidiaries

On 25 March 2022, a member of the Group entered into an equity acquisition agreement (the “**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. The Equity Acquisition was completed on 22 August 2022.

On 25 March 2022, a member of the Group entered into an equity disposal agreement (the “**Equity Disposal Agreement**”) with Junxi Industrial (Shanghai) Co., Ltd. (“**Junxi Industrial**”), the existing shareholder of the 49.0% equity interests 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 (which was later amended as RMB10.3 million or an equivalent sum of HK\$12.7 million) (the “**Equity Disposal**”). Following completion of the Equity Disposal, Brilliant (Shanghai) will cease to be a subsidiary of the Group. The Equity Disposal was completed on 25 July 2022.

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries for the Period.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group adopts a conservative approach for cash management and investment on funds. 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. During the Period, the Group did not use any financial instrument for hedging purpose.

Employees and Remuneration Policy and Share Option Scheme

As at 30 June 2022, the Group had 1,125 full-time employees, of whom 1,063 were based in Mainland China and 62 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 and share award 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 13 May 2022, 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 2022 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 6 June 2022. As at 30 June 2022, the issued share capital of the Company was 825,256,000 shares. No option was granted, lapsed or cancelled during the Period. The Company had 8,864,000 share options outstanding under the Pre-IPO Share Option Scheme, representing 1.07% 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.

Capital Expenditures

Our capital expenditures primarily comprise cash expenditures for plant, equipment and land use rights. Our capital expenditures for the Period were HK\$27.5 million (31 December 2021: HK\$77.5 million).

Commitments

The Group’s capital commitments in respect of those that have been contracted for as at 30 June 2022 and 31 December 2021 amounted to HK\$14.6 million and HK\$10.9 million, respectively.

Lease Liabilities

Lease liabilities are related to building of the Group.

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Minimum lease payments:		
Within one year	2,130	2,714
Later than 1 year and no later than 5 years	4,686	5,640
Over 5 years	163	511
	<u>6,979</u>	<u>8,865</u>
Future finance charges	<u>(266)</u>	<u>(763)</u>
Total lease liabilities	<u>6,713</u>	<u>8,102</u>

Contingent Liabilities

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

Subsequent Events

There was no significant event affecting the Group which occurred after 30 June 2022 and up to the date of this announcement.

Issue of Shares by the Company in the Period

On 13 May 2022, 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 2022 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 6 June 2022.

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 (the “**CG Code**”) in Part 2 of the Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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.

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 for the Period, 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 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. 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) and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (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 of the Company 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 2022

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.