



2020 ANNUAL REPORT



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



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

CORPORATE OVERVIEW

Green Future Food Hydrocolloid Marine Science Company Limited (stock code on the Stock Exchange of Hong Kong Limited: 1084.HK) (the “**Company**”) is a global leader in the technical development and manufacturing of all-natural performance materials. The current main products of the Company and its subsidiaries (the “**Group**”) include agar-agar and carrageenan products made from naturally breeding seaweed, konjac gum products made from naturally breeding konjac, blended products with extended functions through blending different colloids and gums and professional solutions thereof. The hydrocolloid products developed and manufactured by the Group are mainly applied in processed food such as processed meat, confectioneries, dairy products, sauces, bakery products and pet foods. Additionally, along with the development of functional applications, our products are widely used in beauty and household products such as face masks and air fresheners. Agarose and agarophyte products manufactured through more complex processes are also primary materials of laboratory culture medium and medium for electrophoresis in genetic sequencing.

We ranked first amongst the agar-agar producers, both in the People’s Republic of China (the “**PRC**”) and the global market, in terms of the sales value *, and we ranked second amongst the carrageenan producers in the PRC *, with a leading scale compared with peers. As an enterprise engaged in the technical development and manufacture of performance materials, the scale is the premise of steady supply and cost advantage, and a competitive edge of the Group.

As of 31 December 2020, the total annual design production capacity of Green Fresh (Fujian) Production Base Phase I and Phase II and Lvqi (Fujian) Production Base Phase I and Phase II in Zhangzhou, Fujian, and Lvbao (Quanzhou) Production Base in Quanzhou, Fujian: 6,065 tons (2019: 5,519 tons) of agar-agar products, 10,355 tons (2019: 10,207 tons) of carrageenan products, 3,300 tons (2019: 3,300 tons) of blended products; the annual design production capacity of Shiyanghaiyi Production Base: 2,160 tons (2019: 660 tons) of konjac gum products. The total design production capacity was 21,880 tons (2019: 19,686 tons).

As of 31 December 2020, the number of product technical development personnel is 59 (2019: 57).

OUR PHILOSOPHY

Taking human needs for health food as a source of our life and innovation.

KEY MILESTONES FOR THE DEVELOPMENT OF THE GROUP

- 1999: Lvbao (Quanzhou) Biochemistry Company Ltd. was incorporated, started producing carrageenan products in 2001, and produced blended products as well thereafter.
- 2007: Green Fresh (Fujian) Foodstuff Co., Ltd. was incorporated, mainly engaged in the manufacturing of carrageenan products.
- 2012: Shiyanghaiyi Konjac Products Company Ltd. was incorporated, commencing commercial production of konjac products.
- 2012: Green Fresh (Fujian) Foodstuff Co., Ltd. and Fujian Province Lvqi Food Colloid Company Limited were merged, further expanding the production line scope where carrageenan, agar-agar and blended products were covered.
- 2017: The design production capacity of newly added carrageenan and agar-agar products was 5,775 tons per year, representing an increase of 44.7%.
- 2018: Lvqi Trading (Shanghai) Company Limited was incorporated, energetically strengthening the marketing and sales of quick-dissolve agar-agar, a deep-processing product.

CORPORATE INFORMATION

2019: The Company was successfully listed on the main board of the Stock Exchange of Hong Kong Limited. The design production capacity of newly added quick-dissolve agar-agar and konjac gum was 1,500 tons per year.

2020: Shengxi Biology Technology (Shanghai) Co., Ltd. was established, with business focus on technical development, marketing and sales of dairy, meal replacement and other specialty products.

2021: Acquired 82% equity interest in Hung Tai Shun International Trading Limited, a company incorporated in Hong Kong, which in turn holds 99.83% equity interests in PT Hongxin Algae International, a company incorporated in Indonesia with principal business engaging in the manufacture and safes of semi-refined carrageenan with total designed capacity of 4,300 tonnes per year.

AWARDS AND HONOURS

2016:

Green Fresh (Fujian) Foodstuff Co., Ltd. was invited to participate in the drafting of the National Food Safety Standards on Agar-Agar, A Food Additive (GB1886.239-2016) and the National Food Safety Standards on Carrageenan, A Food Additive (GB1886.169-2016). The relevant national standards were respectively implemented in 2016 and 2017.

Fujian Province Lvqi Food Colloid Company Limited obtained the international Food Safety System Certification (FSSC 22000).

2017:

Green Fresh (Fujian) Foodstuff Co., Ltd. and Fujian Province Lvqi Food Colloid Company Limited were respectively awarded "Leading Enterprise of Carrageenan Production in Fujian Province (2016-2019)" and "Leading Enterprise of Agar-Agar Production in Fujian Province (2016-2019)" by Fujian Food Industry Association.

2018:

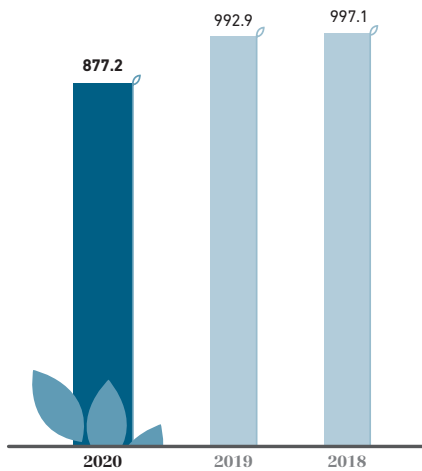
The research project on the processing technology of red edible seaweed jointly initiated by Green Fresh (Fujian) Foodstuff Co., Ltd., Fujian Province Lvqi Food Colloid Company Limited and Jimei University was accepted by the Ministry of Agricultural and Rural Affairs of the PRC to be added to the list of national-standard agricultural product processing technology research and development centres in the PRC.

* Pursuant to the Frost & Sullivan Report in 2018

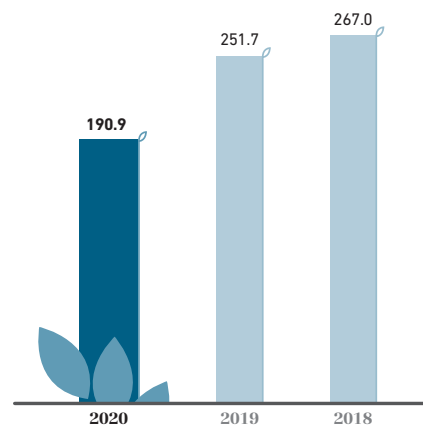
CORPORATE INFORMATION

FINANCIAL HIGHLIGHTS

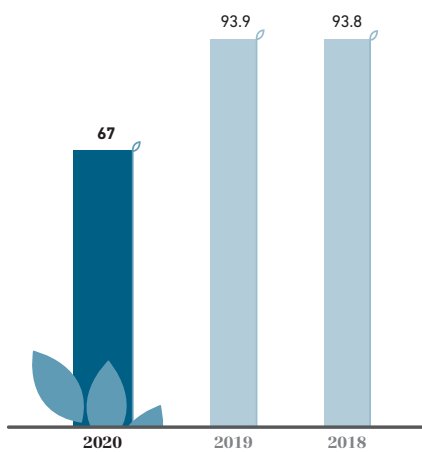
Revenue (HK\$' million)



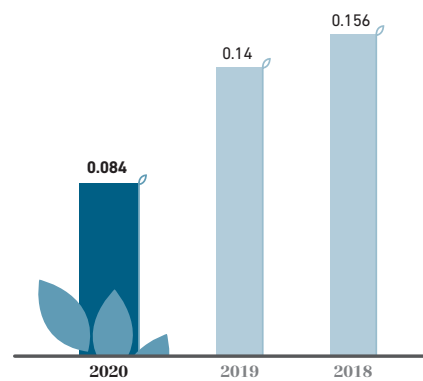
Gross Profit (HK\$' million)



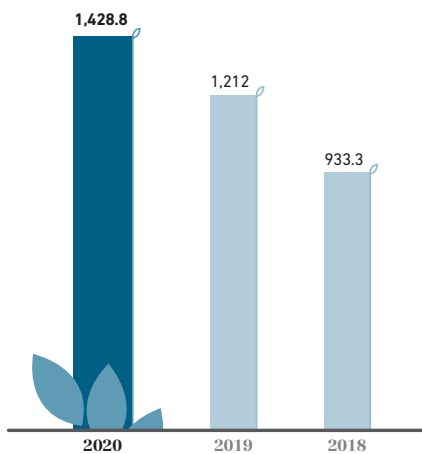
Profit for the year (HK\$' million)



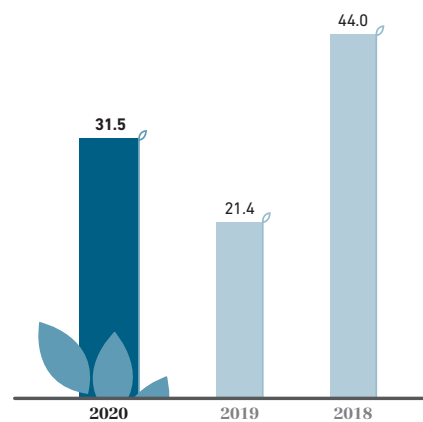
Diluted Earnings Per Share (HK\$)



Total Assets (HK\$' million)



Net Debt to Capital Ratio (%)



CHAIRMAN'S STATEMENT

Dear Shareholders

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

LONG-TERM BUSINESS STRATEGY

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

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

BUSINESS OVERVIEW FOR 2020

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

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

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



CHAIRMAN'S STATEMENT

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

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

2020 FINAL CASH DIVIDEND

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

SUBSEQUENT EVENTS

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

CHAIRMAN'S STATEMENT

PROSPECTS

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

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

APPRECIATION

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

CHAN Kam Chung

Chairman

Hong Kong, 30 March 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Challenges Brought from the COVID-19 Pandemic

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

Product Research and Development and Expansion to New Market

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

Complementary strategies for product and market

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

PROSPECTS

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

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

FINANCIAL REVIEW

Revenue

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

Cost of Sales

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Costs

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

Income Tax Expense

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Profit Attributable to Owners of the Company

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

Liquidity and Financial Resources

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

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

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

Net Current Assets

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

Borrowings

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

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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

Interest Rate Risk

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

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

Pledge of Assets

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

Future Plans for Material Investments or Capital Assets

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

Material Acquisitions and Disposal of Subsidiaries

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

Treasury Policies and Exposure to Fluctuation in Exchange Rates

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

Employees and Remuneration Policy

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Treasury Shares

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

Use of Net Proceeds from the Share Offer

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

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

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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

	Planned use of net proceeds from the Share Offer (As disclosed in the Announcement)	Net proceeds from the Share Offer utilised as at 31 December 2019	Net proceeds from the Share Offer utilised as at 31 December 2020	Unutilised net proceeds from the Share Offer as at 31 December 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Partial financing of the construction of a new production plant adjacent to the location of production plant operated and owned by Lvqi (Fujian) and purchase of machinery, with a designed annual capacity of 180 tonnes of refined iota carrageenan products, 1,500 tonnes of konjac gum products and 1,500 tonnes of quick-dissolve agar-agar products	20,200	20,200	—	—
Construction of a new production plant in Longhai city, Zhangzhou City, Fujian Province and purchase of machinery, with a designed annual capacity of 50 tonnes of agarose, 10 tonnes of agar microspheres and 200 tonnes of agarophyte ⁽¹⁾	62,100	—	11,122	50,978
Acquisition of existing seaweed processing facilities in Indonesia with a designed annual capacity of 4,300 tonnes of semi-refined carrageenan ⁽²⁾	21,100	—	—	21,100
Construction of a new production plant in Zhangzhou city, Fujian Province and purchase of machinery, with a designed annual capacity of 1,000 tonnes of agar-agar products	62,800	—	42,252	20,548
General working capital	17,500	17,500	—	—
Total	183,700	37,700	53,374	92,626

Notes:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Expenditures

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

Commitments

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

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

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

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

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

Contingent Liabilities

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

Events After the end of Reporting Period

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



DIRECTORS' PROFILE

Executive Directors

Mr. CHAN Kam Chung (陳金鐘先生) (formerly known as 陳金鐘), aged 50, is our executive Director, Chairman, and Chief Executive Officer. Mr. CHAN is also the chairman of the nomination committee and a member of remuneration committee. 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 joined us in May 2003.

In addition to his working experience in the food industry, Mr. CHAN completed a number of courses of food preservation technology (食品保鮮技術), food technology (食品工藝) from Zhangzhou Institute of Technology (漳州職業技術學院) in May 2013 on part-time basis. Mr. CHAN also attended the seminar of "Executive Training Programme for Fujian Entrepreneurs (常青藤創新總裁班)" organised by HKU School of Professional and Continuing Education in December 2016. Mr. CHAN has more than 20 years' experience in processed food and hydrocolloid production, corporate planning, and financial and marketing management. Prior to joining us, Mr. CHAN was a director and deputy general manager of Guangda (Fujian) Foodstuff Co., Ltd. (光大(福建)食品有限公司) from the period of 1998 to 2001.

Mr. CHAN was appointed as the honorary president of the first session of China Algae Industry Association Carrageenan Branch (中國藻業協會紅藻膠分會) in March 2019.

During the year Mr. CHAN was admitted to fellow membership of the Hong Kong Institute of Directors.

Mr. CHAN is the younger brother of Mr. CHAN Shui Yip, our executive Director, and the brother-in-law of Mr. SHE Xiaoying, our executive Director.

Mr. GUO Dongxu (郭東旭先生), aged 53, is our executive Director, Vice Chairman, and Vice President. Mr. GUO oversees our project development, quality control, and external business affairs. Mr. GUO was the executive director and legal representative of South Fujian Agar Co., Ltd (福建省石獅市閩南瓊膠有限公司) from October 1995 to August 2018. Mr. GUO joined us in March 2009 and his first position with us was the supervisor of Lvqi (Fujian). Since December 2012, Mr. Guo has been the executive director and general manager of Lvqi (Fujian). Mr. GUO was subsequently reassigned as the Vice President and General Manager of Greenfresh (Fujian). Mr. GUO has 24 years of experience in seaweed processing and corporate management.

Mr. GUO completed the courses on food preservation, food technology, and organic chemistry (食品保鮮技術、食品工藝、有機化學) from Zhangzhou Institute of Technology (漳州職業技術學院) in May 2013 on a part-time basis.

Mr. GUO was appointed as the deputy chairman of China Seaweed Association (中國藻業協會), Fujian Food Association (福建食品工業協會) and managing vice chairman of the third session of Fujian Province Food Additive Association (福建省食品添加劑和配料工業協會) in April 2012, March 2017 and February 2016. Mr. GUO was also appointed as an executive committee member (執行委員) of the Industrial and Commerce Association of Longhai City (龍海市工商業聯合會(總商會)委員). In March 2018, Mr. GUO was awarded as an outstanding entrepreneur of the seventeenth session of the outstanding entrepreneur of Fujian city (福建省優秀企業家). Mr. GUO has been appointed as the president of the first session of China Algae Industry Association Carrageenan Branch (中國藻業協會紅藻膠分會) in March 2019.

During the year Mr. GUO was admitted to fellow membership of the Hong Kong Institute of Directors.

DIRECTORS' PROFILE

Mr. CHAN Shui Yip (陳垂燁先生) (formerly known as CHAN Kam Ku (陳金鼓), aged 59, is our executive Director, Vice Chairman, and Vice President. Mr. CHAN oversees the product management, sourcing, human resources, and general administration of our Group. Mr. CHAN has more than 11 years' experience in business management and more than 16 years' experience in food industry. Mr. CHAN was the deputy manager of Jinjiang Xinyi Leather and Plastic Enterprise Co., Ltd. (晉江市新毅皮塑企業有限公司) from July 1988 to March 1999 and was responsible for production management. Mr. CHAN joined our Group in March 1999.

