

**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

**2020
INTERIM
REPORT**

VISION MISSION CORE VALUES



Vision

Being a global leader in the technical development and manufacturing of all-natural performance materials



Mission

Keeping pace with the times and meeting the evolving application needs of customers with quality and innovation

Core values

Innovation, growth, and re-innovation





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. CHAN Kam Chung
(Chairman and Chief Executive Officer)

Mr. GUO Dongxu
(Vice Chairman and Vice President)

Mr. CHAN Shui Yip
(Vice Chairman and Vice President)

Mr. SHE Xiaoying

Non-executive Director

Mr. GUO Songsen

Independent non-executive Directors

Mr. HO Kwai Ching, Mark

Mr. NG Man Kung

Mr. HU Guohua

COMPANY SECRETARY

Mr. SO Chi Man

AUTHORISED REPRESENTATIVES

Mr. CHAN Kam Chung

Mr. SO Chi Man

AUDIT COMMITTEE

Mr. HO Kwai Ching, Mark (Chairman)

Mr. NG Man Kung

Mr. HU Guohua

REMUNERATION COMMITTEE

Mr. NG Man Kung (Chairman)

Mr. HO Kwai Ching, Mark

Mr. CHAN Kam Chung

NOMINATION COMMITTEE

Mr. CHAN Kam Chung (Chairman)

Mr. HO Kwai Ching, Mark

Mr. NG Man Kung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

Squire Patton Boggs

COMPLIANCE ADVISER

Essence Corporate Finance (Hong Kong) Limited
39/F, One Exchange Square
Central
Hong Kong

PRINCIPAL BANKERS

In Hong Kong
Bank of China (Hong Kong) Limited
29-31 Lee Chung Street
Chai Wan
Hong Kong

In the PRC
Industrial Bank Co., Ltd.
Block 3, Jiaxin Garden
Zi Guang Road
Shima Town
Longhai City
Zhangzhou
Fujian Province
China



REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

**HEAD OFFICE AND PRINCIPAL PLACE OF
BUSINESS IN HONG KONG**

Flat A, 16th Floor
169 Electric Road
North Point
Hong Kong

**PRINCIPAL PLACE OF BUSINESS IN THE
PRC**

Anshan Industrial Park
Zini Town
Longhai, Zhangzhou City
Fujian Province
PRC

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

<http://www.greenfreshfood.com>

STOCK CODE

01084



MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Green Future Food Hydrocolloid Marine Science Company Limited (the “**Company**”) is pleased to present the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (together, the “**Group**”, “**we**” or “**us**”) for the six months ended 30 June 2020 (the “**Period**”). The interim condensed consolidated financial information is unaudited but has been reviewed by the audit committee of the Board (the “**Audit Committee**”) and 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. Without qualifying its review conclusion, the external auditor of the Company draws attention to the fact that the comparative information for the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2019 has not been audited or reviewed.

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, including agar-agar, carrageenan, konjac gum and its blended products, provide functional properties such as thickening, water-retention and stabilising functions for various end products, including various types of 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, gums and materials. For example, konjac gum blended products enable plant-based artificial meat to offer the mouthfeel resembling that of real meat, and provide options of high-fiber healthy meals by adding different nutrients to keep up with the healthy diet trend in cost-conscious manner.

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

BUSINESS REVIEW

Affected by the novel coronavirus (“**COVID-19**”) pandemic (the “**Pandemic**”) and related control measures, the economic activities in Mainland China, Hong Kong and even the world were severely affected in the first half of 2020, resulting in a sharp downturn in economic growth and even negative growth in many regions, posing unprecedented challenges to all walks of life.

For the Period, the Group’s total revenue was HK\$428.5 million (2019: HK\$425.4 million), representing a mild increase of 0.7% which was boardly flat as compared to that for the same period of last year. As stated in the Company’s 2019 Annual Report, the Pandemic and related control measures had impacted the Group’s production and business to a certain extent. In addition, with the spread of COVID-19 on a global scale, the economic growth of major global markets slowed down sharply during the Period, which had a substantive impact on our business expansion. However, compared with other industries like service and retail, the all-natural food performance material industry saw recovering demand from the second quarter by virtue of its characteristics as basic consumer products. During the Period, all the hydrocolloid products recorded an increase in revenue, except agar-agar products which recorded a sharp decline in sales volume during the Pandemic as their end-use applications mainly involve leisure food with relatively higher elasticity of demand. During the Period, the net profit of the Group was HK\$34.5 million (2019: HK\$37.1 million), representing a decrease of 7.0%, which was mainly because with the increasing severity of adverse business environment during the Period, the Group made appropriate adjustments to product prices in order to step up the circulation of inventories, which led to a decrease of 4.0% in overall gross profit margin during the Period, offsetting the decreases in administrative expenses and net financial expenses during the Period.



During the Period, the domestic and global demands for our hydrocolloid products varied in different regions but were stable on the whole. The sales in the PRC and overseas accounted for 46.2% and 53.8% of our sales for the Period, respectively (2019: 44.5% and 55.5%). Benefited from the efforts on the exploration of the European and South American markets, greater growth was seen in Denmark, Spain and Chile during the Period, with the revenue from the European and South American markets growing by 10.5% and 23.4% respectively. On the other hand, due to the material impact of the Pandemic on the Asian regions repeatedly, sales in markets such as South Korea, Thailand and Indonesia experienced a significant decline during the Period, and the sales in the Asian market, excluding PRC, recorded a period-on-period decrease of 27.5%.

ADVANTAGES IN TECHNOLOGY AND SCALE

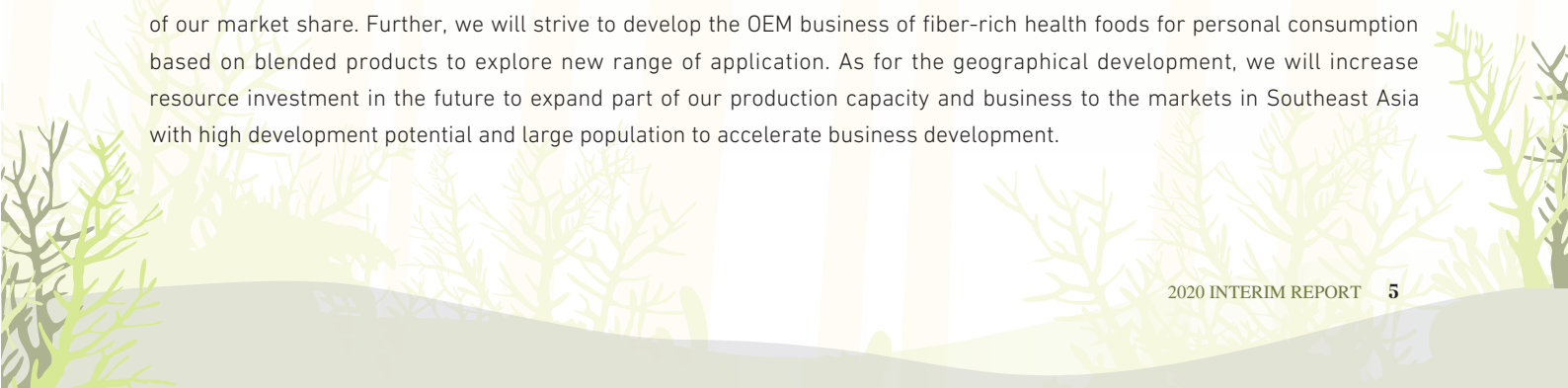
We succeeded in expanding the market for quick-dissolve agar-agar products for use in dairy products through strengthening our product research and development capability and marketing efforts. The revenue of quick-dissolve agar-agar products recorded an increase of 13.9% for the Period as compared to the same period of 2019 and quick-dissolve agar-agar products remained as one of our products offering the highest gross profit margin. Our Directors believe that with a stable and growing demand for dairy products, the quick-dissolve agar-agar products are of great business value. In addition to the traditional processed foods, we have also expanded the use of our products in the application of pet foods. It is expected that the market for pet foods in China will have a great development potential in the foreseeable future. Furthermore, konjac gum has become a key ingredient of various health food for its rich soluble dietary fibers, and its development is gaining momentum. With regard to daily necessities, the markets for gel-type air fresheners and beauty products such as face masks were further developed during the Period. We expect that the diversity of end products and applications will be key areas for our future expansion.