Mr. CHAN completed the courses of food preservation, food technology, and organic chemistry from Zhangzhou Institute of Technology (漳州職業技術學院) in May 2013 on a part-time basis. Mr. CHAN also completed a part-time advanced business administration course held by the Peking University Shenzhen Graduate School (北京大學深圳研究院) in June 2017. Mr. CHAN completed a part-time president financial training course (金融高管高級研修班) in Renmin University of China (中國人民大學) in September 2018.

Mr. CHAN was awarded as one of the "Talented People of Zhangzhou City" (漳州市優秀人才) by the CPC Zhangzhou Municipal Committee (中國共產黨漳州市委員會) and the People's Government of Zhangzhou (漳州市人民政府) in November 2015. Mr. CHAN was named as the Honourable Chairman of the thirteen session of the Longhai City Commercial and Industrial Association (General Chamber of Commerce) (龍海市工商業聯合會(總商會)) in December 2016 and the vice chairman of the twentieth session of Fukien Athletic Club (香港福建體育會) in March 2017.

Mr. CHAN is the elder brother of Mr. CHAN Kam Chung, our executive Director, and the brother-in-law of Mr. SHE Xiaoying, our executive Director.

Mr. SHE Xiaoying (佘小迎先生), aged 59, is our executive Director. Mr. SHE oversees the sales of our hydrocolloid products. Mr. SHE has more than 11 years' experience in food industry. Mr. SHE was the production manager of Jinjiang Xinyi Leather and Plastic Enterprise Co., Ltd. (晉江市新毅皮塑企業有限公司) from December 1988 to April 2003 and was responsible for production management. Mr. SHE joined us in May 2003 and has held a number of positions in our Group. From May 2003 to November 2011, Mr. SHE was the director and deputy manager of Lvbao (Quanzhou). From November 2007 to January 2013, Mr. SHE was the legal representative and general manager of Greenfresh (Fujian). Currently, Mr. SHE is a director of Greenfresh (Fujian) and the deputy general manager of Lvbao (Quanzhou).

Mr. SHE is a brother-in-law of Mr. CHAN Kam Chung and Mr. CHAN Shui Yip, both are executive Directors.

Non-executive Director

Mr. GUO Songsen (郭松森先生), aged 33, is our non-executive Director. Mr. GUO joined us in December 2011. Mr. GUO graduated in June 2010 from Beijing Geely University (北京吉利學院) with a bachelor's degree in international trade. Mr. GUO has more than six years' experience in quality management.

During the year Mr. GUO was admitted to membership of the Hong Kong Institute of Directors.

Mr. GUO Songsen is the son of Mr. GUO Wentong, one of the founders of Lvqi (Fujian).



DIRECTORS' PROFILE

Independent non-executive Directors

Mr. Ho Kwai Ching Mark (何貴清先生), aged 59, is our independent non-executive Director. He is also the chairman of the audit committee and a member of the nomination committee and remuneration committee.

Mr. Ho received a Bachelor Degree in Social Sciences from the University of Hong Kong in 1984 and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Ho has extensive experience in the securities and futures industry. He was the Chief Operating Officer of Oriental Patron Securities Limited, the Chief Compliance Officer of Hong Kong Mercantile Exchange Limited, the Director of Business Development of Sun Hung Kai Securities Limited and Director of Phillip Securities (HK) Limited. He was also previously Vice President of Corporate Strategy of Hong Kong Exchanges and Clearing Limited and Head of Compliance of Hong Kong Futures Exchange Limited. He is currently the co-founder and Chief Operating Officer of ProMEX Limited, a consultant in the securities and futures industry and an independent non-executive director of Lee Kee Holdings Limited (stock code: 0637) and Hengan International Group Company Limited (stock code: 1044), both companies are listed on the Stock Exchange.

Mr. NG Man Kung (吳文拱先生), aged 69, is our independent non-executive Director. Mr. NG is providing independent advice to the Board. He is also the chairman of the remuneration committee and a member of the audit committee and nomination committee.

Mr. NG completed an extension course in banking at the Hong Kong Polytechnic University in September 1982. Mr. NG was an honorary president of the 37th Hong Kong Chinese Bankers Club, a member of the Council of Hong Kong Polytechnic University from April 1999 to March 2002, and a member of the 5th Fujian Province Committee of the Chinese People's Political Consultative Conference.

Mr. NG had over 40 years of experience in banking and finance. Mr. NG worked at Chiyu Banking Corporation Ltd. from July 1969 to December 2012 and was a chief executive during the period from 1992 to 2012. Mr. NG retired from Chiyu Banking Corporation Limited in 2012. Mr. NG served as a business consultant of China Orient Asset Management (International) Holdings Limited from January 2014 to April 2015 and a non-executive director of Roma Group Limited (stock code: 8072), a company listed on the GEM of the from Stock Exchange, 24 August 2017 to 18 December 2017. Mr. NG is currently appointed as the chairman of the supervisory board of Well Link Bank in Macau. Mr. NG is also an independent non-executive director of Fujian Holdings Limited (stock code: 181), Ell Environmental Holdings Limited (stock code: 1395), Guoan International Limited (stock code: 143) and HKBridge Financial Holdings Limited (now known as Renco Holdings Group Limited, stock code: 2323), all of which are listed on the main board of the Stock Exchange. Mr. NG was an independent non-executive director of Shanghai Zendai Property Limited (stock code: 0755), a company listed on the Stock Exchange, from 25 May 2017 to 11 January 2021.

DIRECTORS' PROFILE

Mr. HU Guohua (胡國華先生), aged 47, is our independent non-executive Director. Mr. HU is providing independent advice to the Board. He is also a member of the audit committee.

Mr. HU obtained a bachelor's degree in food chemistry and a master's degree in food engineering from Nanchang University (南昌大學) in 1995 and 1998, respectively. Mr. HU subsequently obtained a doctorate degree in engineering from the East China University of Science and Technology (華東理工大學) in 2006.

Mr. HU is experienced in hydrocolloid production and processed food. In addition to his academic qualifications, Mr. HU was named as one of the leading talents in science and technology (科技領軍人才) by Suzhou Industrial Park (蘇州工業園區) in 2010. Mr. HU is the Secretary General of the Professional Committee of Sweet Flavouring (甜味劑專業委員會), which is one of the Professional Committees of China Food Additives & Ingredients Association (中國食品添加劑和配料協會). Mr. HU is an independent non-executive director of Anhui JinHe Industrial Co. Ltd (SHE: 002597), a company listed on the Shenzhen Stock Exchange, Zhejiang Shengda Bio-pharm Co., Ltd (SHA:603079), a company listed on the Shanghai Stock Exchange and China Touyun Tech Group Ltd (stock code: 01332), a company listed on the Stock Exchange.

Each of our independent non-executive Directors has confirmed that he meets the independence criteria as set forth in Rule 3.13 of the Listing Rules.

DIRECTORS' REPORT

The directors of the Company (the "**Directors**") present their report and the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 35 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2020 is set out in the "Chairman's Statement", and "Management's Discussion and Analysis" on pages 5 to 7 and pages 8 to 15 respectively of the annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 and the Group's consolidated balance sheet as at 31 December 2020 are set out in the consolidated financial statements on pages 75 to 78 of this annual report.

The Board has recommended a final dividend of HK2.5 cents per share, totalling HK\$20.4 million (2019: 40.0 million) for the year ended to 31 December 2020 payable on or around 5 July 2021 to the shareholders (the "**Shareholders**") of the Company whose names appear on the register of members of the Company on 9 June 2021. The recommendation of the final dividend is subject to the shareholders' approval in the forthcoming annual general meeting (the "**AGM**").

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 155 of this annual report.

SHARE CAPITAL

Details of movements of the share capital of the Company for the year ended 31 December 2020 are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution amounted to approximately HK\$154.6 million.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the Group's top five largest customers accounted for 30.6% (2019: 32.0%) of our revenue and the single largest customer accounted for 10.2%. (2019: 13.7%) of our revenue. The Group's top five suppliers accounted for 53.2% (2019: 55.4%) of our total purchase and the single largest supplier accounted for 19.1% (2019: 21.7%) of our total purchase.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package attract and motivate the employees. The Group regularly reviews the remuneration package of employees and make necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with its customers and suppliers to fulfill its immediate and long-term goals. To maintain its competitiveness, the Group aims at delivering quality services to its customers. During the year, there was no material and significant dispute between the Group and its customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

For the year ended 31 December 2020, no environmental exceedances were recorded and there was no non-compliance in relation to environmental and social aspects. Given the business nature, the Group recognizes its daily operation has an impact to the environment. The Group is highly committed to make continuous efforts on efficient use of natural resources, promotion of energy conservation in its business and office premises, as well as minimization of its overall emissions on the environment. Engagement with stakeholders has resulted in raised concerns on key material issues, which include: Employment, Occupational Health and Safety, Development and Training, Consumer Data Protection and Customer Service. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders for advancing environmental, social and governance management.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.



DIRECTORS' REPORT

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were:

Executive Directors

Mr. Chan Kam Chung (Chairman and Chief Executive Director)

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

Mr. Chan Shui Yip, Mr. She Xiaoying and Mr. Guo Songsen shall retire from office as Directors and being eligible, offer themselves for re-election at the forthcoming AGM in accordance with the Article 84 of the articles of association of the Company (the "**Articles of Association**").

The Company has received annual confirmations of independence in accordance with the independence guidelines pursuant to Rule 3.13 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from all Independent non-executive Directors, and as at the date of this report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 16 to 19 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years commencing on the listing date which may be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors and the non-executive Director has signed a letter of appointment with the Company for a term of three years with effect from the listing date, which may be terminated before the expiration of the term by not less than two months' notice in writing served by either party on the other.

The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Save as disclosed above, none of the Directors has entered into a service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

DIRECTORS' REPORT

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 24 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 31 December 2020 pursuant to Rule 17.07 of the Listing Rules:

	Date of grant	Number of share options outstanding as at 1 January 2020	Exercised during the year	Cancelled during the year	Number of share options outstanding as at 31 December 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.	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
Total		34,120,000	(16,392,000)	—	17,728,000			

DIRECTORS' REPORT

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 outstanding at 1 January 2020	Exercised/ during the year	Cancelled during the year	Number of share options outstanding as at 31 December 2020	Closing price of the share immediately before the exercise date	Exercise period
Employees in aggregate	9 August 2018	HK\$0.01	N/A	22,160,000	(4,432,000)	—	17,728,000	N/A	Type A
Other participants	9 August 2018	HK\$0.01	N/A	11,960,000	(11,960,000)	—	—	N/A	Type B
Total				34,120,000	(16,392,000)	—	17,728,000		

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 at the extraordinary general meeting of the Company.

During the financial year, 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 Participants")



DIRECTORS' REPORT

- | | |
|--|---|
| 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 share 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 |



DIRECTORS' REPORT

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

As at 31 December 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the 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 ⁽²⁾	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	70.02%
Mr. GUO Songsen	Interest in controlled corporation ⁽⁴⁾	92,603,571	11.34%
	Interest under the Concert Party Agreement ⁽²⁾	588,000,000	70.02%
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.

DIRECTORS' REPORT

(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%
Mr. GUO Dongxu	Strong Achievement	Beneficial owner	One	100%

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company had any interests or short positions 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or minor children; or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or minor children to acquire such rights in the Company or any other body corporate.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2020, no transactions of significance with parties regarded as "Related Parties" were entered into by the Group. Further details are set out in note 33 to the consolidated financial statements.



DIRECTORS' REPORT

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

As at 31 December 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 ⁽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 Trading Company Limited	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 (BVI) Investment Company Limited	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%

DIRECTORS' REPORT

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 Trading Company Limited ("**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 (BVI) Investment Company Limited ("**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.

Save as disclosed above, as at 31 December 2020, there were no other persons who had an interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year, none of the Directors is interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

DEED OF NON-COMPETITION

Mr. Chan Kam Chung, Mr. GUO Dongxu, Mr. CHAN Shui Yip, Mr. GUO Songsen, Mr. GUO Yuansuo and Mr. GUO Donghuang, and their controlled corporations, namely COS Kreation, Strong Achievement, Epoch, Green Forest, Winning Path and East Prosperity (collectively, the "**Controlling Shareholders**") entered into a deed of non-competition dated 25 September 2019 with the Company (the "**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, neither of our Controlling Shareholders, our Directors and their respective associates has interest in any business, apart from the business operated by members of our Group, which competes or is likely to compete, directly or indirectly, with our business and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' REPORT

Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-Competition" of the prospectus of the Company dated 30 September 2019. The Company has received declarations from the Controlling Shareholders of their compliance with the Deed of Non-competition for the year ended 31 December 2020 (the "**Declarations**"). The independent non-executive directors of the Company have been provided with all necessary information and have reviewed the Declarations and are satisfied that the Deed of Non-competition was complied with and was effectively enforced during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transaction" in this annual report and the section headed "Related Party Transactions" in Note 33 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the parent company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 164 of the Articles of Association, every Director, Auditor, Secretary and other officer at any time of the Company shall be entitled to be indemnified out of assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or to be incurred by him in relation to any of the affairs of the Company. The Company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors and officers of the Group.

EMOLUMENT POLICY

The emolument policy of the Group is set on the basis of the employees' performance, qualifications and competence. The emoluments of the Directors and senior management are reviewed by the remuneration committee, with consideration to the Group's operation results and individual performance. The Company has adopted a pre-IPO share option scheme to the eligible persons as an incentives or rewards for their contribution to the Group, details of which are set out in the paragraph headed "Pre-IPO Share Option Scheme" of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' REPORT

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Group bought back of a total of 12,240,000 (2019: Nil) of the Company's shares during 2020 in pursuant to the Share Award Scheme adopted on 10 July 2020. The total consideration paid to buy back these shares was HK\$12,297,000 (2019: Nil), which has been deducted from equity attributable to the owners of the Company. Saved as disclosed in the Company's prospectus dated 30 September 2019 for the share offer and the brought back of shares mentioned in above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

SIGNIFICANT INVESTMENTS

Save as disclosed in the Company's prospectus dated 30 September 2019 issued for the share offer, and the Company's announcement dated 26 March 2021 in relation to the acquisition of (i) direct controlling interest of Hung Tai Shun, a company incorporated in Hong Kong and (ii) indirect controlling interest of Hongxin, a company incorporated in Indonesia which is 99.83% owned by Hung Tai Shun at a total consideration of HK\$60 million, the Group did not have other future plans for material investments or capital assets.

CONNECTED TRANSACTION

The following transaction constituted the connected transaction of the Company under the Listing Rules during the year ended 31 December 2020 and up to the date of this annual report:

On 14 December 2020, Lvqi (Xiamen) Marine Biological Technology Company Limited ("**Lvqi (Xiamen)**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Mr. GUO Dongxu, an executive Director and controlling shareholder of the Company, pursuant to which Mr. GUO Dongxu has agreed to sell and Lvqi (Xiamen) has agreed to purchase certain properties located in the PRC for cash consideration of RMB29.6 million. Mr. GUO Dongxu is an executive Director and controlling shareholder of the Company and is therefore a connected person of the Company at the issuer level pursuant to Chapter 14A of the Listing Rules. As such, the Sale and Purchase Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules for the Company.

MATERIAL ACQUISITIONS OR DISPOSALS

During the year ended 31 December 2020, the Group has no material acquisitions or disposals of business or subsidiaries.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51(B)(1), of the Listing Rules, the change in information of Director is as follows:

Mr. Hu Guohua was appointed as an independent non-executive director of China Touyun Tech Group Ltd., a company listed on the Stock Exchange (stock code: 01332) on 13 November 2020.

Mr. NG Man Kung was resigned as an independent non-executive director of Shanghai Zendai Property Limited, a company listed on the Stock Exchange (stock code: 0755) on 11 January 2021.

Mr. Ho Kwai Ching Mark was appointed as Chief Operating Officer of ProMex Limited on 1 March 2021.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Island, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK\$158,300 (2019: approximately HK\$11,300).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch 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, 26 May 2021.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 7 June 2021 to Wednesday, 9 June 2021, both days inclusive, during which period no transfer of Shares will be registered. To qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch 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 Friday, 4 June 2021.

EVENTS AFTER THE REPORTING PERIOD

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

DIRECTORS' 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 31 December 2020, which is required to be notified to the Company pursuant to Rule 3A.19 of the Listing Rules.

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 advice 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 is currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the applicable code provisions in the CG Code. The Audit Committee has reviewed the Group's annual results and consolidated financial statements for the year ended 31 December 2020.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers, who shall retire and, being eligible, offer themselves for re-appointment in the forthcoming AGM. A resolution will be submitted to the forthcoming AGM for the re-appointment of PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board

Chan Kam Chung
Chairman and Chief Executive Officer

Hong Kong, 30 March 2021

CORPORATE GOVERNANCE REPORT

The board of directors of the Company ("**Board**") is committed to uphold a high standard of corporate governance practices appropriate to the conduct and growth in its business in accordance with all applicable rules and regulations. The Board believes that good corporate governance is important in balancing the interests of shareholders, customers and employees and the success of business.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). During the year, the Company has complied with the CG Code except for deviations from code provisions A.2.1. The deviation from code provision A.2.1 of the CG Code is explained in the paragraph headed "Chairman and Chief Executive" of this annual report.

THE BOARD

Responsibilities

The Board is mainly responsible for formulating the Group's long term strategy and development plan, deciding major financial and capital project and reviewing internal control and risks.

The Board delegates aspects of its management and administration functions to the management for implementing day-to-day operation. The rights and duties of the Board and the Management are designed to guarantee an adequate balance and restriction mechanism for the excellent governance and internal control of the Company and the Board admits that it is the common responsibility of all the Directors to perform the duty of corporate governance.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this annual report, the Board consists of eight (8) Directors comprising four (4) executive Directors, one (1) non-executive Director and three (3) independent non-executive 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

The biographical details of the Directors are set out on pages 16 to 19 of this annual report.

CORPORATE GOVERNANCE REPORT

Throughout the year and up to the date of this annual report, the Board has complied with the requirement of the Listing Rules on appointment of at least three (3) INEDs, who shall jointly account for at least one third of members of the Board and at least one of whom must have appropriate professional qualifications or accounting or relevant financial management expertise. The qualifications of the three (3) INEDs of the Company fully comply with requirements of the Listing Rules.

None of the INEDs of the Company has any business or financial interests in the Company and its subsidiaries, nor do they hold any executive positions in the Company, which effectively guaranteed their independence. The Company has received from each of the INEDs an annual confirmation of their independence in accordance with the independence guideline pursuant to Rule 3.13 of the Listing Rules. As at the date of this annual report, the Company is of the opinion that all the INEDs are independent in accordance with Rule 3.13 of the Listing Rules.

Directors' Appointment and Re-election

Pursuant to the Article 83(3) of the Articles of Association, any Director to who is appointed by the Board to fill the casual vacancy shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election.

Pursuant to the Article 84 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement at an annual general meeting at least once every three years. However, a retiring Director shall be eligible for re-election.

As such, Mr. Chan Shui Yip, Mr. She Xiaoying and Mr. Guo Songsen shall retire from office as Directors and being eligible, offer themselves for re-election at the forthcoming AGM in accordance with the Article 84 of the Articles of Association.

Formal service agreements or appointment letters have been entered into with the executive Directors, non-executive Director and the independent non-executive Directors (the "INEDs"). Each of the executive Directors has entered into a service contract with the Company for a fixed term of three (3) years, which may be terminated before the expiration of the term by not less than three (3) months' notice in writing served by either party on the other. Each of the INEDs has signed an appointment letter with the Company for a term of three (3) years, which may be terminated before the expiration of the term by not less than two (2) months' notice in writing served by either party on the other. The non-executive Director has signed an appointment letter with the Company for a term of three (3) years, which may be terminated before the expiration of the terms by not less than two (2) months' notice in writing served by either party on the other.

Chairman and Chief Executive

Under the 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 Group's 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.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board has adopted the Board Diversity Policy. The Nomination Committee shall review, at its discretion, the Board Diversity Policy of the Company. For designing the composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, race and educational background, professional experience, knowledge and skills.

Board Meetings

The Board shall hold Board meetings regularly, at least four (4) meetings in each year on quarterly basis, involving active participating, either in person or through electronic means of communication, of a majority of Directors. A notice of a regular Board meeting shall be delivered to all the Directors at least fourteen (14) days in advance for them to arrange the attendance for the meeting, with the matters to be discussed specified in agenda of the meeting. Board papers together with all appropriate, complete and reliable information are delivered to all Directors at least three (3) days before the regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

During the financial year ended 31 December 2020 and up to the date of this report, seven Board meetings and one general meeting were held. The attendance of individual director to the Board meetings and general meeting is set out below:

Name of Directors	Number of meetings attended/Number of meetings held				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
<i>Executive Directors:</i>					
Mr. Chan Kam Chung (Chairman and Chief Executive Officer)	7/7	N/A	1/1	1/1	1/1
Mr. Guo Dongxu (Vice Chairman and Vice President)	7/7	N/A	N/A	N/A	1/1
Mr. Chan Shui Yip (Vice Chairman and Vice President)	7/7	N/A	N/A	N/A	1/1
Mr. She Xiaoying	5/7	N/A	N/A	N/A	1/1
<i>Non-executive Director:</i>					
Mr. Guo Songsen	7/7	N/A	N/A	N/A	1/1
<i>Independent Non-executive Directors:</i>					
Mr. Ho Kwai Ching, Mark	7/7	2/2	1/1	1/1	1/1
Mr. Ng Man Kung	7/7	2/2	1/1	1/1	1/1
Mr. Hu Guohua	7/7	2/2	N/A	N/A	1/1

CORPORATE GOVERNANCE REPORT

Nomination Policy

The Nomination Committee ("**Nomination Committee**") shall identify candidates who are qualified/suitable to become a member of the Company's Board and make recommendations to the Board on the selection of candidates nominated for directorships with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. In assessing the suitability of a proposed candidate, the Nomination Committee may make reference to certain criteria such as Company's need, reputation for integrity, experience in principal business of the Company, balance of skills, knowledge and experience on the Board, the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities and, in case of INEDs, the independence requirements set out in the Listing Rules (as amended from time to time), and take into account various aspects set out in the Board Diversity Policy of the Company, number of directorship in other listed/public companies and in case of INED, number of years he/she has already served.

Directors' Continuous Professional Development

The Company has arranged relevant training for all Directors to ensure that they obtain the needed additional skills and comprehensive information to contribute to the Board. A summary of their records of continuous development training during the year ended 31 December 2020 is as follows:

Name of Directors	Attending trainings/ briefings/seminars/ conference/reading regulatory updates relevant to corporate governance
<i>Executive Directors:</i>	
Mr. Chan Kam Chung (<i>Chairman and Chief Executive Officer</i>)	V
Mr. Guo Dongxu (<i>Vice Chairman and Vice President</i>)	V
Mr. Chan Shui Yip (<i>Vice Chairman and Vice President</i>)	V
Mr. She Xiaoying	V
<i>Non-executive Director:</i>	
Mr. Guo Songsen	V
<i>Independent Non-executive Directors:</i>	
Mr. Ho Kwai Ching, Mark	V
Mr. Ng Man Kung	V
Mr. Hu Guohua	V

Directors' Insurance

The Company has arranged appropriate directors' and officers' insurance cover in respect of legal litigation against its Directors and senior officers.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

There are three (3) committees under the Board including Audit Committee (“**Audit Committee**”), Nomination Committee and Remuneration Committee (“**Remuneration Committee**”).

Audit Committee

The Audit Committee was established pursuant to a resolution of the Board passed on 25 September 2019 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee include (i) making recommendations to the Board on the appointment and removal of external auditors; (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting; (iii) overseeing internal control procedures and corporate governance of the Company; (iv) supervising internal control systems of the Group; and (v) monitoring continuing connected transactions (if any).

The Audit Committee currently consists of all three (3) of the INEDs. The members of the Audit Committee are currently Mr. Ho Kwai Ching, Mark, Mr. Ng Man Kung and Mr. Hu Guohua and the chairman of the Audit Committee is Mr. Ho Kwai Ching, Mark.

The following tasks have been taken up by the Audit Committee during the year ended 31 December 2020 and up to the date of this annual report:

- (a) reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2020, including the interim results announcement and interim report and the consolidated financial statements of the Group for the year ended 31 December 2020 including the audit findings from external auditors, annual results announcement and annual report;
- (b) directed and supervised the Company’s internal audit department, reviewed the internal audit report, review adequacy and effectiveness of Group’s internal controls including financial, operational and compliance controls and risk management; and
- (c) considered the re-appointment of the external auditors.

Nomination Committee

The Nomination Committee was established pursuant to a resolution of the Board passed on 25 September 2019 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to (i) review the structure, size, composition and diversity of the Board on a regular basis; (ii) identify individuals suitably qualified to become Board members; (iii) assess the independence of INEDs; (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) make recommendations to the Board regarding the candidates to fill vacancies on the Board.

Nomination Committee held one meeting during the year. During the meeting, Nomination Committee (i) reviewed the structure, size, composition and diversity of the Board; (ii) reviewed the independence of INEDs; and (iii) made recommendations to the Board on the proposed re-election of the retiring Directors at the forthcoming annual general meeting.

The Nomination Committee currently consists of one (1) executive Director, Mr. Chan Kam Chung, and two (2) INEDs, namely Mr. Ho Kwai Ching, Mark and Mr. Ng Man Kung and is currently chaired by Mr. Chan Kam Chung.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee was established pursuant to a resolution of the Board Directors passed on 25 September 2019 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include (i) reviewing and making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) reviewing other remuneration-related matters, including benefits-in-kind and other compensation payable to the Directors and senior management; and (iii) reviewing performance-based remunerations and establishing a formal and transparent procedure for developing policy in relation to remuneration.

Remuneration Committee held one meeting during the year. During the meeting, Remuneration Committee reviewed and made recommendations on the remuneration packages of the Directors and senior management.

The Remuneration Committee currently consists of one (1) executive Director, Mr. Chan Kam Chung, and two INEDs, namely Mr. Ng Man Kung and Mr. Ho Kwai Ching, Mark. It is currently chaired by Mr. Ng Man Kung.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of consolidated financial statements of the Group in accordance with the Hong Kong Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. The Directors confirm that suitable accounting policies have been used and applied consistently. The Board is responsible for submitting a well-defined assessment on interim and annual reports, share price sensitive information, and other matters that need to be disclosed according to the Listing Rules and other regulatory provisions. The Management has provided relevant and necessary explanation and information to the Board so that the Board could make informed assessment on the financial data and position of the Company for examination and approval.

The Board does not have any material uncertainty in any areas likely to give rise to the significant doubt of the Company's capability of sustained operations.

The responsibilities of the Company's external auditor, with respect to their audit of the consolidated financial statements of the Company for the year ended 31 December 2020 are set out in the section headed "Independent Auditor's Report" in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibility of the Board

The Board acknowledges its responsibility to establish, maintain, and review the effectiveness of the Group's risk management and internal control systems, where management is responsible for the design and implementation of the risk management and internal control systems to manage risk. A sound and effective system of risk management and internal control is designed to achieve the Group's strategic objectives and safeguard shareholder investments and the Group's assets.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Control Framework

The Board has the overall responsibilities of the risk management and internal control systems of the Group. With the support from the Audit Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis.

Internal Audit Function

The internal audit department is led by the internal audit manager, who reports directly to the chairman of the Board with the support of the Audit Committee. The internal audit department is primarily responsible for conducting internal audit reviews on operational, financial and compliance controls of the operating entities to ensure their compliance with the Group's risk management and internal control policies and procedures. Internal audit department is independent from operation management and has full access to data required in performing internal audit reviews. Internal audits are conducted according to the three-year internal audit plan approved by the Audit Committee to review our major operational, financial, compliance and risk management controls. In 2020, Internal audit department performed audits on the key operating entities located in China. During the process of the internal audits, the internal audit department identified internal control deficiencies and weaknesses and proposed recommendations for improvements. Internal audit findings and control deficiencies are communicated to the management, who is responsible for ensuring the deficiencies are rectified within a reasonable period. A follow-up review is also performed to ensure the remedial actions are implemented.

Review of Risk Management and Internal Control Systems

During the year, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered the risk management and internal control systems effective and adequate. In addition, the Board has reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programs and budget.

PROCEDURES AND CONTROLS OVER HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company is aware of its obligation under relevant sections of the Securities and Futures Ordinance and Listing Rules. An Inside Information Disclosure Policy of the Company ("**Inside Information Disclosure Policy**") has been established to lay down practical guidelines on definition and the scope of inside information; disclosure and management framework; exemptions for disclosure; receiving, reporting and disclosing of inside information; confidentiality and records of such information. Pursuant to the Inside Information Disclosure Policy, staff who have access to inside information are required to follow the Inside Information Disclosure Policy to keep the unpublished inside information strictly confidential until such inside information has been officially announced to the public in accordance with the requirements of the Listing Rules. The Board will review and approve the inside information to be disclosed and the Company Secretary has the responsibility to monitor and communicate with professional parties such as our external lawyer and auditor during the process of inside information discussion and announcement preparation.

CORPORATE GOVERNANCE REPORT

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the year ended 31 December 2020 are set out in note 34 to the consolidated financial statements of this annual report. The remuneration of the members of the senior management (other than the Directors) for the year ended 31 December 2020 by remuneration band is as follows:

Remuneration Band in HK\$	Number of individuals
HK\$1,000,000 - HK\$2,000,000	1
HK\$2,000,001 - HK\$3,000,000	2
HK\$3,000,001 - HK\$4,000,000	—

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could give rise to any actual or potential material adverse effect on the Company. During the year ended 31 December 2020, the remuneration paid or payable to the external auditors for audit and non-audit services by the Group are set out as follows:

Services rendered	Fees paid/payable HK\$,000
Annual audit services of the Company's auditor	2,315
Non-audit services of the Company's auditor for their assistance in connection with the Company's ESG reporting and annual results announcement	247
Statutory audit services of subsidiaries' auditors	218

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors since the Listing Date. All Directors confirmed their compliance with the required standard set out in the Model Code during the year under review.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary reports to the Board on corporate governance matters and is responsible for ensuring that Board procedures and all applicable law, rules and regulations are followed. All Board members have access to the advice and services of Company Secretary. During the year, the Company Secretary has taken no less than 15 hours of relevant professional training to update his skills and knowledge under the Rules 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company releases its announcements, financial data and other relevant data on its website www.greenfreshfood.com, which serves as a channel facilitating effective communication. Shareholders may send any inquiry in writing to the Company's principal place of business in Hong Kong. The Company will properly handle all inquiries in due course.

The Board welcomes suggestions from Shareholders, and encourages Shareholders to attend general meetings to directly raise any issues that they may have to the Board and the Management. Under the code provision E.1.2 of the CG Code, the chairman of the Board and the chairman of respective committees would attend AGM to answer questions put forward by Shareholders.