Despite the extensive challenges to the business environment in the first half of 2020, our revenue and net profit could still remain broadly flat and record a modest decrease as compared to the same period of 2019, which was a good indication of our competitiveness and resilience as an industry leader. Amidst the relatively uncertain operating environment in the near future, we will strive to maintain stable business and continue to improve our performance and investment returns leveraging our strengths in our business scale and technical expertise.

PROSPECTS

Currently, the Pandemic has caused a substantial global slowdown in economic growth, and the business environment will face significant challenges in the future. Nevertheless, the end products markets for hydrocolloid products are expected to remain stable as the key applications of hydrocolloid products are basic consumer goods including food and household products, and the prospect of hydrocolloid products is promising. We will continue to support and facilitate the development of end products and new end applications for customers and further expand our market with our core values of "innovation, growth, and re-innovation".

Our development strategy is to continue to increase our investment in product research and development, optimise our product portfolio and develop new markets. Currently, our two subsidiaries in Shanghai are dedicated to the research and development as well as sales of quick-dissolve agar-agar products and blended products, in order to accelerate the expansion of our market share. Further, we will strive to develop the OEM business of fiber-rich health foods for personal consumption based on blended products to explore new range of application. As for the geographical development, we will increase resource investment in the future to expand part of our production capacity and business to the markets in Southeast Asia with high development potential and large population to accelerate business development.



FINANCIAL REVIEW

Revenue

For the Period, the Group's revenue was HK\$428.5 million (2019: HK\$425.4 million), representing a mild increase of 0.7% which was broadly flat as compared to that of the same period last year. During the Period, the revenue of carrageenan, konjac and blended products increased by 12.2%, 9.9% and 2.8%, respectively, while that of agar-agar products decreased by 23.7% due to a sharp decline in sales volume during the Pandemic as their end-use applications mainly involve leisure food with relatively higher elasticity of demand. The total revenue of carrageenan and agar-agar products, contributing to approximately 90% of the revenue of the Group, recorded a slight decrease of 1.3% for the Period as compared to the same period of 2019, which indicated that the different hydrocolloid products of the Group are highly complementary and can effectively respond to the short-term fluctuations in different end markets to keep our business stable as a whole.

Cost of Sales

For the Period, the cost of sales of the Group was HK\$332.1 million (2019: HK\$312.7 million), representing an increase of 6.2%. 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 a result of the increase in sales volume.

Gross Profit and Gross Profit Margin

For the Period, the gross profit of the Group was HK\$96.4 million (2019: HK\$112.7 million), representing a decrease of 14.5%. The overall gross profit margin for the Period was 22.5%, representing a decrease of 4.0% as compared to the same period of 2019. The gross profit margin of agar-agar, carrageenan, konjac and blended products was down by 4.7%, 2.4%, 5.8% and 1.9%, respectively, which was mainly because with the increasing severity of adverse business environment during the Period, the Group made appropriate adjustments to product prices in order to step up the circulation of inventories, which led to a decrease in the gross profit margin of the products. In particular, the agar-agar products experienced significant price adjustments and recorded a resulting significant decline in gross profit margin due to the sluggish sales during the Pandemic as their end-use applications mainly involve leisure food.

Selling and Distribution Expenses

For the Period, the selling and distribution expenses of the Group were HK\$8.4 million (2019: HK\$7.9 million), representing an increase of 6.3%, which was primarily attributable to the increase in staff costs for the Period. On the whole, the ratio of selling and distribution expenses to revenue remained stable during the Period as compared to the same period of 2019.

Administrative Expenses

For the Period, the administrative expenses of the Group were HK\$34.9 million (2019: HK\$44.7 million), representing a decrease of 21.9%, which was mainly due to the decrease in listing expenses and share-based payment expenses.

Net Finance Costs

For the Period, the finance income and costs of the Group were HK\$1.5 million and HK\$13.4 million (2019: HK\$55,000 and HK\$13.4 million), representing an increase of 26.2 times and the same level of cost, respectively. The rise in finance income was mainly generated from the interest income on deposits of the proceeds from listing of the Company. The finance cost remained basically the same because the increase in the interest expenses resulting from the increase in average balance of bank loans was offset by the decrease in the interest expenses resulting from the Group's early repayment of convertible bonds in March 2020.



Income Tax Expense

For the Period, the income tax expenses of the Group were HK\$11.7 million (2019: HK\$13.4 million), representing a decrease of HK\$1.7 million or 12.7%, which was mainly due to the corresponding increase in the relevant deduction of deferred income tax during the Period.

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Current income tax	13,295	13,626
Deferred income tax	(1,629)	(235)
Income tax expense	11,666	13,391

Profit Attributable to Owners of the Company

For the Period, profit attributable to owners of the Company was HK\$36.1 million (2019: HK\$36.7 million), representing a modest decrease of 1.6% as compared to the same period of last year.

Liquidity and Financial Resources

As at 30 June 2020, the Group's cash and cash equivalents and restricted cash amounted to HK\$163.7 million, representing an decrease of HK\$22.5 million from 31 December 2019. The financial ratios of the Group as at 30 June 2020 were as follows:

	As at 30 June 2020	As at 31 December 2019
Current ratio	1.63	1.74
Gearing ratio ¹	83.7%	72.5%

Note 1: Gearing ratio is calculated as total liabilities divided by total equity

Net Current Assets

As at 30 June 2020, our net current assets were HK\$306.3 million, representing a slight decrease of HK\$2.6 million from HK\$308.9 million as at 31 December 2019, primarily due to the increase of HK\$108.5 million in inventories and the decrease of HK\$21.5 million and HK\$22.5 million in receivables and cash balance, and the increase of HK\$19.7 million in payables and the increase of HK\$83.3 million in the balance of short-term bank loans as at 30 June 2020, the changes of which were partly offset with each other. In addition, short-term liabilities further decreased by HK\$29.5 million due to the Group's early repayment of all the balance of convertible bond in March 2020.