Detailed voting procedures and all resolutions voted on shall be set out in circulars to Shareholders.

DIVIDEND POLICY

The Company endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company adopts a dividend policy, which is based on the profit attributable to owners of the Company, and the distribution amount on annual basis of no less than 20% of the distributable net profit attributable to the owners of the Company but subject to, among others, our operation needs, earnings, financial condition, working capital requirements and future business expansion plans as our Board may deem relevant at such time.

SHAREHOLDERS' RIGHT

Shareholders' Right to Requisite a Meeting

As one of the measures to safeguard Shareholders' interest and rights, it is proposed that separate resolutions can be tabled at Shareholders' meetings on each substantial issue, including the election of individual directors. The voting results will be posted on the websites of the Stock Exchange and the Company after the Shareholder's meeting.

CORPORATE GOVERNANCE REPORT

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to Article 58 of the Articles of Association, general meetings shall be convened on the written requisition of any one or more members of the Company deposited to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

For put forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company, details are as follow:

Hong Kong Address: Unit A, 16/F, Lee&Man Commercial Center, 169 Electric Road, North Point, Hong Kong

CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company are available on the websites of the Company and the Stock Exchange. There was no change in the Company's constitutional documents during the year ended 31 December 2020.

DEED OF NON-COMPETITION BY THE CONTROLLING SHAREHOLDERS

Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the prospectus of the Company dated 30 September 2019 and there is no change thereon up to the date of this report. The INEDs have reviewed the status of compliance by each of the controlling shareholders with the undertakings and as far as the INEDs can ascertain, there is no breach of any of the undertakings in the Deed of Non-competition.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ESG REPORT

The Company hereby issues the 2020 Environmental, Social and Governance Report (“ESG Report”), to demonstrate the Group’s policies, practices, measures and performance regarding environmental and social areas to its stakeholders. For information on corporate governance, please refer to the “Corporate Governance Report” of the year.

REPORTING SCOPE

The ESG Report covers the information on the Group’s four production plants located in Fujian Province and Hubei Province in China, the production plant owned and operated by subsidiaries companies namely Green Fresh (Fujian) Foodstuff Co., Ltd. (“Green Fresh (Fujian)”), Fujian Province Lvqi Food Colloid Company Ltd. (“Lvqi (Fujian)”), Lvbao (Quanzhou) Biochemistry Company Ltd. (“Lvbao (Quanzhou)”), Shiyanhaiyi Konjac Products Company Ltd. (“Shiyanhaiyi”) for the period from 1 January 2020 to 31 December 2020 (“the reporting period”). Compared with the ESG Report released in the Annual Report 2019, there is no significant adjustment in the reporting scope of the ESG Report.

REPORTING STANDARDS AND PRINCIPLES

The ESG Report is prepared in compliance with the Appendix 27 *Environmental, Social and Governance Reporting Guide* (the “ESG Reporting Guide”) to the Main Board Listing Rules (the “Listing Rules”) of Hong Kong Exchanges and Clearing Limited (“HKEX”). The Report is prepared in accordance with the reporting principles of “materiality”, “quantitative”, “balance” and “consistency” as defined in the ESG Reporting Guide. The description of the application of “materiality”, “quantitative” and “consistency” is explained below:

- ✓ “Materiality”: The Group identifies material ESG issues by stakeholder engagement and materiality assessment. Please refer to “Governance” chapter for the detailed steps and results;
- ✓ “Quantitative”: Information on the standards, methodologies and source of conversion factors used for the reporting of emission and energy consumption is disclosed. For details, please refer to the “Environmental Protection” chapter;
- ✓ “Consistency”: The method and key environmental performance indicators are consistent with those used in 2019.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE

ESG Strategy and Organizational Structure

The Group incorporated ESG-related risks and opportunities in its business strategy and established an ESG management structure with clear responsibilities to guide daily operation. The Board of Directors of the Group ("the Board") is the highest decision-maker of ESG management in the Group. The Board oversees the Group's ESG issues and takes full responsibility for the Group's ESG strategy and reporting.

The Board	<ul style="list-style-type: none"> ✓ Developing ESG management approach, strategy and goals; ✓ Regularly reviewing the performance of the Group on ESG related targets; ✓ Evaluating, prioritizing, and managing material ESG-related issues and their risks to the Group' business; ✓ Reviewing and approving the Group's annual ESG Report.
Senior Management	<ul style="list-style-type: none"> ✓ Arranging work of ESG working group based on the ESG management approach and strategy established by the Board; ✓ Implementing ESG risk management and internal control systems, and reporting the main ESG trends, ESG-related risks and opportunities to the ESG Committee; ✓ Regularly reporting the progress of the group's ESG work and the achievement of ESG-related targets to the Board; ✓ Reporting the annual ESG Report to the Board.
ESG Working Group	<ul style="list-style-type: none"> ✓ Composed of the head of each department; ✓ Implementing the ESG strategy and policy of the Board; ✓ Carryings out specific ESG work according to the arrangements of the senior management; ✓ Preparing annual ESG Report; ✓ Reporting to the senior management on the progress of ESG work and annual ESG Report.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement

We identify significant stakeholders, based on their impact and dependence on the Company. And we established multiple and smooth communication channels, to actively communicate with internal and external stakeholders and to understand their expectations and requirements.

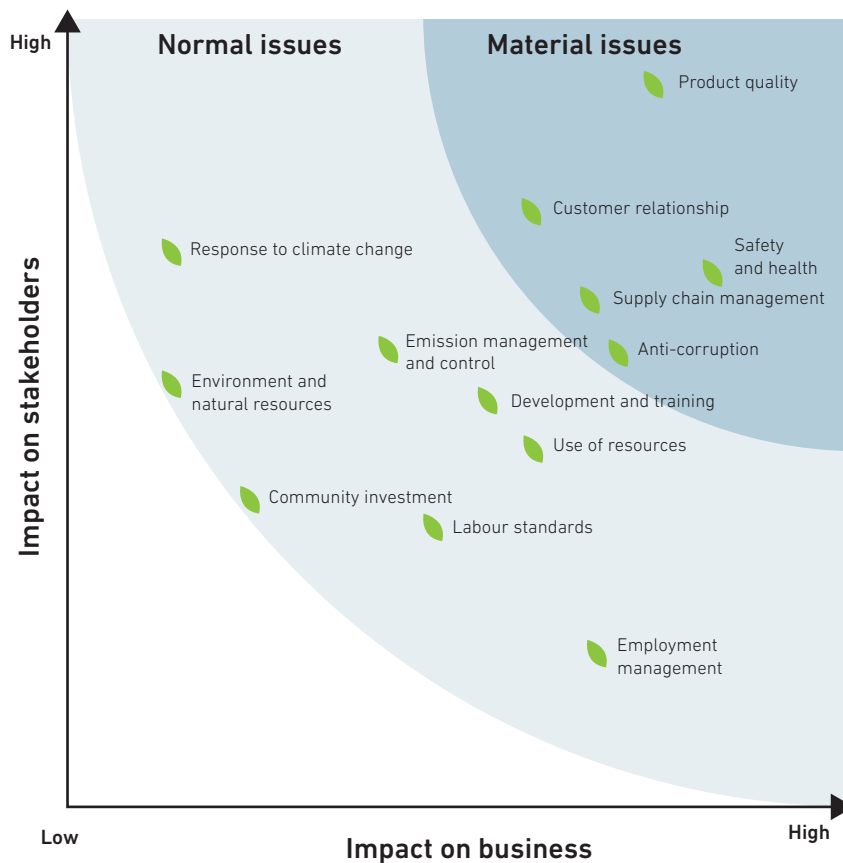
Stakeholders	Expectations and needs	Communication channels
Government and regulators	<ul style="list-style-type: none"> • Compliance with laws • Pay tax according to law • Support local development 	<ul style="list-style-type: none"> • Daily communication • Monitoring and assessment • Government and enterprise cooperation • Work meeting
Shareholders	<ul style="list-style-type: none"> • Return on investment • Investor relations • Corporate governance • Risk management and control 	<ul style="list-style-type: none"> • General meeting of shareholders • Annual reports, interim reports and announcements • Activities promoting investor relations • Company website
Customers	<ul style="list-style-type: none"> • High-quality products • Satisfactory services 	<ul style="list-style-type: none"> • Quality management and control • Service hotline • E-mail address • Network platforms
Employees	<ul style="list-style-type: none"> • Compensation and benefits • Healthy and safe working environment • Fair opportunity for promotion and development 	<ul style="list-style-type: none"> • Recruitment in accordance with the laws • Training and exchange • Welfare activities • Drills related to health and safety
Suppliers	<ul style="list-style-type: none"> • Fulfilment of promises • Win-win development • Equal, open and fair procurement 	<ul style="list-style-type: none"> • Regular review • Interview and negotiation • Daily business communication • Open tendering and bidding
Communities	<ul style="list-style-type: none"> • Promotion of local employment • Promotion of community harmony • Enhancement of public benefit awareness 	<ul style="list-style-type: none"> • Community activities • Charitable activities • Cooperation in community projects
Environment	<ul style="list-style-type: none"> • Environment protection • Improvement of energy efficiency • Response to climate change 	<ul style="list-style-type: none"> • Pay attention to environment protection • Energy conservation and emission reduction • Identify risks and opportunities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

In 2020, we carried out materiality assessment and identified material ESG issues through the following steps with the engagement of internal and external stakeholders, which were used to guide our ESG work:

- Identification of issues: Identified the ESG issues relevant to the Group based on the requirements of the *ESG Reporting Guide*, our business operation, industry status, and the concerns of internal and external stakeholders;
- Questionnaire survey: Designed and distributed online survey questionnaires, engaged internal and external stakeholders in the materiality assessment of ESG issues, collected the feedback and analysed in the dimensions of "Impact on businesses" and "Impact on stakeholders" to form the materiality assessment matrix;
- Assessment of results: The senior management discussed the materiality assessment matrix with the ESG working group, determined the materiality assessment results and material ESG issues with reference to experts' opinions, and directed the implementation of the Group's ESG work and the preparation of the ESG Report accordingly.



Materiality Assessment Results

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sustainable Operation

Product Responsibility

Adhering to the utmost tenet of ensuring product quality and safety, we stick to the quality policy of "Pursuing excellent quality by refining technologies and perfecting every detail". We strictly comply with relevant laws and regulations, including but not limited to the *Product Quality Law of the People's Republic of China*, the *Food Safety Law of the People's Republic of China*, the *Agricultural Product Quality Safety Law of the People's Republic of China* etc., established the *Quality Manual* and other internal policies. We legally obtained licenses to engage in food production and operation activities, and accepted routine supervision and inspection of food production and operation implemented by local food safety supervision and administration authorities.



Qualified rate of finished products



Testing rate of finished products



No significant quality incident (over RMB1,000)

Quality target

We established quality management system in accordance with GB/T 19001 *Quality Management System - Requirements* (equivalent to implement ISO 9001:2015), BRC8.0 *Global Standard for Food Safety*, GB 14881 -2013 *National Food Safety Standard-General Hygienic Regulation for Food Production*, to strictly manage and control each and every procedure of production. In addition, we also established the integrity management system that complies with GB/T 33300-2016 *Food Industry Enterprises Integrity Management System* to guarantee food quality and fulfil its quality and safety responsibilities. In 2020, Green Fresh (Fujian) and Lvqi (Fujian) obtained the U.S. Food and Drug Administration ("FDA") certification.

The Group implements quality standards and requirements from quality inspection of raw materials to testing of semi-finished products and finished products, conducts risk assessment on each raw material or raw material group and record assessment results to identify potential risks to product safety, legality and quality.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Raw materials	<ul style="list-style-type: none"> ✓ Establish and implemen raw material quality control system; ✓ Each batch of raw materials delivered to the production plants is sampled for physical and chemical attributes such as appearance, hygienic standard and chemical composition; ✓ Strictly control the storage conditions of raw materials, including storage temperature, ventilation and humidity; ✓ Each production facility adopts designated hygiene and safety standards, which are followed by all employees in the production process.
Semi-finished products and finished products	<ul style="list-style-type: none"> ✓ Quality department conducts testing and analysis in accordance with relevant internal inspection standards, including the <i>Semi-finished Carrageenan Product Inspection Standards</i>, the <i>Finished Carrageenan Product Inspection Standards</i> and the <i>Konjac Product Inspection Standards</i>, etc; ✓ The testing content includes product safety, legality, integrity and quality; ✓ If a product fails to meet the requirements after inspection, it shall be controlled in accordance with the <i>Procedures for Controlling Nonconforming Products</i>.

In 2020, we collected and maintained information in the production and sales processes by adopting information technology and uploaded the information to food safety information tracking platforms in a timely manner to ensure that all our products are traceable.

➤ Innovation and intellectual property

We actively follow up the latest market trends and consumers' demand and continue to invest in the development of new products. We established a product innovation team to work closely with the production team to optimise production processes, improve product quality, product formulation, processing technologies and production efficiency. In 2020, Green Fresh (Fujian) obtained the permission to set up a post-doctoral research station, which was expected to further improve our innovative capability. In the future, with the goal of carrying out innovative scientific research and providing practical and new scientific and technological achievements, we will build a first-class comprehensive platform for scientific theory and technology research and development of red algae deep processing in China.

We strictly comply with relevant laws and regulations, including but not limited to the *Patent Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*, etc., and strictly manage the Group's patents, trademarks and other intellectual property rights. We formulated the *Regulations on Patent Application, Project Application and Scientific Progress Award*, and actively encouraged our employees to actively participate in technological innovation and project application and gave certain bonuses to the winning team or individual. We obtained a number of patents in China for the development and improvement of processing technologies for agar and carrageenan and the extraction of carrageenan.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

➤ Label management

We strictly comply with the laws, regulations and standards on food labelling, including but not limited to the *Administrative Measures on Food Labelling*, etc. Information is specified on the products, including food name, place of origin, producer information, scope of use and method, storage condition, production date, shelf life, food production license number, etc., which meets requirements of national standards on food labelling and food nutrition labelling. The Group has not placed advertisements till now, and the provisions on advertisements in the B6 Product Responsibility of the *ESG Reporting Guide* are not applicable to the Group.

Customer Service

We are committed to improving customer satisfaction and established a specialised sales service hotline and email address to respond to the inquiries and complaints from customers, which promptly and properly handle customers' complaints based on the *Procedures for Customers' Complaint Handling*. After receiving any inquiries and complaints, customer service staff responds immediately and reports to the relevant internal departments. The relevant internal departments take corresponding remedial measures and properly handle the customers' complaints. The Group conducts annual statistics on the customers' complaints, learns from experience, puts forward improvement plans, so as to constantly improves the quality and level of customer service.

During the reporting period, the Group received a total of four customer complaints, and achieved a 100% customer complaint handling rate.

We formulated the *Returns Management Procedure* to standardize return process. On the one hand, we reduce unnecessary product returns; on the other hand, we adopt different treatments according to product quality, logistics, business and other reasons to make products return traceable and prevent the confusion of returned products. For all products that have been sold but do not meet the company or customer requirements, or do not comply with regulations, we will evaluate the need to recall the products. If necessary, to, we will recall the corresponding products in accordance with the procedures in the *Product Recall and Withdrawal Procedure*. The Group's general manager, quality control department, marketing centre, storage and transportation department and production department jointly participate in the product recall process and conduct regular product recall exercises. In 2020, Green Fresh (Fujian), Lvqi (Fujian) and other subsidiaries conducted product recall drills to check the feasibility and effectiveness of the product recall procedures, to ensure that defective products can be recalled efficiently when any quality incident occurs.