Borrowings

As at 30 June 2020, the total bank borrowings of the Group amounted to HK\$423.8 million, of which HK\$368.2 million shall be repaid within one year and HK\$55.6 million shall be repaid after one year. The carrying amounts of bank borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi.

On 20 November 2017, the Group issued a convertible bond for HK\$60 million to an independent third party (hereinafter referred to as the “**convertible bond holder**”) with annual interest rates of 5% and 10%, respectively, chargeable in different phases. On 28 February 2018, the convertible bond holder exercised all conversion rights under the agreement and acquired 2.0% equity in the Company at the consideration of HK\$4.8 million. Thereafter, the maturity date of the convertible bonds was extended from the original date of 20 November 2019 to 15 July 2020 with applicable interest rate of 13% in accordance with the amended agreement between the Company and the convertible bond holder dated 28 December 2018. On 21 November 2019 and 12 March 2020, the Company used its own free funds to early redeem the convertible bonds of HK\$25 million and HK\$30.2 million, respectively. As at 30 June 2020, the Group had no remaining carrying amount of convertible bond.

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 2020, the weighted average interest rate on bank borrowings (per annum) was 4.81%.

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 2020, the Group had pledged its buildings, land use rights and bank deposits with a carrying value of HK\$139.3 million (31 December 2019: HK\$150.1 million) as security for its borrowings. As at 30 June 2020, the amount of secured bank borrowings was HK\$183.4 million (31 December 2019: HK\$131.6 million).

Treasury Policies and Exposure to Fluctuation in Exchange Rates

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



Use of Net Proceeds from the Share Offer

The Company was listed on the Stock Exchange on 17 October 2019, the amount of the net proceeds raised from the shares offer (the "Share Offer") amounted to HK\$183.7 million which are the same as the announcement of the Company dated 16 October 2019 (the "Announcement"). The net proceeds have been utilised in accordance with the plan set out in the Announcement (see table below) and the net proceeds not yet utilised are deposited with reputable banks in Hong Kong and Mainland China.

	Planned use of net proceeds from the Share Offer (as disclosed in the announcement on the allocation results of the Company dated 16 October 2019)		Unutilised net proceeds from the Share Offer as at 30 June 2020
	HK\$'000	Net proceeds from the Share Offer utilised as at 30 June 2020 HK\$'000	
Partial financing of the construction of a new production plant adjacent to the location of production plant operated and owned by Lvqi (Fujian) and purchase of machinery, with a designed annual capacity of 180 tonnes of refined iota carrageenan products, 1,500 tonnes of konjac gum products and 1,500 tonnes of quick-dissolve agar-agar products	20,200	20,200	—
Construction of a new production plant in Longhai city, Zhangzhou City, Fujian Province and purchase of machinery, with a designed annual capacity of 50 tonnes of agarose, 10 tonnes of agar microspheres and 200 tonnes of agarophyte ⁽¹⁾	62,100	5,610	56,490
Construction of a production plant in Indonesia and purchase of machinery, with a designed annual capacity of 3,000 tonnes of semi-refined carrageenan ⁽²⁾	21,100	—	21,100
Construction of a new production plant in Zhangzhou city, Fujian Province and purchase of machinery, with a designed annual capacity of 1,000 tonnes of agar-agar products ⁽³⁾	62,800	—	62,800
General working capital	17,500	17,500	—
Total	183,700	43,310	140,390

Notes:

- (1) Due to the current market condition, the project timetable has been extended to the second half of 2020. Our Directors expect that the construction will commence and we will start using the net proceeds from the second half of 2020.
- (2) The investment structure is under review, and we will start using the net proceeds from the second half of 2020.
- (3) Our Directors expect that the construction will commence and we will start using the net proceeds from the second half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditures

Our capital expenditures primarily comprise cash expenditures for plant, equipment and land use rights. Our capital expenditures for the Period were HK\$19.6 million (2019: HK\$28.6 million).

Commitments

(1) The Group's capital commitments in respect of those that have been contracted for as at 30 June 2020 and 31 December 2019 amounted to HK\$37.4 million and HK\$1.9 million, respectively.

(2) Operating leases commitments

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

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Less than 1 year	1,774	1,594
Over 1 year and less than 5 years	4,631	2,891
Over 5 years	1,349	265
	7,754	4,750

Contingent Liabilities

The Group did not have any material contingent liabilities as of 30 June 2020.

Subsequent Events

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

AUDIT COMMITTEE

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

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Essence Corporate Finance (Hong Kong) Limited ("**Essence**"), the Company's compliance adviser, save for the compliance adviser agreement entered into between the Company and Essence dated 26 September 2019 in connection with the Listing, none of Essence or its directors, employees or close associates (as defined in the Listing Rules) had any interest in the Group as at 30 June 2020, which is required to be notified to the Company pursuant to Rule 3A.19 of the Listing Rules.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited/ unreviewed)
Revenue	6	428,487	425,389
Cost of sales	6	(332,061)	(312,663)
Gross profit		96,426	112,726
Other income		4,700	3,916
Other gains/(losses) – net		571	(1,309)
Net impairment (losses)/gains on financial assets		(181)	1,044
Selling and distribution expenses		(8,447)	(7,911)
Administrative expenses		(34,925)	(44,671)
Operating profit		58,144	63,795
Finance income		1,496	55
Finance costs		(13,438)	(13,354)
Finance costs – net		(11,942)	(13,299)
Profit before income tax		46,202	50,496
Income tax expense	8	(11,666)	(13,391)
Profit for the period		34,536	37,105
Profit for the period attributable to:			
Owners of the Company		36,126	36,672
Non-controlling interests		(1,590)	433
		34,536	37,105
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (HK\$)	9	0.045	0.061
Diluted earnings per share (HK\$)	9	0.044	0.061

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited/ unreviewed)
Profit for the period	34,536	37,105
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss		
– Currency translation differences	(13,211)	(3,726)
Total comprehensive income for the period	21,325	33,379
Total comprehensive income for the period is attributable to:		
Owners of the Company	22,965	32,946
Non-controlling interests	(1,640)	433
	21,325	33,379

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

	Note	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Assets			
Non-current assets			
Land use rights	11	58,670	60,615
Property, plant and equipment	11	356,848	361,234
Intangible assets	11	48,151	52,520
Prepayments for non-current assets		2,145	1,823
Deferred income tax assets		12,552	9,915
		478,366	486,107
Current assets			
Inventories		430,888	322,428
Trade and other receivables	13	195,764	217,299
Cash and bank balances	12	163,683	186,172
		790,335	725,899
Total assets		1,268,701	1,212,006
Equity			
Equity attributable to owners of the Company			
Share capital	14	8,164	8,000
Other reserves		320,460	366,791
Retained earnings		357,273	326,983
		685,897	701,774
Non-controlling interests		4,610	669
Total equity		690,507	702,443

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

	Note	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Liabilities			
Non-current liabilities			
Bank borrowings	17	55,616	59,276
Lease liabilities	17	5,285	2,741
Deferred income		30,441	28,799
Deferred income tax liabilities		2,820	1,793
		94,162	92,609
Current liabilities			
Trade and other payables	16	103,926	84,247
Convertible bond	17	—	29,547
Bank borrowings	17	368,194	284,879
Lease liabilities	17	1,314	1,427
Current income tax liabilities		10,598	16,854
		484,032	416,954
Total liabilities		578,194	509,563
Total equity and liabilities		1,268,701	1,212,006

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

	Equity attributable to owners of the Company						Total equity HK\$'000
	Note	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)							
Balance at 1 January 2020		8,000	366,791	326,983	701,774	669	702,443
Comprehensive income							
Profit for the period		—	—	36,126	36,126	(1,590)	34,536
Other comprehensive loss							
– Currency translation differences		—	(13,161)	—	(13,161)	(50)	(13,211)
Total comprehensive income		—	(13,161)	36,126	22,965	(1,640)	21,325
Transactions with owners							
Final dividend paid		—	(40,820)	—	(40,820)	—	(40,820)
Capital contribution from non-controlling interests		—	—	—	—	5,581	5,581
Equity-settled share-based payment	15	—	1,814	—	1,814	—	1,814
Shares issued due to options exercised during the period	15	164	—	—	164	—	164
Profit appropriation to statutory reserves		—	5,836	(5,836)	—	—	—
Total transactions with owners		164	(33,170)	(5,836)	(38,842)	5,581	(33,261)
Balance at 30 June 2020		8,164	320,460	357,273	685,897	4,610	690,507
(Unaudited/unreviewed)							
Balance at 1 January 2019		6	162,386	244,467	406,859	179	407,038
Comprehensive income							
Profit for the period		—	—	36,672	36,672	433	37,105
Other comprehensive loss							
– Currency translation differences		—	(3,726)	—	(3,726)	—	(3,726)
Total comprehensive income		—	(3,726)	36,672	32,946	433	33,379
Transactions with owners							
Equity-settled share-based payment	15	—	2,269	—	2,269	—	2,269
Profit appropriation to statutory reserves		—	5,159	(5,142)	17	(17)	—
Total transactions with owners		—	7,428	(5,142)	2,286	(17)	2,269
Balance at 30 June 2019		6	166,088	275,997	442,091	595	442,686

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

	Six months ended 30 June		
	Note	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited/ unreviewed)
Cash flows from operating activities			
Cash generated from operations		6,218	2,938
Income tax paid		(19,362)	(27,496)
Net cash used in operating activities		(13,144)	(24,558)
Cash flows from investing activities			
Purchases of property, plant and equipment		(19,581)	(25,176)
Purchases of land use rights		—	(3,310)
Purchases of intangible assets		(50)	(151)
Proceeds from disposal of property, plant and equipment		2	—
Net cash used in investing activities		(19,629)	(28,637)
Cash flows from financing activities			
Proceeds from borrowings		304,657	254,070
Proceeds of capital contribution from non-controlling interests		5,581	—
Proceeds of share issued due to options exercised during the period		164	—
Repayments of borrowings		(214,818)	(198,092)
Final dividend paid		(40,820)	—
Repayment of convertible bond		(30,179)	—
Interest paid		(11,454)	(11,571)
Settlements of lease liabilities		(1,492)	(1,039)
Initial public offering costs		—	(1,689)
Net cash generated from financing activities		11,639	41,679
Net decrease in cash and cash equivalents		(21,134)	(11,516)
Cash and cash equivalents at beginning of period		121,172	55,855
Effect of foreign exchange rates changes		(1,355)	(187)
Cash and cash equivalents at end of period	12	98,683	44,152



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 business address of the Company is Flat A, 16th Floor, 169 Electric Road, North Point, Hong Kong.

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 hydrocolloid products including carrageenan products, agar-agar products, blended products and konjac products in the People's Republic of China (the "PRC") and overseas.

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

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

The Company's shares began to list on the Hong Kong Stock Exchange on 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 28 August 2020.

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 2020 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 2019, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

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 2019 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 standard, amendments and interpretations of HKFRSs adopted by the Group

A few new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of them has significant financial impact to the Group.

Standard and amendments	Effective for accounting periods beginning on or after
Amendment to HKAS 1 and HKAS 8 regarding the definition of material	1 January 2020
Amendments to HKFRS 3 regarding definition of a business	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 regarding interest rate benchmark reform	1 January 2020
Conceptual framework for financial reporting 2018 (the Framework)	1 January 2020
Amendments to HKFRS 16 regarding COVID-19 related rent concessions	1 June 2020

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

Certain new standard and amendments as set out below have been published but are not mandatory for the period beginning on 1 January 2020 and have not been early adopted by the Group.

Standard and amendments	Effective for accounting periods beginning on or after
Amendment to HKAS 1 regarding classification of liabilities as current or non-current	1 January 2022
Amendments to HKFRS 3 regarding reference to the conceptual framework	1 January 2022
Amendments to HKFRS 16 regarding property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKFRS 37 regarding onerous contracts – cost of fulfilling a contract	1 January 2022
Annual improvements to HKFRS Standards 2018–2020	1 January 2022
HKFRS 17 “Insurance Contracts”	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 and amendments of HKFRSs.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

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 2019.

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 2019.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

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 2020					
(Unaudited)					
Bank borrowings	368,194	52,988	2,628	—	423,810
Interest payable on borrowings	13,193	1,956	7	—	15,156
Lease liabilities	1,774	2,424	2,207	1,349	7,754
Trade and other payables (excluding non-financial liabilities)	94,287	—	—	—	94,287
	477,448	57,368	4,842	1,349	541,007
At 31 December 2019					
(Audited)					
Bank borrowings	284,879	56,262	3,014	—	344,155
Interest payable on borrowings	11,555	3,768	112	—	15,435
Convertible bond	30,179	—	—	—	30,179
Interest payable on convertible bond	2,118	—	—	—	2,118
Lease liabilities	1,594	1,089	1,802	265	4,750
Trade and other payables (excluding non-financial liabilities)	70,606	—	—	—	70,606
	400,931	61,119	4,928	265	467,243

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 and trade and other receivables) and current financial liabilities (including trade and other payables, convertible bond, bank borrowings and lease liabilities) approximated their fair values as at the balance sheet date due to their short maturities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

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, service fee income, etc.