During the reporting period, the Group had no products that need to be recalled for safety and health reasons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Information security management and privacy protection

In accordance with the *Administrative Measures for the Security Protection of Computer Information Networks Linked to the Internet* and other relevant laws and regulations, we formulated the *Regulations on Operation and Maintenance of Information System*, the *Regulations on the Use of Computers and Internet*, the *Information Security Management Policy* and other relevant policies. We assembled a network information security leadership team and designated the Information Department of the Management Centre as the information security management department to enhance information security management, promote the construction of an information security system and ensure the safe and stable running of information systems. The Group backs up the data of every information system on a regular basis. The Information Department of the Management Centre develops emergency plans for high-risk issues based on risk assessments, conducts drills of emergency plans when necessary, and provides education and training on information security for employees to improve their awareness of information security.

We stipulate in our *Employee Manual* that employee shall not disclose confidential information to any unauthorised parties, or release and deliver any business information of the Company without authorisation. We formulated the *Policy on Customer Privacy Protection* to guarantee sufficient customer information management, prevent customer information leakage, safeguard the legitimate rights and interests of customers and show our concerns about customer privacy security.

Cooperation and Mutual Benefit

We formulated the *Measures for Supplier Management* and the *Process and Procedures on Procurement Management*, to seek suppliers that match requirements of production and operation in a variety of ways. We adopt strict procedures to give scoring on suppliers' qualifications, upstream supplier management, quality system situation, raw materials management, workshop production management, product control, finished products, transportation and service, and select suppliers that meet the review standards and include them in the qualified supplier directory.

The Group's Quality Centre, Procurement Centre and Technical Centre form an evaluation team to evaluate suppliers in two ways: off-site evaluation and on-site evaluation. We monitor the performance of suppliers through sample testing and on-site inspection, check the validity of the suppliers' quality system certification once a year and coach suppliers to improve their quality control system. The Procurement Centre and the Quality Centre assessed suppliers in terms of pricing, quality, rate of delay, degree of cooperation and other indicators, and rate them accordingly (level A, B, C or D). Suppliers rated level D are deemed as unqualified, and we will cease cooperation with such suppliers. Besides, we established a supplier communication platform to encourage suppliers to share information and make progress together.

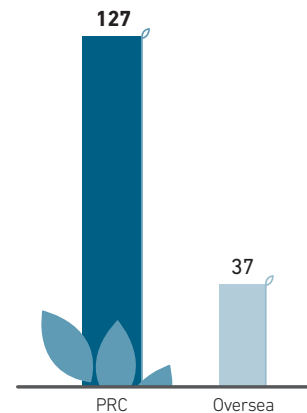


In May 2020, the Group arranged our procurement staff to exchange product information and technologies with hardware suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We establish cooperative partnership with suppliers who have good conditions on quality, price, delivery date, service and goodwill. We also continuously strengthen communication with suppliers on quality, environment, and society. We are concerned with the environmental and social risks of suppliers and require that all the materials they supply must meet relevant laws and regulations and other requirements on safety and environmental protection. We sign an *Anti-commercial Bribery Agreement* with our business partners, which provides clear definitions of commercial bribes, sets forth both parties' responsibilities for reporting, investigating and penalising bribes, and requires both parties to abide by the commitment to integrity. In 2020, the Group formulated the *Regulations on Clean Procurement* to further regulate procurement staff's behaviours and enhance the anti-corruption and integrity management on procurement staff. Anybody noticing any violation of the clean procurement policy can report to us via reporting telephone or email. The violators will be punished if the reported situation is attested.

As at the end of the reporting period, the Group had 164 suppliers in total. The number of suppliers by geographical region was as follows:



Contributing to Society

The Group follows the *Regulations on Charity and Public Welfare Activities* to carry out various public welfare activities, including donations and fund raising for pandemic prevention and control, environmental protection, donation of fire trucks, etc.

Uniting all power in the fight against the pandemic

Since the outbreak of COVID-19, a total of 635 employees of the Group have donated RMB72,719.26 in total to support the pandemic prevention and control in Longhai City, Fujian Province. In addition, Green Fresh (Fujian) donated masks to Zini Town, Zhangzhou City, and Lvbao (Quanzhou) donated infrared thermometers to local primary schools to support the local pandemic prevention and control with practical actions.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Taking active actions to build a green homeland



On 12 March 2020, echoing the theme of the World Environment Day, subsidiaries of the Group held a tree planting event themed with "Making the earth greener, we are in action" and a hand-painting activity of "Protecting the environment and creating a green life".



On 5 June 2020, on the World Environment Day, the staff canteen of the Group carried out a Vegan Day event with a theme of "Be vegan a day, help create a greener earth".



In August 2020, we held a running and hiking activity themed with "Protecting the 'Green' homeland in our 'New' way" to deal with fallen and broken plants and clean up garbage along the way during the hiking and mountaineering.



In June 2020, Lvbao (Quanzhou) Biochemistry Co., Ltd., a subsidiary of the Group, donated emergency fire trucks to Maoting Village, Yonghe Town, Jinjiang County, Quanzhou City, which effectively improved the local fire prevention and control capability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PUTTING PEOPLE FIRST

Safety and Health

We take the "Continuous improvement of production safety technology and management, the pursuit of minimising the occurrence of accidents, no harm to human health, and no damage to the environment" as long-term work goal of production safety and refine the annual work goal of production safety.



We strictly comply with relevant laws and regulations, including but not limited to the *Labour Law of the People's Republic of China*, the *Work Safety Law of the People's Republic of China* and the *Interim Provisions on the Investigation and Handling of Safety Accidents and Hidden Dangers*, etc. We formulated and implemented the *Regulations of Work Safety Management at the Base (Trial)*, the *Emergency Rescue Plan for Steam Boiler Accidents*, and the *Special Emergency Plan for Hazardous Chemicals Leakage Accidents*, etc., continuously improve safety management in all aspects of production and pass the certification of Work Safety Standardisation Level 3 Enterprise Certificate (Light Industrial Food Production).

Safety education	<ul style="list-style-type: none"> ✓ Implement three-level safety education for new employees based on the <i>Management Policy on Safety Education</i>; ✓ Provide professional safety education for special operation personnel, designate personnel to help during the apprenticeship, and require them to obtain operating certificates before they can operate independently; ✓ Carry out secondary safety education for personnel who change their job type.
Electrical safety	<ul style="list-style-type: none"> ✓ Ensure electricity safety through electrical technical data management, safe operation of electrical equipment and electrical equipment safety inspection based on the <i>Management Policy on Electricity Work Safety</i>.
Investigation and rectification of hidden dangers	<ul style="list-style-type: none"> ✓ Conduct factory-level inspection, employee self-inspection, seasonal inspection and professional inspection based on the <i>Management Policy on Investigation and Rectification of Hidden Dangers</i>. If hidden danger was found, rectification would be carried out within a definite period, and relevant leaders would be punished as appropriate.
Hazardous chemicals safety	<p>Conduct safety management of hazardous chemicals based on the <i>Management Policy on Hazardous Chemicals</i>, including</p> <ul style="list-style-type: none"> ✓ storing inflammables and explosives in designated safe places; ✓ regularly checking storage and transportation facilities and equipment with inflammable and explosive materials; ✓ designing grades of fire and explosion prevention in hazardous areas; ✓ maintaining and managing fire facilities.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Fire safety	✓	Safeguard the company's properties and employees based on the <i>Management Policy on Fire Safety</i> through various aspects including fire inspections, safety evacuation facilities and fire equipment maintenance, fire control room duty, fire hazards rectification, and fire safety education and training.
Operational safety in limited space	✓	Designate the head of operations and supervisors of operations and equip them with safety facilities for hazardous operation in limited spaces, provide personal labour protection appliance that meet national or industry standards, etc., based on the <i>Management Policy on Operational Safety in Limited Space</i> .
Aloft work safety	✓	Conduct training, approval and various protective measures for aloft work based on the <i>Management Policy on Aloft Work Safety</i> .
Outsourcing project safety	✓	Sign the <i>Outsourcing Project Safety Agreement</i> with the contractor to clarify the safety responsibilities of both parties and ensure the safety of personnel, equipment, electricity and the environment during the entire construction process.

We established a production safety management structure supervised by production centre and assisted by various production plants.

- Production Centre: Responsible for production safety, conduct production safety management through plan deployment, training, inspection, irregular audit, drill, tracking and rectification, measure verification, system improvement, effect assessment and operational evaluation to ensure the production safety performance of safety management organizations at all levels.
- The subsidiary companies: Under the supervision of the Production Centre, implement safety laws, regulations, guidelines and policies, formulate and update safety production guidelines, work objectives and management principles, follow up and implement safety control measures, and continuously improve production safety management performance.

We strictly comply with the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other relevant laws and regulations, formulated the *Distribution Standards and Management Measures for Labour Protection Appliance* to provide employees engaged in any special operation with protective antistatic clothing, high-voltage protective gloves, insulating shoes, inhalers and other labour protection supplies. We post up the occupational hazards billboard at conspicuous places to remind and inform employees of the hazards. In addition, the Group organises annual physical examination for employees, and provides them with the analysis report of physical examination results issued by the hospital to protect their health.

In 2020, we established a monthly production performance assessment indicators for employees at specialist level and above to discover and solve hidden safety hazards and improve the safety of production environment by reviewing certain indicators with specified quantification methods. In addition, we identified possible hazards for certain positions in departments like Storage & Transportation, Production, Technical and HR and developed safety control measures accordingly to minimise the incidence of accidents and personal injuries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In April 2020, we conducted a series of activities for "World Day for Safety and Health at Work" in various forms such as safety knowledge publicity, on-site safety inspection and safety knowledge quiz, etc. Subsidiaries held various safety-related activities such as work safety training and drills, emergency rescue drills for sudden environmental accidents, emergency rescue drills in confined space and emergency rescue drill for firefighting throughout the year to improve all employees' awareness of work and living safety.

In the last 3 years, the Group had no work-related fatalities. During the reporting period, the Group lost 300 working days due to work injury.



Series of activities for "World Day for Safety and Health at Work" in April 2020



Emergency rescue drill for sudden environmental accident in June 2020



Emergency rescue drill in limited space in September 2020



Emergency rescue drill for firefighting in November 2020



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Topic: Pandemic prevention and control

In 2020, in response to the outbreak of COVID-19, we established a COVID-19 Emergency Response Command of the Group immediately with a general coordination team, a material support team and a pandemic prevention & control and treatment team subordinated to the Command, formulated the *COVID-19 Emergency Plan*, the *COVID-19 Emergency Response Flow* and other relevant internal policies, and conducted pandemic prevention and control under the leadership of local governments.

- Daily body temperature measurement and registration of all employees travelling to and from work and compulsive requirement on wearing masks;
- Timely purchase of masks to ensure that on-duty employees are provided with sufficient supply for replacement in time;
- Thorough disinfection of the working and living areas, as well as venues for activities, on a daily basis;
- Collective purchase of daily necessities for employees living in the Company's dormitory;
- Timely delivery of meals and provision of daily necessities for employees in self-quarantine;
- Dissemination of COVID-19 prevention and control knowledge and distribution of protection guidebook across the Company;
- Free masks for all employees and their families.

In light of above measures, we comprehensively ensured that our production and life get back to normal and prevailed in the fight against COVID-19 with concerted efforts.



Body temperature was measured when employees travelled to and from work



Provide free masks

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING WITH HONESTY AND INTEGRITY

We strictly comply with relevant laws and regulations, including but not limited to the *Company Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Interim Provisions on Banning Commercial Bribery and the Anti-Money Laundering Law of the People's Republic of China*, etc. The Group formulated the Code of Discipline and set out regulations governing business ethics of directors, managers and employees in the *Employee Manual*. We required each employee, including senior directors, to sign a *Declaration of Potential Conflicts of Interest* to avoid conflicts of interest, while strictly prohibiting illegal acts such as bribery, extortion, fraud and money laundering.

We formulated a *Whistle-blowing Policy* and established an internal monitoring mechanism for irregularities and frauds within the Group, to provide employees with whistle-blowing channels and guidelines. Employees can report any fraud and violation of discipline in real names

or anonymously through channels such as mailbox, email, and hotline. The Company Secretary is responsible for receiving fraud reports and planing fraud investigation and reporting. The Group handles the contents and information provided by the whistle-blowers in a prudent manner. The personal identity or any information of the whistle-blowers is kept confidential to prevent them from being harmed.

During the reporting period, there was no concluded legal cases regarding corrupt practices brought against the Group or our employees.

In October 2020, we held an anti-corruption promotion and training meeting for all employees to publicise the *Code of Discipline*, *Whistle-blowing Policy*, *Corporate Governance Code* and other anti-corruption policies, along with anti-corruption measures, and encourage employees from various departments to exchange views on the necessity and importance of anti-corruption work.

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Reporting email: freemanso@greenfreshfood.com

Reporting hotline: 852-3543 0708



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

TALENT CULTIVATION

We value personal development. For this purpose, we set up Green Future Cottage consisting of 7 societies, namely, Human Resource and Administration Society, Environment and Safety Society, Technology Society, Quality Society, Efficiency Society, Management and Leadership Society, and Green Seeding Initiative, with corresponding training courses provided, allowing for joint growth of the Company and our employees by virtue of comprehensive and multi-tiered training in diverse forms. We encourage employees to tailor the career path in line with their career goals and interests, and provide them with related resources, such as opportunities to relevant trainings, job rotation and special work projects.

We established the *Training Management Policy*, formulated the annual and monthly training plans, and mobilised internal and external resources to offer a wealth of trainings, including but not limited to orientation training for new joiners, professional skills training, management training and vocational training. We also established and nurtured an in-house lecturer team, conducted internal trainer selection, training, certification and management to maximize the sharing of knowledge, skills and best practices.

In 2020, 606 employees participated in 14 training sessions held by Green Future Cottage. As of the end of the reporting period, 24 trainees were certified as internal trainers.



Quality knowledge training and orientation training for new joiners in March 2020



Green Future Cottage - "Emergency Treatment of Work Injury" in March 2020



Green Future Cottage - "Da Chun's Talks - Purpose of Society Security" in March 2020



Green Future Cottage - "Training on Agar-agar Processing Technology" in May 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the percentage of employees trained, and the average training hours completed per employee by gender and employee category of the Group were showed as below:

	Type	Percentage of employees trained	Average training hours completed per employee
By gender	Male	65%	3.2
	Female	35%	3.1
By employee category	Senior management	3%	3.9
	Middle management	13%	6.9
	Junior employees	84%	2.6

EMPLOYMENT MANAGEMENT

The Group strictly complies with relevant laws and regulations, including but not limited to the *Labour Law of the People's Republic of China* and the *Labour Contract Law of the People's Republic of China*, etc. In 2020, the Group promulgated the *Employee Manual*, detailing various systems regulating employees' code of conduct while protecting their rights and interests.

- **Recruitment, dismissal and promotion**

We formulated the *Policies and Procedures on Internal and External Recruitment* and other policies. Based on the principle of "Capacity matching and merit-based recruitment", we adopt OPR (Organizational Talent Review) process, internal recommendation, external recommendation and other channels to recruit employees suitable for work needs. The Group signs the *Labour Contract* with employees, which incorporates the conditions for termination of labour contract, and standardizes the conditions and procedures for employee resignation through the *Resignation Policies and Procedures*. Arbitrary dismissal is not allowed.