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

(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 2020					
	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
Revenue recognised at a point-in-time:						
Sales to customers	109,884	265,913	21,140	25,968	5,582	428,487
Cost of sales	(69,649)	(226,396)	(19,044)	(16,858)	(114)	(332,061)
Segment results	40,235	39,517	2,096	9,110	5,468	96,426

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment information (Continued)

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

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

	(Unaudited/unreviewed)				
	For the six months ended 30 June 2019				
	Sales of agar-agar HK\$'000	Sales of carrageenan HK\$'000	Sales of konjac products HK\$'000	Sales of blended products HK\$'000	Total HK\$'000
Revenue recognised at a point-in-time:					
Sales to customers	143,932	236,948	19,238	25,271	425,389
Cost of sales	(84,487)	(196,019)	(16,225)	(15,932)	(312,663)
Segment results	59,445	40,929	3,013	9,339	112,726

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment information (Continued)

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

Results of reportable segments	112,726
Other income	3,916
Other losses – net	(1,309)
Net impairment gains on financial assets	1,044
Selling and distribution expenses	(7,911)
Administrative expenses	(44,671)
Finance income	55
Finance costs	(13,354)
Profit before income tax	50,496
Income tax expense	(13,391)
Profit for the period	37,105

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited/ unreviewed)
China	198,112	189,201
Europe	144,905	131,130
Asia (excluding China)	47,035	64,890
South America	23,922	19,387
North America	12,033	18,858
Africa	2,480	1,923
Total	428,487	425,389

There is no single external customer that have contributed over 10% of total revenue of the Group for the six months ended 30 June 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment information (Continued)

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
China	459,272	468,802
Hong Kong	36	559
Indonesia	6,506	6,831
Total	465,814	476,192

(b) Liabilities related to contracts with customers

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited/ unreviewed)
Revenue recognised during the period that was included in the advance receipts from customers at the beginning of the period	2,461	1,436

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

7 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited/ unreviewed)
Crediting		
Government grants	4,594	3,895
Interest income from banks	1,496	55
Net impairment gains on financial assets	—	1,044
Charging		
Employee benefit expenses, including directors' emoluments	41,785	46,560
Depreciation of property, plant and equipment (note 11)	17,813	16,798
Electricity and water expenses	13,076	14,488
Interest and finance charges on bank borrowings and convertible bond	12,429	14,182
Consulting fee	3,648	457
Amortisation of intangible assets (note 11)	3,229	3,052
Net foreign exchange losses on financing activities and operating activities	459	1,629
Amortisation of land use rights (note 11)	704	820
Net impairment loss on financial assets	181	—
Listing expenses	—	8,993

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited/ unreviewed)
Current income tax	13,295	13,626
Deferred income tax	(1,629)	(235)
Income tax expense	11,666	13,391

The Group's income tax comprises:

(i) Cayman Islands profits tax

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

(ii) BVI profits tax

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

(iii) Hong Kong profits tax

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

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2018/19 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 six months ended 30 June 2020 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK\$ 2 million will continue to be subject to a tax rate of 16.5%.

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

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to CIT at the rate of 25% for 30 June 2020 and 2019, except for Fujian Province Lvqi Food Colloid Company Ltd. ("Lvqi (Fujian)") which is subject to CIT at the preferential rate of 15%, and Longhai City Donghaiwan Seaweed Breeding Comprehensive Development Company Limited ("Donghaiwan") which is subject to CIT at the preferential rate of 12.5% for the six months ended 30 June 2020 and 2019.

Lvqi (Fujian) obtained the qualification of certified high and new technology enterprises in 2015 and registered in the local tax bureau to apply the preferential CIT rate of 15% from 2016 to 2020.

Donghaiwan is subject to a CIT reduction of 50%, ie, 12.5%, granted by the local tax bureau, as Donghaiwan is qualified as an agricultural products enterprise for the six months ended 30 June 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

8 INCOME TAX EXPENSE (CONTINUED)

(v) PRC withholding income tax

According to the CIT Law, a 10% withholding tax on dividends received/receivable will be levied on the PRC companies' immediate holding companies established out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies. For the six months ended 30 June 2020 and 2019, the direct 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\$374,756,000 as at 30 June 2020 (31 December 2019: HK\$ 366,618,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entities are able to control the timing of distributions from their subsidiaries and are not expected to distribute these profits in the foreseeable future.

(vi) Indonesia profits tax

The Indonesia profits tax has been provided for at the rate of 25% (2019: 25%) on the estimated assessable profit for the six months ended 30 June 2020.

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares outstanding during the financial period.

	Six months ended 30 June	
	2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited/ unreviewed)
Basic earnings per share attributable to the ordinary equity holders of the Company	0.045	0.061

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

9 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Six months ended 30 June	
	2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited/ unreviewed)
Diluted earnings per share attributable to the ordinary equity holders of the Company	0.044	0.061

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited/ unreviewed)
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company	36,126	36,672
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	36,126	36,672

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

9 EARNINGS PER SHARE (CONTINUED)

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited/ unreviewed)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (i)	804,799,867	600,000,000
Adjustments for calculation of diluted earnings per share:		
– Share options	9,834,686	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	814,634,553	600,000,000

- (i) The weighted average number of ordinary shares has been retrospectively adjusted for the effects of capitalisation issue on 17 October 2019.

10 DIVIDENDS

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited/ unreviewed)
Proposed interim dividend of HK2.5 cents (2019: nil) per ordinary share	20,410	—
Paid final dividend of HK 5.0 cents (2019: nil) per ordinary share	40,820	—

An interim dividend of HK 2.5 cents per share, amounting to a total of HK\$20,410,000, was proposed by the board of directors of the Company on 28 August 2020. 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 (2019: nil).

Dividends in relation to the year ended 31 December 2019, amounting to approximately HK\$40,820,000, (2018: nil), were paid in June 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

11 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHT AND INTANGIBLE ASSETS

	(Unaudited)		
	Property, plant and equipment	Land use right	Intangible assets
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	361,234	60,615	52,520
Additions	16,513	—	50
Depreciation/amortisation	(17,813)	(704)	(3,229)
Disposal	(3)	—	—
Currency translation differences	(3,083)	(1,241)	(1,190)
At 30 June 2020	356,848	58,670	48,151
At 1 January 2019	354,298	53,972	60,030
Additions	25,438	9,251	—
Depreciation/amortisation	(16,798)	(820)	(3,052)
Currency translation differences	(1,396)	(172)	(229)
At 30 June 2019	361,542	62,231	56,749

12 CASH AND BANK BALANCES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Cash and cash equivalents		
– Cash on hand and in banks	98,683	121,172
– Restricted cash - cash in banks	65,000	65,000
Total of cash and bank balances	163,683	186,172

The restricted cash are deposits held at a bank as deposit for letter of guarantee and bank borrowings granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

13 TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Trade receivables	155,559	183,806
Loss allowance provision	(792)	(617)
	154,767	183,189
Export tax rebate receivables and deductible value-added tax	14,219	12,965
Prepayments	11,534	17,644
Other receivables	15,244	3,501
	40,997	34,110
Total trade and other receivables	195,764	217,299

The ageing analysis of the trade receivables as at the 30 June 2020 based on invoice date was as follows:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Up to 30 days	70,489	142,678
31 to 90 days	42,732	33,304
91 to 180 days	10,174	3,259
181 to 360 days	28,543	2,179
Over one year	3,621	2,386
	155,559	183,806

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

14 SHARE CAPITAL

	(Unaudited)		(Unaudited/unreviewed)	
	2020	2020	2019	2019
	Shares	HK\$'000	Shares	HK\$'000
As at 1 January	800,000,000	8,000	560,000	6
At 8 May 2020-shares issued upon exercise of share options	16,392,000	164	—	—
As at 30 June	816,392,000	8,164	560,000	6

15 EQUITY-SETTLED SHARE-BASED PAYMENT

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

15 EQUITY-SETTLED SHARE-BASED PAYMENT (CONTINUED)

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited/ unreviewed)
Employee benefit expenses	1,814	2,269

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

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

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

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	
	2020 (Unaudited)	2019 (Unaudited/ unreviewed)
As at 1 January	34,120,000	31,360
Exercised during the period	(16,392,000)	—
	17,728,000	31,360

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

15 EQUITY-SETTLED SHARE-BASED PAYMENT (CONTINUED)

Share options outstanding as at 30 June 2020 have the following exercise period and exercise prices:

	Date of grant	Number of share options granted as at June 30		Vesting period and maximum % of exercisable share options	Exercise period	Exercise price
		2020 (Unaudited)	2019 (Unaudited/ unreviewed)			
Options granted to the three employees	9 August 2018	17,728,000	20,440	20% each year starting from 17 October 2019	17 October 2019 to 16 October 2024. All unexercised share options after the relevant exercise periods or upon resignation will lapse.	HK\$ 0.01
Options granted to the former NCI and the consultant	9 August 2018	—	10,920	100% from 17 April 2020	17 April 2020 to 16 April 2025	HK\$ 0.01
		<u>17,728,000</u>	<u>31,360</u>			

16 TRADE AND OTHER PAYABLES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Trade payables	82,739	48,947
Payables for property, plant and equipment	8,126	10,717
Employee benefit payables	7,945	9,270
Other taxes payable	908	1,910
Advance receipts from customers	786	2,461
Amounts due to related parties	98	99
Payables for listing expenses	—	4,888
Others	3,324	5,955
	<u>103,926</u>	<u>84,247</u>

Trade payables are usually paid within 90 days of recognition.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

16 TRADE AND OTHER PAYABLES (CONTINUED)

The ageing analysis of trade payables as at 30 June 2020 based on invoice date was as follows:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
0-90 days	82,237	48,637
91-180 days	410	310
181-360 days	92	—
	82,739	48,947

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

17 CONVERTIBLE BOND, BANK BORROWINGS AND LEASE LIABILITIES

	(Unaudited) As at 30 June 2020			(Audited) As at 31 December 2019		
	Current	Non-current	Total	Current	Non-current	Total
Convertible bond, unsecured (a) – host debt component	—	—	—	29,547	—	29,547
Bank borrowings (b) – secured	127,764	55,616	183,380	72,336	59,276	131,612
– unsecured	240,430	—	240,430	212,543	—	212,543
	368,194	55,616	423,810	284,879	59,276	344,155
Lease liabilities (c) – unsecured	1,314	5,285	6,599	1,427	2,741	4,168
Total borrowings	369,508	60,901	430,409	315,853	62,017	377,870
Total secured borrowings	127,764	55,616	183,380	72,336	59,276	131,612
Total unsecured borrowings	241,744	5,285	247,029	243,517	2,741	246,258
Total borrowings	369,508	60,901	430,409	315,853	62,017	377,870

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

17 CONVERTIBLE BOND, BANK BORROWINGS AND LEASE LIABILITIES (CONTINUED)

(a) Convertible bond

The Company issued a convertible bond for HK\$ 60 million on 20 November 2017. The bond is convertible into ordinary shares of the Company for a maximum of 2% shareholding of the Company at the conversion price as agreed, at the option of the holder, and the remaining balance will be repayable on 20 November 2019. The conversion price shall be calculated based on the unaudited consolidated net tangible assets of the Company as at 30 June 2017, divided by the number of total issued shares as at the date of the subscription or such other date as agreed by the Company and the convertible bond holder. At 28 February 2018, the convertible bondholder converted a portion of the bond amounting to HK\$ 4,821,000 for 1,120 ordinary shares of the Company at par value of HK\$0.10, representing 2% shareholding of the Company at the date of conversion. The conversion option had been fully exercised on 28 February 2018.

On 28 December 2018, the Company signed an amendment agreement with the convertible bondholder to extend the expiry date of the repayment of the remaining bond balance to 15 July 2020 and the interest rate was adjusted to 13% per annum for the period from 21 November 2019 to 15 July 2020.

On 21 November 2019, the Company repaid HK\$25 million of the bond.

On 12 March 2020, the Company repaid the remaining of the bond of HK\$30,179,000.

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Host debt component:		
At 1 January	29,547	52,644
Repayment of convertible bond	(30,179)	(25,000)
Interest expense	1,395	7,256
Interest payment	(763)	(5,353)
At 30 June	—	29,547

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

17 CONVERTIBLE BOND, BANK BORROWINGS AND LEASE LIABILITIES (CONTINUED)

(b) Bank borrowings

During the six months ended 30 June 2020, movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited/ unreviewed)
At 1 January	344,155	316,950
Proceeds from bank borrowings	304,657	254,070
Repayments of bank borrowings	(214,818)	(198,092)
Currency translation differences	(10,184)	384
At 30 June	423,810	373,312

For the six months ended 30 June 2020, the weighted average effective interest rates on bank borrowings were 4.81% (2019: 4.08%).

(c) Lease liabilities

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Minimum lease payments:		
Within one year	1,774	1,594
Later than 1 year and no later than 5 years	4,631	2,891
Over 5 years	1,349	265
	7,754	4,750
Future finance charges	(1,155)	(582)
Total lease liabilities	6,599	4,168
Payable:		
Within one year	1,314	1,427
Over one year	5,285	2,741
Total lease liabilities	6,599	4,168

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

17 CONVERTIBLE BOND, BANK BORROWINGS AND LEASE LIABILITIES (CONTINUED)

(d) Other disclosures

(i) Fair value

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

(ii) Undrawn borrowing facilities

The Group had the following undrawn borrowing facilities:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Bank borrowings, at floating rates – Expiring within one year	99,076	164,054

(iii) Denomination currency

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
USD	96,827	93,359
RMB	302,085	249,489
HK\$	31,497	35,022
	430,409	377,870

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(ALL AMOUNTS EXPRESSED IN HK\$ THOUSANDS UNLESS OTHERWISE STATED)

18 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 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Contracted but not recognised as liabilities:		
Property, plant and equipment	37,438	1,861

19 CONTINGENT LIABILITIES

At 30 June 2020, the Group had no material contingent liabilities (31 December 2019: nil).

20 RELATED PARTY TRANSACTIONS

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

During the period, the Group had no significant related party transactions.