The Group established a complete rank system and formulated the *Regulations on Post Change* and other policies. We promote talent development and talents team construction through OPR. OPR evaluates employees from four A dimensions, which are Achievement, Ability, Ambitions and Align culture. The OPR results will be used for employee promotion and potential personnel training, etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 December 2020, the Group had a total of 1,006 employees, all of whom worked full-time. The total workforce and employee turnover rate by gender, age group and geographical region are showed as below:

	Type	Total workforce	Employee turnover rate*
By gender	Male	652	24%
	Female	354	19%
By age group	<30	147	34%
	30-50	708	22%
	>50	151	10%
By geographical region	Mainland China	996	23%
	Hong Kong SAR	9	0%
	Others	1	0%

*Note: Employee turnover rate = the number of employees in the specified category leaving employment in the year/(the number of employees in specified category in the year + the number of employees in the specified category leaving employment in the year) * 100%

- **Compensation and benefits**

The employees' compensation consists of basic salary, performance bonus and duty allowance. The basic salary is not less than the local minimum wage. In accordance with the *Employee Manual* and *Management of On-board Process for New Employees*, we evaluated the employee's position and provided reasonable salaries, with consideration to employees' competence, position (title), personal performance and business achievement. Salaries are regularly reviewed, and adjustments are made based on the Company's operating performance, employees' performance and market conditions. We periodically conduct independent appraisal in respect of employees' performance, including but not limited to monthly, quarterly and annual appraisals and OPR (Organizational Talent Review), and corresponding results are indicative of renewal and termination of labour contracts, demotion, promotion, salary raise or position adjustments.

We complied with relevant laws and regulations, including but not limited to the *Social Insurance Law of the People's Republic of China*, and formulated the *Welfare Management Policy* to provide employees with statutory benefits such as social insurance and housing funds. In addition, we formulated the *Masters Selection and Reward Policy*, regularly hold masters selections, and provides incentives and reward to selected outstanding employees.

In 2020, the Group constantly improve the performance-based management system, formulated the *Performance Appraisal Management Regulations*, and evaluated employees' performance and achievement in job objectives and tasks, in terms of individual behavioural indicators and individual performance indicators, on a monthly basis. Employees were paid monthly bonus according to results of such appraisals.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Working hours and holidays**

As per the relevant national regulations and the requirements of the employees' positions, the Group implements a standard working hour system, where employees work in shifts, i.e. regular day shift and night shift. Meanwhile, subsidiaries may change, as appropriate, and make adjustment to working hours and working hour systems which suit to the production and operation in accordance with laws, and coordinate production schedule to avoid extra work as far as possible. In case of overtime in weekdays and at weekend per production demands, employees shall apply for and obtain approval in advance according to relevant procedures. We offer compensatory time off or overtime pay. If employees need to work overtime on national holidays, they are entitled to obtain overtime pay in accordance with relevant regulations.

Employees of the Group are entitled to statutory holidays, including New Year's Day, Spring Festival, Tomb-Sweeping Day, International Labour Day, Dragon Boat Festival, Mid-Autumn Festival and National Day, annual leaves and other holidays prescribed by laws.

- **Equal opportunity, diversity and anti-discrimination**

The Group recruits talents according to the principles of fairness, impartiality and openness and selects the outstanding ones under the same conditions. In strict compliance with national and local laws and regulations, we have no tolerance in any discrimination against any employee due to personal characteristics such as race, ethnicity, colour, religious beliefs, gender, nationality, marital status, citizenship, age, disability, sexual orientation, veteran status or other status protected by laws. According to the responsibility and requirement of the position, we select, recruit, train, assign job, terminate, provide benefits and remuneration, promote and mobilise employees, offering equal development opportunities for all of them.

- **Labour standards**

The Group complies with relevant laws and regulations, including but not limited to the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and the *Provisions on the Prohibition of Using Child Labour*, etc. We respect the legitimate rights and interests of our employees and prohibit forced labour. Besides, we expressly stipulate to prohibit child labour in the *Employee Handbook and the Policies and Procedures on Internal and External Recruitment*. Applicants for our employment must be at least 18 years of age. The Group rigorously follows statutory working hours, controls overtime work, maintains work-life balance and prevents forced labour.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Employee care**

We encourage communication with employees. Employees may propose suggestions for the Company's improvement and development directly through their supervisors or HR, or via compliant mailbox or email. In addition, we held a variety of employee activities to enrich their leisure time and enhance enthusiasm and cohesion.



IPO Anniversary



Cultural activities of Weight Loss Association



International Women's Day



Teachers' Day

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

Use of Resources

The energy used by the Group mainly includes coal and purchased electricity, and the water used by the Group is supplied by municipal water system. The packaging materials used by the Group mainly include woven bags, inner bag, cartons and paper bags. According to the *Energy Conservation Law of the People's Republic of China*, the *Water Law of the People's Republic of China*, the *Circular Economy Promotion Law of the People's Republic of China* and other laws and regulations, we formulated the *Energy Management System Manual*, the *Specifications on Management of Energy (Resources) Consumption and Greenhouse Gases*, etc. With the environmental target of "Dedicate to Green Production, Reduce Use of Resource", we established the energy management system and set up the energy conservation leading team, to facilitate unified management on energy and water conservation.

We formulated energy policies, targets and energy management plans by analysing and evaluating the current situation of energy utilisation. We required all production workshops to align with the annual energy consumption quota according to the quota assessment system. Moreover, each workshop formulated the corresponding energy-conservation targets and management measures and arranges different teams to complete the workshop assessment indicators. The Group also developed an energy conservation target evaluation scheme to comprehensively evaluate the achievement of energy-conservation targets for each system. In 2020, we deployed an online real-time system to monitor consumption of coal in workshops, conducted analysis and pressed ahead with energy conservation and emission reduction.



We advocate green office. Thus, we abide by the *Management Regulations on Use of Office Air Conditioners*, assigning specific person to control the use of air conditioners, which stipulates that the air conditioners shall not be enabled on rainy days, or unless the outdoor temperature reaches 30°C or above, and the setting temperature for refrigeration shall not be lower than 26°C. Besides, the Group also encourages employees to commute by bus, bicycle or carpooling, or go on business travels in an environmentally-friendly way, to reduce energy consumption and greenhouse gas emissions.

We have a preference for procurement of recyclable packaging materials and signs a packaging bag recycling agreement with the customers. If the customers return packaging materials such as pads, paper or woven bags used in storage and transportation, they will obtain rebate accounting for 10% of the cost of packaging materials, thereby increasing the utilisation rate of packaging materials and reducing the amount used.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the Group’s use of resources indicators were shown as below:

	KPI	2020	2019
Energy	Total direct energy consumption (MWh)	99,577.25	109,064.89
	Total indirect energy consumption (MWh)	45,991.25	43,654.61
	Total energy consumption (MWh)	145,568.5	152,719.50
	Energy consumption intensity (MWh/tonne output)	10.78	11.80
Water	Total water consumption (tonne)	2,315,403.00	1,587,106.00
	Water consumption intensity (tonne/tonne output)	171.41	122.65
Packaging materials	Total packaging materials (tonne)	136.46	134.09
	Packaging materials intensity (tonne/tonne output)	0.0101	0.0104

Note:

1. The total energy consumption are presented by MWh (kWh in 000’s), and the conversion factors are derived from the Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions from Food, Tobacco and Wine, Beverage and Refined Tea Enterprises (Trial) issued by the National Development and Reform Commission;
2. The consumption of coal, electricity and water comes from the corresponding bills;
3. During the reporting period, the Group’s new products were officially put into production and the production process was adjusted in response to clients’ requirements, resulted in an increase in total water consumption and water consumption intensity.

Emission Management and Control

We strictly comply with relevant laws and regulations, including but not limited to the *Law of the People’s Republic of China on Prevention and Control of Water Pollution*, the *Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People’s Republic of China on Prevention and Control of Pollution from Environmental Noise*, the *Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Law of the People’s Republic of China on Environmental Impact Assessment*, and the *Regulations on the Administration of Construction Project Environmental Protection*, etc. The Group formulated internal environmental policies and regulations, such as the *Environmental Protection Management Policy* and the *Environmental Management Regulations on Waste Water, Waste Gas and Factory Boundary Noise*, and takes effective preventive measures to strengthen internal management, so as to ensure that the pollutants are discharged in accordance with standards and meet the requirements of emission total control.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We established the Environmental Protection Committee and set the Environmental Protection Team as the working body of the Environmental Protection Committee. The Environmental Protection Team is responsible for leading and coordinating the environmental protection work of the Group, and formulating the Company's environmental protection plan, goals and annual work plan. Each unit establishes a responsibility system for environmental protection target, and formulates their respective annual environmental protection work plans and annual pollution source treatment plans. They assign specific personnel to carry out environmental protection tasks, implement environmental protection measures, and strengthen environmental supervision and management. We have established and adopted an environmental management system, which fulfils the requirements of GT/T24001-2016/ISO 14001: 2015, and obtained the third-party certification.

Emission control targets:

- ✓ 100% pass rate for air emissions
- ✓ 100% pass rate for sewage discharge
- ✓ 100% treatment rate for hazardous waste

• **Exhaust gas**

Exhaust gases produced by the Group mainly include sulfur dioxide, smoke and nitrogen oxides produced in the production process. All exhaust gases are discharged in accordance with standards after treatment. The Group carries out real-time monitoring of exhaust gas emissions. For example, Lvqi (Fujian) Production Plant performs on-line monitoring of flue gas, and a real-time warning will be sent in case of emissions exceeding the specific standard. And a qualified third-party testing organisation is invited to monitor the fugitive emission of flue gas on a semi-annual basis. In 2020, the Group installed filter-silencers at ports of exhaust equipment to effectively reduce exhaust gas emissions.

• **Waste water**

The Group's four production plants built sewage treatment stations and set up water purification posts, sewage posts and desliming posts to handle various processes related to sewage treatment. Testing rooms were constructed in each sewage treatment station for on-line or manual monitoring of the emission data. The production waste water is discharged when relevant indicators meet requirements after being treated, monitored and tested. Taking the Lvqi (Fujian) Production Plant as an example, the sewage can be finally discharged into the municipal pipe network only when meeting the third-level sewage discharge standard after treatment. And a qualified third-party testing organisation is employed to conduct sewage testing on a semi-annual basis. In 2020, Green Fresh (Fujian) conducted online real-time monitoring on sewage discharge and realised unified discharge and treatment of sewage.

We monitor, manage and maintain all kinds of environmental protection facilities to ensure normal operation of facilities, and up-to-standard discharge of various pollutants. We actively introduced advanced purification equipment and treatment technology to seal up the sewage treatment unit producing odorous gas and treat it intensively, so as to reduce the impact on the environment.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

• *Wastes*

The hazardous wastes produced by the Group mainly include waste hydraulic oil generated in the production process. The non-hazardous wastes mainly include seaweed residue, soil residue and household garbage.

In order to achieve the goal of reduction, recycling and hazard-free treatment of the wastes, we constantly strengthens the management of hazardous wastes and abided by the Hazardous Waste Management Plan, Hazardous Goods Management Regulations, etc. according to the Directory of National Hazardous Wastes and other relevant laws, regulations and standards, managing hazardous waste properly. We carry out regular maintenance of hazardous waste collection, transportation facilities and storage sites. We set up signs at conspicuous locations in front of hazardous waste storage sites, strictly implement a hazardous waste warehousing policy, and properly control hazardous waste and dispose of them through qualified institutions.

We control the generation of non-hazardous waste at source and dispose of or recycle different non-hazardous waste in the end appropriately for the purpose of reduction.

Source avoidance	✓	Recycling of packaging materials and used work clothes as equipment wipes;
	✓	Double-sided use of office papers, and recycling of shredded papers;
	✓	Purchasing recyclable pads, paper woven bags and wrapping straps in a unified way to reduce wastes generated from storage and transportation.
Terminal treatment	✓	Selling the waste papers and scrap metals to recyclers for reuse;
	✓	Requesting the environmental sanitation department to clear, transport and dispose of the collected household wastes;
	✓	Recycling all collected wastes as much as possible;
	✓	Contacting a qualified third party via contractor to store and ferment the kitchen wastes so as to decompose the wastes into sanitary and odorless humus;
	✓	Providing the farmers with the crushed organic wastes, such as raw seaweed residue (gracilaria residue, eucheuma residue, etc.), which are used as organic fertiliser for their vegetable and fruit tree planting bases;
	✓	We have brought in and overhauled equipment to limit moisture content in solid waste to 65% and bring down solid waste discharge by 15%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the Group's emissions and wastes produced and intensity were shown as below:

	KPI	2020	2019
Waste water	Wastewater discharge (tonnes)	5,090,230.00	4,697,537.00
	Chemical Oxygen Demand (COD) (tonnes)	558.56	601.40
	Ammonia nitrogen (tonnes)	32.96	28.11
Exhaust gas	Smoke (tonnes)	6.51	6.86
	Sulphur dioxide (tonnes)	46.02	33.77
	Nitrogen oxides (tonnes)	50.04	24.84
Hazardous wastes	Total hazardous wastes produced (tonnes)	1.01	0
	Hazardous wastes intensity (tonnes/tonne output)	0.00007	0
Non-hazardous wastes	Total non-hazardous wastes produced (tonnes)	44,403.46	26,857.25
	Non-hazardous wastes intensity (tonnes/tonne output)	3.29	2.08

Note:

1. Data on emissions is derived from the on-line monitoring system;
2. Data on hazardous waste was extracted from hazardous waste transfer manifests;
3. Data on non-hazardous wastes is from daily monitoring.

Response to Climate Change

We pay close attention to the impacts of climate change and changes in domestic and foreign laws and regulations on our business operations. The Group's environmental protection team actively identifies risks and opportunities brought along with climate change and formulates corresponding countermeasures.

Laws, regulations and policies, as well as extreme weather such as typhoons and rainstorms, are expected to exert a potential impact on our business operations upon assessments.

In face of climate change risk, we have taken a series of preliminary measures to mitigate its impact on the business operations, including:

- ✓ Comply with the latest environmental protection laws and regulations and relevant policies, and revise internal systems and standards in a timely manner;
- ✓ Establish and implement an accountability system for environmental protection goals, under which the Environmental Protection Department assumes overall responsibility for company-wide environmental protection;
- ✓ Identify and evaluate environmental factors and their environmental impacts, formulate appropriate management measures based on risk levels, and step up risk response;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- ✓ Set out the *Administrative Measures for Emergency Plan* and other systems with reference to business characteristics, and tighten the control over identified risks and environmental emergencies;
- ✓ Run statistics on greenhouse gas emissions and actively push forward energy conservation management to reduce energy consumption and greenhouse gas emissions, based on the *Management Standards for Energy (Resource) Consumption and Greenhouse Gas Emissions*;
- ✓ Organise annual emergency drills to lower chances of environmental emergencies.

During the reporting period, the Group's greenhouse gases emissions in total and intensity were showed as below:

	KPI	2020	2019
Greenhouse gases	Scope 1: Direct emissions (tCO ₂ e)	31,503.10	34,382.72
	Scope 2: Energy indirect emissions (tCO ₂ e)	32,170.86	30,572.48
	Total emissions (tCO ₂ e)	63,673.96	64,955.20
	Emission intensity (tCO ₂ e/tonne output)	4.71	5.02

Environment and Natural Resources

The products of the Group are extracted from natural seaweed. The environmental impact of product use is negligible. The products themselves can also be naturally degraded if they are not used after expiration, or they can be supplied to the feed enterprises as raw materials after passing the test according to the relevant feed laws and regulations within 12 months after expiration. In addition, the packaging bags of the products are non-toxic, harmless, and can be used for packaging other articles with no harm to the environment.