For the six months ended 30 June 2020, the key management compensation amounted to approximately HK\$6,135,000 (2019: HK\$6,658,000).

21 EVENTS AFTER THE BALANCE SHEET DATE

Details of the interim dividend proposed are given in note 10.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 1,057 full-time employees, of whom 1,048 were based in Mainland China and 9 were based in Hong Kong and other countries.

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

Prior to the listing, the Group adopted the Pre-IPO Share Option Scheme on 5 August 2018 to recognize the important contributions of related employees and individuals. 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 is HK\$0.01, representing 0.86% of the final offer price of the Share issued in connection with the listing. On 29 April 2020, the Board of the Company accepted the exercise of the 16,392,000 share options exercisable by the participants of Share Option Scheme above for the year 2020, and the shares became listed shares after the relevant share certificates were issued by the Hong Kong Share Registrar of the Company on 8 May 2020. No option was lapsed or cancelled during the Period and as at the date of this report, the Company had 17,728,000 share options outstanding under the Pre-IPO Share Option Scheme, representing 2.2% of issued share capital of the Company as of the date of this report, which shall be exercisable over the pre-determined exercise period.

As at 30 June 2020, no option had been granted or agreed to be granted pursuant to the Post-IPO Share Option Scheme.

DONATIONS

Charitable donations made by the Group during the Period amounted to HKD104,720 (2019: approximately HKD11,300).

INTERIM DIVIDEND

In order to share the operating results of the Company with our shareholders, the Board has resolved to declare an interim cash dividend of HK2.5 cents per share for the Period, 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 Monday, 14 September 2020. The interim dividend is expected to be payable on or about Friday, 25 September 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

At 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on Stock Exchange ("Listing Rules"), were as follows:

(i) Interests in our Company

Name of Directors	Nature of interest and capacity	Number of Shares or underlying Shares held ⁽⁶⁾	Approximate percentage of shareholding
Mr. CHAN Kam Chung	Interest in controlled corporation ⁽¹⁾	161,700,000	19.81%
	Interest under the Concert Party Agreement ⁽²⁾	588,000,000	72.02%
Mr. CHAN Shui Yip	Interest in controlled corporation ⁽³⁾	161,700,000	19.81%
	Interest under the Concert Party Agreement ⁽²⁾	588,000,000	72.02%
Mr. GUO Songsen	Interest in controlled corporation ⁽⁴⁾	92,603,571	11.34%
	Interest under the Concert Party Agreement ⁽²⁾	588,000,000	72.02%
Mr. GUO Dongxu	Interest in controlled corporation ⁽⁵⁾	66,150,000	8.10%
	Interest under the Concert Party Agreement ⁽²⁾	588,000,000	72.02%

Notes:

- (1) Mr. CHAN Kam Chung held all issued share in COS Kreation Investment Development Company Limited ("COS Kreation"). Therefore, Mr. CHAN Kam Chung is deemed to be interested in all the Shares held by COS Kreation for the purpose of the SFO. Mr. CHAN Kam Chung is the sole director of COS Kreation.
- (2) All Shareholders are Controlling Shareholders and concert parties by virtue of the Concert Party Agreement, a summary of which is set forth in the section headed "Controlling Shareholders and Substantial Shareholders — Summary of terms of the Concert Party Agreement" in the Prospectus of the Company dated 30 September 2019.
- (3) Mr. CHAN Shui Yip held all issued share in Epoch Investment Development Co., Limited ("Epoch"). Therefore, Mr. CHAN Shui Yip is deemed to be interested in all the Shares held by Epoch for the purpose of the SFO. Mr. CHAN Shui Yip is the sole director of Epoch.
- (4) Mr. GUO Songsen held all issued share in Green Forest (BVI) Investment Company Limited ("Green Forest"). Therefore, Mr. GUO Songsen is deemed to be interested in all the Shares held by Green Forest for the purpose of the SFO. Mr. GUO Songsen is the sole director of Green Forest.
- (5) Mr. GUO Dongxu held all issued share in Strong Achievement (BVI) Investment Company Limited ("Strong Achievement"). Therefore, Mr. GUO Dongxu is deemed to be interested in all the Shares held by Strong Achievement for the purpose of the SFO. Mr. GUO Dongxu is the sole director of Strong Achievement.
- (6) All the interests disclosed represent long position in the Shares and underlying Shares.
- (7) On 29 April 2020, the Board accepted the exercise of all share options exercisable by the participants of the "Pre-IPO Share Option Scheme of the Company" for the year 2020 involving a total of 16,392,000 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 8 May 2020. As at 30 June 2020, the issued share capital was 816,392,000 Shares.

(ii) Interests in associated corporation

Name of Directors	Name of associated corporation	Nature of interest and capacity	Number of shares	Percentage of shareholding
Mr. CHAN Kam Chung	COS Kreation	Beneficial owner	One	100%
Mr. CHAN Shui Yip	Epoch	Beneficial owner	One	100%
Mr. GUO Songsen	Green Forest	Beneficial owner	One	100%

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO or which are required to be notified to the company and Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES HELD BY THE SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the following persons had an interest or short position in the Shares or underlying Shares of the Company recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Nature of interest and capacity	Number of Shares held ⁽⁸⁾	Approximate percentage of shareholding
COS Kreation	Beneficial owner	161,700,000	19.81%
Mr. CHAN Kam Chung	Interest in controlled corporation ⁽¹⁾⁽²⁾	161,700,000	19.81%
	Interest under the Concert Party Agreement ⁽¹⁾	588,000,000	72.02%
Epoch	Beneficial owner	161,700,000	19.81%
Mr. CHAN Shui Yip	Interest in controlled corporation ⁽³⁾	161,700,000	19.81%
	Interest under the Concert Party Agreement ⁽¹⁾	588,000,000	72.02%
Green Forest	Beneficial owner	92,603,571	11.34%
Mr. GUO Songsen	Interest in controlled corporation ⁽⁴⁾	92,603,571	11.34%
	Interest under the Concert Party Agreement ⁽¹⁾	588,000,000	72.02%
Strong Achievement	Beneficial owner	66,150,000	8.10%
Mr. GUO Dongxu	Interest in controlled corporation ⁽⁵⁾	66,150,000	8.10%
	Interest under the Concert Party Agreement ⁽¹⁾	588,000,000	72.02%
Winning Path	Beneficial owner	66,150,000	8.10%
Mr. GUO Yuansuo	Interest in controlled corporation ⁽⁶⁾	66,150,000	8.10%
	Interest under the Concert Party Agreement ⁽¹⁾	588,000,000	72.02%
East Prosperity	Beneficial owner	39,696,429	4.86%
Mr. GUO Donghuang	Interest in controlled corporation ⁽⁷⁾	39,696,429	4.86%
	Interest under the Concert Party Agreement ⁽¹⁾	588,000,000	72.02%

Notes:

1. All Shareholders are Controlling Shareholders and concerted parties by virtue of the Concert Party Agreement, a summary of which is set forth in the section headed "Controlling Shareholders and Substantial Shareholders — Summary of terms of the Concert Party Agreement" in the Prospectus of the Company dated 30 September 2019.
2. Mr. CHAN Kam Chung held all issued shares in COS Kreation. Therefore, Mr. CHAN Kam Chung is deemed to be interested in all the Shares held by COS Kreation for the purpose of the SFO. Mr. CHAN Kam Chung is the sole director of COS Kreation.
3. Mr. CHAN Shui Yip held all issued shares in Epoch. Therefore, Mr. CHAN Shui Yip is deemed to be interested in all the Shares held by Epoch for the purpose of the SFO. Mr. CHAN Shui Yip is the sole director of Epoch.
4. Mr. GUO Songsen held all issued shares in Green Forest. Therefore, Mr. GUO Songsen is deemed to be interested in all the Shares held by Green Forest for the purpose of the SFO. Mr. GUO Songsen is the sole director of Green Forest.
5. Mr. GUO Dongxu held all issued shares in Strong Achievement. Therefore, Mr. GUO Dongxu is deemed to be interested in all the Shares held by Strong Achievement for the purpose of the SFO. Mr. GUO Dongxu is the sole director of Strong Achievement.
6. Mr. GUO Yuansuo held all issued shares in Winning Path. Therefore, Mr. GUO Yuansuo is deemed to be interested in all the Shares held by Winning Path for the purpose of the SFO. Mr. GUO Yuansuo is the sole director of Winning Path.
7. Mr. GUO Donghuang held all issued shares in East Prosperity. Therefore, Mr. GUO Donghuang is deemed to be interested in all the Shares held by East Prosperity for the purpose of the SFO. Mr. GUO Donghuang is the sole director of East Prosperity.
8. All the interests disclosed represent long position in the Shares and underlying Shares.
9. On 29 April 2020, the Board accepted the exercise of all share options exercisable by the participants of the "Pre-IPO Share Option Scheme of the Company" for the year 2020 involving a total of 16,392,000 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 8 May 2020. As at 30 June 2020, the issued share capital was 816,392,000 Shares.

Save as disclosed above, as at 30 June 2020, there were no other persons who had an interest or short position in the Shares, or underlying Shares which were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

a) Pre-IPO Share Option Scheme

On 5 August 2018 the Company approved a pre-IPO share option scheme which is considered to be a modification of the previous share transfer scheme adopted on 26 February 2018. The pre-IPO share option scheme is for the purpose of recognizing the contribution of certain parties in respect of the Company's successful listing on the Main Board and providing opportunity to them to enjoy the growth of the Group. All options under the pre-IPO share option scheme had been granted. Details of the pre-IPO share option scheme disclosed in accordance to Rules 17.08 and 17.09 of the Listing Rule are set out in note 23 to the consolidated financial statements. The following table and information disclose further details of the share options under the pre-IPO share option scheme as at 30 June 2020 pursuant to Rule 17.07 of the Listing Rules:

	Date of grant	Number of share options granted	Exercised during the Period	Cancelled during the Period	Number of share options outstanding as at 30 June 2020	Vesting period and maximum % of exercisable share options	Exercise period	Exercise price
Type A	9 August 2018	22,160,000	(4,432,000)	—	17,728,000	20% each year starting from 17 October 2019	17 October 2019 to 16 October 2024. All unexercised share options after the relevant exercise periods or upon resignation will lapse.	HK\$0.01
Type B	9 August 2018	11,960,000	(11,960,000)	—	—	100% from 17 April 2020	17 April 2020 to 16 April 2025	HK\$0.01
		<u>34,120,000</u>	<u>(16,392,000)</u>	<u>—</u>	<u>17,728,000</u>			

Category/name of grantee	Date of grant	Exercise price per share	Closing price of the share immediately before the date of grant	Number of share options granted at 1 January 2019	Increased by capitalisation issue and the initial public offering of the Company during the year	Exercised/ cancelled during the year	Number of share options granted as at 31 December 2019	Exercised during the Period	Cancelled during the Period	Number of share options outstanding as at 30 June 2020	Weighted average closing price of the share immediately before the exercise date	Exercise period
Employees in aggregate	9 August 2018	HK\$0.01	N/A	20,440	22,139,560	—	22,160,000	(4,432,000)	—	17,728,000	N/A	Type A
Other participants	9 August 2018	HK\$0.01	N/A	10,920	11,949,080	—	11,960,000	(11,960,000)	—	—	N/A	Type B
Total				<u>31,360</u>	<u>34,088,640</u>	<u>—</u>	<u>34,120,000</u>	<u>(16,392,000)</u>	<u>—</u>	<u>17,728,000</u>		

b) Post-IPO Share Option Scheme

The Company adopted a post-IPO share option scheme pursuant to the resolutions passed by the shareholders of the Company on 25 September 2019 and subject to the approval of the shareholders of the Company at the forthcoming extraordinary general meeting of the Company.

During the Period, no option had been granted or agreed to be granted under the post-IPO share option scheme.

A summary of the post-IPO share option scheme is set out below:

1. Purpose

As incentive or rewards to Eligible Participants for their contribution or potential contribution to the Group
2. Participants
 - (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group
 - (b) a director or proposed director (including independent non-executive director) of any member of the Group
 - (c) a direct or indirect shareholder of any member of the Group
 - (d) a supplier of goods or services to any member of the Group
 - (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group
 - (f) an associate of any of the persons referred to in paragraphs (a) to (c) above

(the persons referred above are the "Eligible Participant")



OTHER INFORMATION

- | | | |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | Total number of securities available for issue under the post-IPO share option scheme together with the percentage of the issued shares that it represents as at the date of this annual report | A maximum of 80,000,000 Shares to be allotted and issued |
| 4. | Maximum entitlement of each participant | 1% of our Shares in issue from time to time |
| 5. | Period within which the securities must be taken up under an option | 30 days from the Offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Post-IPO Option Scheme |
| 6. | Minimum period, if any, for which an option must be held before it can be exercised | To be determined at time of offering the grant of an Option |
| 7. | Amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid | HK\$1.0 on acceptance |
| 8. | Basis of determining the exercise price | At the discretion of the Company's Board at the time of grant of the Option but the subscription price shall not be less than whichever the highest of:
(a) The nominal value of a Share
(b) The closing price of a Share in the Stock Exchange's daily quotation sheet on the date of grant; and
(c) The average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the date of grant |
| 9. | The remaining life of the post-IPO share option scheme | 10 years from the date on which it becomes unconditional |

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Company's Prospectus dated 30 September 2019 issued for the Share Offer, the Group did not have other future plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

There was no material acquisition and disposal of subsidiaries 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 out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company's corporate governance practices are based on these Principles. The Board believes that good corporate governance standards are essential in contributing to the provision of a framework for the Company to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies, and enhance transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices 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 for the Period, except for the deviation from code provision A.2.1 of the CG Code as described below.

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



OTHER INFORMATION

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 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 from the Listing Date to 30 June 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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