Noise of the Group mainly comes from the crushing process. The Group strives to reduce the impact of noise on surrounding areas in strict compliance with relevant laws, regulations and standards, including but not limited to the *Law of the People's Republic of China on Prevention and Control of Noise Pollution and the Emission Standard for Community Noise*. For the purpose of meeting standards for production, the Group adopts high-efficiency stainless steel sound-absorbing material and modern multi-layer silencing technology to effectively reduce the sound decibels generated by the equipment. In addition, the Group tests the factory boundary noise every half year to ensure that the noise meet relevant standard.

The Group is concerned about biodiversity. So we continuously improve our knowledge of biodiversity, refuse to process, sell and consume key national protected species, and achieving the "Three simultaneous" of biodiversity. We also actively participate in public welfare publicity and appeal to the public to protect biodiversity.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Green Future Food Hydrocolloid Marine Science Company Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Green Future Food Hydrocolloid Marine Science Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 154, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A key audit matter related to revenue recognition on sales of goods is identified in our audit as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition — sales of goods</p> <p>Refer to notes 2.23 and 5 to the consolidated financial statements.</p> <p>The Group's revenue from sales of goods for the year ended 31 December 2020 amounted to approximately HK\$877.2 million.</p> <p>Revenue from the sales of goods is recognised when control of the goods has been transferred to the customer, which is usually at the date when the Group has delivered the products to the customer and the customer has accepted the products.</p> <p>We focused on this area due to the significance of the revenue amount and the large volume of sales transactions generated from numerous kinds of products sold to customers at different locations including The People's Republic of China and overseas.</p>	<p>We understood, evaluated and tested on a sample basis, management's key controls over revenue recognition in respect of the Group's sales transactions, from approval of customer orders, all the way to settlement of trade receivables.</p> <p>We conducted testing of sales transactions on a sample basis by examining the relevant supporting documents including customers' contracts and orders, sales invoices, goods delivery notes, Customs declaration documents for export sales and goods receipt evidence for domestic sales. In addition, we circularised confirmations on a sample basis on trade receivable balances as at the balance sheet date together with the confirmations of the sales transactions with selected customers during the year.</p> <p>Furthermore, we tested sales transactions that took place before and after the balance sheet date to assess whether the transactions were recognised in the appropriate reporting period based on the supporting documents obtained.</p> <p>Based on the work performed, we found the sales transactions tested were supported by the evidence obtained.</p>



INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Company's 2020 Annual Report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT**

羅兵咸永道

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Note	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Revenue	5	877,163	992,935
Cost of sales	8	(686,286)	(741,200)
Gross profit		190,877	251,735
Other income	6	9,417	9,124
Other gains/(losses) – net	7	1,818	(2,662)
Net impairment (losses)/gains on financial assets	21	(128)	992
Selling and distribution expenses	8	(18,683)	(17,700)
Administrative expenses	8	(71,254)	(85,616)
Operating profit		112,047	155,873
Finance income	10	2,156	331
Finance costs	10	(26,614)	(27,633)
Finance costs – net	10	(24,458)	(27,302)
Profit before income tax		87,589	128,571
Income tax expense	11	(20,633)	(34,681)
Profit for the year		66,956	93,890
Profit for the year attributable to:			
Owners of the Company		68,902	93,309
Non-controlling interests		(1,946)	581
		66,956	93,890
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (HK\$)	12	0.085	0.146
Diluted earnings per share (HK\$)	12	0.084	0.140

The notes on pages 81 to 154 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

The notes on pages 81 to 154 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

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

	Note	As at 31 December	
		2020 HK\$'000	2019 HK\$'000
Assets			
Non-current assets			
Land use rights	14	62,470	60,615
Property, plant and equipment	15	413,044	361,234
Intangible assets	16	50,272	52,520
Prepayments for non-current assets	17	13,070	1,823
Deferred income tax assets	30	11,746	9,915
		550,602	486,107
Current assets			
Financial assets at fair value through profit or loss	19	3,540	—
Inventories	20	505,426	322,428
Trade and other receivables	21	197,355	217,299
Cash and bank balances	22	171,842	186,172
		878,163	725,899
Total assets		1,428,765	1,212,006
Equity			
Equity attributable to owners of the Company			
Share capital	23	8,164	8,000
Other reserves	25	363,831	366,791
Treasury shares	26	(12,297)	—
Retained earnings		386,552	326,983
		746,250	701,774
Non-controlling interests		7,855	669
Total equity		754,105	702,443

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

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

	Note	As at 31 December	
		2020 HK\$'000	2019 HK\$'000
Liabilities			
Non-current liabilities			
Bank borrowings	28	28,398	59,276
Lease liabilities	28	7,037	2,741
Deferred income	29	31,096	28,799
Deferred income tax liabilities	30	1,803	1,793
		68,334	92,609
Current liabilities			
Trade and other payables	27	132,011	84,247
Convertible bond	28	—	29,547
Bank borrowings	28	461,541	284,879
Lease liabilities	28	1,961	1,427
Current income tax liabilities		10,813	16,854
		606,326	416,954
Total liabilities		674,660	509,563
Total equity and liabilities		1,428,765	1,212,006

The notes on pages 81 to 154 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 75 to 154 were approved by the board of directors of the Company on 30 March 2021 and were signed on its behalf by:

CHAN Kam Chung
Director

CHAN Shui Yip
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Note	Equity attributable to owners of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
		Share capital	Other reserves	Treasury shares	Retained earnings	Total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 January 2020		8,000	366,791	—	326,983	701,774	669	702,443
Comprehensive income								
Profit for the year		—	—	—	68,902	68,902	(1,946)	66,956
Other comprehensive income/(loss)								
– Currency translation differences		—	45,008	—	—	45,008	647	45,655
Total comprehensive income		—	45,008	—	68,902	113,910	(1,299)	112,611
Transactions with owners								
Dividend paid	13	—	(60,930)	—	—	(60,930)	—	(60,930)
Capital contribution from non-controlling interests		—	—	—	—	—	8,485	8,485
Equity-settled share-based payment	24	—	3,629	—	—	3,629	—	3,629
Shares issued due to options exercised during the period	23	164	—	—	—	164	—	164
Profit appropriation to statutory reserves		—	9,333	—	(9,333)	—	—	—
Buy-back of shares	26	—	—	(12,297)	—	(12,297)	—	(12,297)
Total transactions with owners		164	(47,968)	(12,297)	(9,333)	(69,434)	8,485	(60,949)
Balance at 31 December 2020		8,164	363,831	(12,297)	386,552	746,250	7,855	754,105
Balance at 1 January 2019		6	162,386	—	244,467	406,859	179	407,038
Comprehensive income								
Profit for the year		—	—	—	93,309	93,309	581	93,890
Other comprehensive income/(loss)								
– Currency translation differences		—	(11,625)	—	—	(11,625)	—	(11,625)
Total comprehensive income		—	(11,625)	—	93,309	81,684	581	82,265
Transactions with owners								
Equity-settled share-based payment	24	—	4,146	—	—	4,146	—	4,146
Capitalisation issue of shares		5,994	(5,994)	—	—	—	—	—
Issuance of shares by initial public offering, net of attributable transaction costs		2,000	206,994	—	—	208,994	—	208,994
Profit appropriation to statutory reserves		—	10,884	—	(10,793)	91	(91)	—
Total transactions with owners		7,994	216,030	—	(10,793)	213,231	(91)	213,140
Balance at 31 December 2019		8,000	366,791	—	326,983	701,774	669	702,443

The notes on pages 81 to 154 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Note	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Cash generated from operations	31	41,574	19,027
Income tax paid		(29,934)	(39,571)
Net cash generated from/(used in) operating activities		11,640	(20,544)
Cash flows from investing activities			
Purchases of property, plant and equipment		(60,634)	(40,216)
Purchases of financial assets at fair value through profit or loss		(11,242)	—
Purchases of intangible assets		(425)	(171)
Purchases of land use rights		—	(3,173)
Proceeds from sale of financial assets at fair value through profit or loss		7,978	—
Government grants relating to purchase of property, plant and equipment received		4,047	—
Interest received		2,156	—
Proceeds from disposal of property, plant and equipment		470	20
Net cash used in investing activities		(57,650)	(43,540)
Cash flows from financing activities			
Proceeds from borrowings		743,721	576,358
Repayments of borrowings		(592,687)	(544,901)
Dividend paid		(60,930)	—
Repayment of convertible bond		(30,179)	(25,000)
Interest paid		(21,972)	(24,350)
Buy-back of shares		(12,297)	—
Settlements of lease liabilities		(2,621)	(2,064)
Initial public offering costs		(1,133)	(15,548)
Capital injection from minority shareholders of subsidiaries		8,485	—
Proceeds of share issued due to options exercised during the year		164	—
Restricted cash pledged for bank borrowings		—	(65,000)
Proceeds from share issuance upon listing		—	232,000
Amounts repaid to related parties		—	(102)
Net cash generated from financing activities		30,551	131,393
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		121,172	55,855
Effect of foreign exchange rates changes		1,129	(1,992)
Cash and cash equivalents at end of year	22	106,842	121,172

The notes on pages 81 to 154 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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 Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are in the business of manufacturing and sales of food manufacturing hydrocolloid products including carrageenan products, agar-agar products, blended products and konjac products in the People's Republic of China (the "PRC") and overseas.

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

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

The Company's shares have been listed on the Stock Exchange since 17 October 2019.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation

(i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group except for those business combinations under common control (note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, comprehensive income and changes in equity, and consolidated balance sheet respectively.

(ii) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2.3 Business combinations

(i) *Business combinations under common control*

The Group applies the predecessor values accounting to account for business combination of entities or businesses under common control. The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the capital reserve. Transaction-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

(ii) *Business combinations not under common control*

The acquisition method of accounting is used to account for all business combinations not under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Impairment testing of the investments in subsidiaries is also required in accordance with note 2.10.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker assesses the financial performance and financial position of the Group and makes strategic decisions. The chief operating decision maker of non-common control Group consists of the executive directors, the chief executive officer, the chief financial officer and the manager for corporate planning.

2.6 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Majority of the subsidiaries of the Group are operating in the PRC and their functional currency is Renminbi (the "RMB"). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.7 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such right are treated as right-of-use assets (note 2.25) and recorded as land use rights, which are amortised over the lease periods of 30 to 50 years using the straight-line method. The land use rights are stated at historical cost less accumulated amortisation and impairment.

2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives as follows:

Buildings	20 years
Production machineries	10 years
Factory devices and equipment	3-5 years
Vehicles, office furniture and fixtures	5 years
Leasehold improvements	Shorter of estimated useful lives and remaining lease terms

The right-of-use assets (note 2.25), other than land use rights are presented under property, plant and equipment. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

2.9 Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

Impairment testing of goodwill is described in note 2.10.

(ii) Trademarks and licences, patents and relationship with customers

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences, patents and relationship with customers acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets (Continued)

(iii) *Sea use rights*

The Group acquired the rights to use certain sea area. The sea use rights are stated at historical cost less accumulated amortisation.

(iv) *Discharge rights*

The Group acquired the rights to discharge pollutions within authorised amounts. The discharge rights are stated at historical cost less accumulated amortisation.

(v) *Amortisation methods and periods*

The Group amortises intangible assets with limited useful lives using the straight-line method over the following periods:

Trademarks and licences	3-10 years
Patents	10-20 years
Relationship with customers	15 years
Sea use rights	5 years
Discharge rights	5 years

(vi) *Research and development expenditure*

An intangible asset arising from development shall be recognised if, and only if, the Group can demonstrate all of the following:

- (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (2) its intention to complete the intangible asset and use or sell it.
- (3) its ability to use or sell the intangible asset.
- (4) how the intangible asset will generate probable future economic benefits.
- (5) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (6) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Research expenditure and development expenditure that do not meet the criteria for capitalisation are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

Goodwill is not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- a) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- b) those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The Company's and the Group's financial assets comprise of trade and other receivables, amounts due from subsidiaries, cash and bank balances and financial assets at fair value through profit or loss.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other (gains)/losses-net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (gains)/losses-net" and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other (gains)/losses-net" in the period in which it arises.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(iv) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default or bankruptcy of the relevant company or the counterparty.

(v) *Impairment of financial assets*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Impairment of trade receivables is described in note 21.

2.12 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are generally due for settlement within 30 to 180 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.11 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Treasury shares

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bond that can be converted to share capital at the option of the holder, and the number of shares to be issued may vary. Therefore, the components of the convertible bond are accounted for separately as host liability component and compound embedded derivatives component. The host liability component and compound embedded derivatives component are initially recognised at fair value.

Subsequent to initial recognition, the host liability component is measured at amortised cost using the effective interest method while the compound embedded derivatives component is carried at fair value, with changes in fair value recognized in profit or loss in the period in which they arise.

Liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

If the convertible bond is converted, the conversion option derivative component, together with the carrying amount of the liability component being converted at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued.

A substantial modification of the terms of the bond should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the present value of the cash flows discounted using the original effective interest rate under the new terms, including any fees paid net of any fees received is at least 10 percent different from the present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, the original financial liability is derecognised and any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the present value of the revised cash flows discounted at the original effective interest rate. Any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax (Continued)

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.22 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Post-employment obligations

The Group operates post-employment schemes via defined contribution pension plans.

For defined contribution plans, the Group pays contributions to publicly administered pension insurance plans on a mandatory or voluntary basis in the PRC and Hong Kong. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(iii) *Share-based compensation*

The Group operates an equity-settled share-based payment plan (note 24). The fair value of the employee services received in exchange for the transfer of shares from controlling shareholders of the Company is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares transferred, excluding the impact of any non-market vesting conditions (e.g. profitability and sales growth targets).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

A grant of equity instruments, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

2.23 Revenue recognition

Timing of recognition: The Group manufactures and sells carrageenan, agar-agar, konjac products and blended products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. A contract liability is recorded as advances from customers for the cash received from the customers before the delivery of goods.

Measurement of revenue: Revenue from sales is based on the price specified in the sales contracts and is shown net of value-added tax and after eliminating sales within the Group. No element of financing is deemed present as the sales are made with a credit term up to 180 days. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.24 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 10 below. Any other interest income is included in other income.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases

The Group leases various land, properties, equipment and vehicles. Rental contracts for properties, equipment and vehicles are typically made for fixed periods of 1 to 10 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Extension and termination options are included in a number of property leases across the Group. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

The right-of-use assets are presented under land use rights in note 15 and property, plant and equipment in note 15. The lease liabilities are presented separately on the consolidated balance sheet.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 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.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in mainland China and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars (the "USD"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Group does not hedge against any fluctuation in foreign currency.

At 31 December 2020, if USD had weakened/strengthened by 10% against the RMB with all other variables held constant, post-tax profit for the year would have been HK\$2,592,000 lower/higher (2019: HK\$4,291,000 lower/higher) mainly as a result of foreign exchange losses/gains on translation of USD denominated trade and other payables, borrowings, trade and other receivables, and cash and cash equivalents.

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3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

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

During the year ended 31 December 2020, if interest rate on borrowings had been higher by 100 basis points of current interest rate, with other variables held constant, post-tax profit for the year would have been approximately HK\$683,000 lower (2019: HK\$1,062,000 lower).

(b) Credit risk

Credit risk arises from cash and cash equivalents, trade and other receivables and financial assets at fair value through profit or loss. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage the risk with respect to cash and cash equivalents, bank deposits and financial assets at fair value through profit or loss are placed with highly reputable financial institutions.

For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. See note 21 for further information about the Group's credit risk analysis for trade receivables.

For other receivables, as they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the impairment provision recognised is limited to 12 months expected losses.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group. The Group also considers converting short-term borrowings into long-term borrowings to improve the Group's liquidity.

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3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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 31 December 2020					
Bank borrowings	461,541	3,683	24,715	—	489,939
Interest payable on borrowings	13,480	221	1,252	—	14,953
Lease liabilities	2,426	2,366	4,391	1,158	10,341
Trade and other payables (excluding non-financial liabilities)	115,573	—	—	—	115,573
	593,020	6,270	30,358	1,158	630,806
	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 31 December 2019					
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

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3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total of bank borrowings, convertible bond and lease liabilities less cash and cash equivalents, restricted cash and financial assets at fair value through profit or loss. Total capital is calculated as total of net debt and 'equity' as shown in the consolidated balance sheet.

The gearing ratio as at 31 December 2020 was as follows:

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Total of bank borrowings, lease liabilities and convertible bond (note 28)	498,937	377,870
Amount due to a third party (note 27)	23,764	—
Less: Cash and cash equivalents (note 22)	(106,842)	(121,172)
Restricted cash (note 22)	(65,000)	(65,000)
Financial assets at fair value through profit or loss (note 19)	(3,540)	—
Net debt	347,319	191,698
Equity	754,105	702,443
Total capital	1,101,424	894,141
Gearing ratio (Net debt/Total capital)	32%	21%

The increase in gearing ratio from 2019 to 2020 is resulted from the increase in bank borrowings, lease liabilities and amount due to a third party.

3.3 Fair value estimation

The Group adopts the amendment to HKFRS 13 for financial instruments that are measured in the consolidated balance sheet at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group does not have financial instruments except for the financial assets at fair value through profit or loss which was classified within level 2.

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4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

(a) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors action in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or nonstrategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives, and actual residual values. Periodic reviews could result in a change in depreciable lives and residual values and therefore changes in depreciation expenses in the future periods.

(b) Impairment of trade and other receivables

The impairment provisions for financial assets disclosed in note 21 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 21 below.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses the estimates at each balance sheet date.

(d) Estimated impairment of goodwill with indefinite useful life

The Group tests annually whether goodwill with indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 16).

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4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(e) Income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed. Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the intending tax rate is different from the original expectation.

5 REVENUE AND SEGMENT INFORMATION

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

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

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

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5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information

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

	Year ended 31 December 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	241,506	515,203	44,424	69,910	6,120	877,163
Cost of sales	(154,732)	(441,452)	(40,891)	(43,670)	(5,541)	(686,286)
Segment results	86,774	73,751	3,533	26,240	579	190,877

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

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

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5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information (Continued)

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

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

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

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5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information (Continued)

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

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

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

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

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

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

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5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Liabilities related to contracts with customers

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

	2020 HK\$'000	2019 HK\$'000
Advance receipts from customers (note 27)	6,528	2,461

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

	2020 HK\$'000	2019 HK\$'000
Revenue recognised during the year that was included in the advance receipts from customers at the beginning of the year	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.

6 OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Government grants		
– Received and recognised during the year	5,649	5,702
– Recognised from deferred income (note 29)	3,630	3,401
Others	138	21
	9,417	9,124

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FOR THE YEAR ENDED 31 DECEMBER 2020

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7 OTHER GAINS/(LOSSES) – NET

	2020 HK\$'000	2019 HK\$'000
Net foreign exchange gains/(losses) from operating activities	1,891	(2,436)
Net losses on disposal of property, plant and equipment	(145)	(3)
Gains on disposal of financial assets at fair value through profit or loss (note 19)	68	—
Gains from sales of raw materials	22	4
Net fair value gains on financial assets at fair value through profit or loss (note 19)	17	—
Others	(35)	(227)
	1,818	(2,662)

8 EXPENSES BY NATURE

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

	2020 HK\$'000	2019 HK\$'000
Raw materials and consumables used	676,242	699,332
Changes in inventories of finished goods and work in progress	(105,657)	(72,435)
Employee benefit expenses (note 9)	91,158	93,858
Amortisation of land use rights (note 14)	1,432	1,538
Depreciation of property, plant and equipment (note 15)	36,513	33,517
Amortisation of intangible assets (notes 16)	6,376	6,091
Utility expenses	30,467	31,363
Transportation costs	5,401	5,284
Other taxes and levies	4,126	5,481
Auditors' remuneration		
– annual audit services of the Company's auditor	2,315	1,931
– non-audit services of the Company's auditor	247	205
– statutory audit services of subsidiaries' auditor	218	315
Listing expenses	—	12,727
Others	27,385	25,309
Total	776,223	844,516

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8 EXPENSES BY NATURE (Continued)

Research and development expenses incurred during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Employee benefit expenses	5,488	5,334
Raw materials and consumables used	4,894	3,216
Depreciation charges	871	960
Others	1,077	2,172
	12,330	11,682

Non-audit service fees totalling HK\$247,000 was incurred for assistance provided by the Company's auditor in connection with the Company's annual results announcement and the Company's environmental, social and governance report carried out by separate non-audit team of the Company's auditor (2019: HK\$205,000).

9 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2020 HK\$'000	2019 HK\$'000
Salaries, wages and bonuses	84,586	82,970
Pension, housing fund, medical insurance and other social insurance	2,651	6,618
Equity-settled share-based payment expenses (note 24)	3,629	4,146
Others	292	124
Total employee benefit expenses	91,158	93,858

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 include one director (2019: one), whose emoluments are disclosed in the note 35. Details of the remunerations of the remaining four (2019: four) individuals during the year were as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and bonus	4,077	4,036
Pension, housing fund, medical insurance and other benefits	45	57
Equity settled share-based payment expenses	3,629	4,146
	7,751	8,239

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9 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

Five highest paid individuals (Continued)

The emoluments of the non-director highest paid employees fell within the following bands:

	2020	2019
Within HK\$1,000,000	1	1
HK\$1,000,000 - HK\$2,000,000	1	1
HK\$2,000,000 - HK\$3,000,000	2	1
HK\$3,000,000 - HK\$4,000,000	—	1
	4	4

10 FINANCE COSTS - NET

	2020 HK\$'000	2019 HK\$'000
Finance income		
Interest income on bank deposits	2,156	331
Finance costs		
Interest and finance charges on bank borrowings	(22,605)	(21,658)
Interest on convertible bond	(1,395)	(7,256)
Finance charges on lease liabilities	(576)	(323)
Net foreign exchange losses on financing activities	(3,435)	(1,056)
	(28,011)	(30,293)
Amounts capitalised in qualifying assets (note 15)	1,397	2,660
	(26,614)	(27,633)
Finance costs - net	(24,458)	(27,302)

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the interest rate applicable to the Group's borrowings for construction in process during the year ended 31 December 2020 was 5.78% (2019: 6.69%).

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11 INCOME TAX EXPENSE

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

	2020 HK\$'000	2019 HK\$'000
Current income tax	22,319	34,058
Deferred income tax (note 30)	(1,686)	623
Income tax expense	20,633	34,681

The Group's income tax comprises:

(i) Cayman Islands profits tax

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

(ii) BVI profits tax

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

(iii) Hong Kong profits tax

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

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

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11 INCOME TAX EXPENSE (Continued)

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

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

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

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

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

(v) PRC withholding income tax

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

The Group has undistributed earnings of HK\$405,751,000 as at 31 December 2020 (2019: HK\$366,618,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entities are able to control the timing of distributions from their subsidiaries and are not expected to distribute these profits in the foreseeable future.

(vi) Indonesia profits tax

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

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11 INCOME TAX EXPENSE (Continued)

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

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

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

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

	2020 HK\$'000	2019 HK\$'000
2022	—	973
2023	1,154	2,809
2024	705	2,505
2025	3,224	—
	5,083	6,287

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12 EARNINGS PER SHARE

(a) Basic and diluted earnings per share

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

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 (note 26).

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

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

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

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

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

(i) The weighted average number of ordinary shares has been retrospectively adjusted for the effects of shares options (note 23) and treasury shares (note 26).

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13 DIVIDENDS

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

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

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

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

	2020 HK\$'000	2019 HK\$'000
Proposed final dividend of HK 2.5 cents (2019: HK 5.0 cents) per ordinary share	20,410	40,000

A final dividend in respect of the year ended 31 December 2020 of HK 2.5 cents (2019: HK 5.0 cents) per share, amounting to a total of HK\$ 20,410,000 (2019: HK\$ 40,000,000), was proposed by the board of directors of the Company on 30 March 2021 (2019: 30 March 2020) and is subject to approval by the Company's shareholders in the forthcoming annual general meeting of the Company. The proposed dividend will be distributed out of the share premium account of the Company. These financial statements do not reflect this as dividend payable.

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14 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid lease payments for the land of the Group in the PRC and Indonesia and their movements in net book values are analysed as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	60,615	53,972
Additions	—	9,087
Amortisation	(1,432)	(1,538)
Currency translation differences	3,287	(906)
At 31 December	62,470	60,615

The Group's land use rights are held under medium-term leases with lease term of 30 to 50 years. The land lots are situated in Quanzhou and Zhangzhou in Fujian Province and Shiyan in Hubei Province, the PRC, and Klatakan Regency of Situbondo Province of East Java, Indonesia.

In respect of the Group's land in Situbondo, Indonesia, with net book value amounting to HK\$ 6,479,000 (2019: HK\$ 6,831,000), the Group has been informed that the land will be acquired by the local government in future for use of the construction of a toll road. The Group is in the process of negotiation with the local government about the amount of compensation which is expected to be not less than the book value of the land, accordingly no impairment has been recognised for the year ended 31 December 2020.

As at 31 December 2020, land use rights of the Group with a total net book value of HK\$29,635,000 (2019: HK\$33,842,000), were pledged to secure borrowings of the Group as disclosed in notes 28 and 31.

15 PROPERTY, PLANT AND EQUIPMENT

	2020 HK\$'000	2019 HK\$'000
Property, plant and equipment (excluding right-of-use assets)	404,194	357,304
Right-of-use assets	8,850	3,930
	413,044	361,234

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15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Property, plant and equipment (excluding right-of-use assets)

	Buildings HK\$'000	Production machineries HK\$'000	Factory devices and equipment HK\$'000	Vehicles, office furniture and fixtures HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At 1 January 2020							
Cost	249,711	193,443	24,591	9,187	15,359	459	492,750
Accumulated depreciation	(50,626)	(62,256)	(15,005)	(7,291)	—	(268)	(135,446)
Net book amount	199,085	131,187	9,586	1,896	15,359	191	357,304
Year ended 31 December 2020							
Opening net book amount	199,085	131,187	9,586	1,896	15,359	191	357,304
Currency translation differences	12,735	8,510	599	146	2,589	50	24,629
Additions	3,079	4,411	2,292	774	45,659	758	56,973
Transfers upon completion	5,970	11,126	455	—	(17,551)	—	—
Disposals	—	(606)	(7)	(2)	—	—	(615)
Depreciation charge	(11,891)	(18,120)	(3,048)	(933)	—	(105)	(34,097)
Closing net book amount	208,978	136,508	9,877	1,881	46,056	894	404,194
At 31 December 2020							
Cost	276,182	220,836	29,029	9840	46,056	1,275	583,218
Accumulated depreciation	(67,204)	(84,328)	(19,152)	(7,959)	—	(381)	(179,024)
Net book amount	208,978	136,508	9,877	1,881	46,056	894	404,194

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15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Property, plant and equipment (excluding right-of-use assets) (Continued)

	Buildings HK\$'000	Production machineries HK\$'000	Factory devices and equipment HK\$'000	Vehicles, office furniture and fixtures HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At 1 January 2019							
Cost	218,327	165,411	23,934	8,217	36,821	464	453,174
Accumulated depreciation	(40,943)	(45,986)	(12,356)	(5,351)	—	(162)	(104,798)
Net book amount	177,384	119,425	11,578	2,866	36,821	302	348,376
Year ended 31 December 2019							
Opening net book amount	177,384	119,425	11,578	2,866	36,821	302	348,376
Currency translation differences	(4,357)	(2,681)	(222)	(63)	(167)	(4)	(7,494)
Additions	16	5,297	719	494	41,526	—	48,052
Transfers upon completion	36,792	25,547	482	—	(62,821)	—	—
Disposals	—	—	—	(23)	—	—	(23)
Depreciation charge	(10,750)	(16,401)	(2,971)	(1,378)	—	(107)	(31,607)
Closing net book amount	199,085	131,187	9,586	1,896	15,359	191	357,304
At 31 December 2019							
Cost	249,711	193,443	24,591	9,187	15,359	459	492,750
Accumulated depreciation	(50,626)	(62,256)	(15,005)	(7,291)	—	(268)	(135,446)
Net book amount	199,085	131,187	9,586	1,896	15,359	191	357,304

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15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets

	Buildings HK\$'000
At 1 January 2020	
Cost	8,967
Accumulated depreciation	(5,037)
Net book amount	3,930
Year ended 31 December 2020	
Opening net book amount	3,930
Currency translation differences	332
Additions	7,513
Disposals	(509)
Depreciation charge	(2,416)
Closing net book amount	8,850
At 31 December 2020	
Cost	14,947
Accumulated depreciation	(6,097)
Net book amount	8,850
At 1 January 2019	
Cost	9,105
Accumulated depreciation	(3,183)
Net book amount	5,922
Year ended 31 December 2019	
Opening net book amount	5,922
Currency translation differences	(82)
Depreciation charge	(1,910)
Closing net book amount	3,930
At 31 December 2019	
Cost	8,967
Accumulated depreciation	(5,037)
Net book amount	3,930

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15 PROPERTY, PLANT AND EQUIPMENT (Continued)**(c) Other disclosures**

- (i) As at 31 December 2020, property, plant and machinery of the Group, including those held under leases (note 28), with a total net book value of HK\$44,239,000 (2019: HK\$51,225,000), were pledged as security for borrowings of the Group as disclosed in notes 28.
- (ii) During the year, the amounts of depreciation expense charged to cost of sales, selling and distribution expenses and administrative expenses were as follows:

	2020 HK\$'000	2019 HK\$'000
Depreciation of property, plant and equipment (including right-of-use assets)		
– Cost of sales	30,331	27,309
– Selling and distribution expenses	27	24
– Administrative expenses	6,155	6,184
	36,513	33,517

- (iii) During the year ended 31 December 2020, the Group capitalised interest on borrowings amounting to approximately HK\$1,397,000 (2019: HK\$2,660,000) on qualifying assets (note 10). Borrowing costs were capitalised at the weighted average rate of 5.78% (2019: 6.69%) per annum for the year ended 31 December 2020.

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16 INTANGIBLE ASSETS

	Goodwill HK\$'000	Trademarks and licences HK\$'000	Patents HK\$'000	Relationship with customers HK\$'000	Sea use rights HK\$'000	Discharge rights HK\$'000	Total HK\$'000
At 1 January 2020							
Cost	26,219	1,118	11,987	14,334	383	16,723	70,764
Accumulated amortisation	—	(662)	(4,742)	(5,857)	(294)	(6,689)	(18,244)
Net book amount	26,219	456	7,245	8,477	89	10,034	52,520
Year ended 31 December 2020							
Opening net book amount	26,219	456	7,245	8,477	89	10,034	52,520
Currency translation differences	1,688	37	728	924	3	455	3,835
Additions	—	293	—	—	—	—	293
Amortisation charge (note 8)	—	(153)	(1,677)	(1,127)	(51)	(3,368)	(6,376)
Closing net book amount	27,907	633	6,296	8,274	41	7,121	50,272
At 31 December 2020							
Cost	27,907	1,546	12,759	15,258	440	17,801	75,711
Accumulated amortisation	—	(913)	(6,463)	(6,984)	(399)	(10,680)	(25,439)
Net book amount	27,907	633	6,296	8,274	41	7,121	50,272
At 1 January 2019							
Cost	26,806	1,142	12,255	14,655	411	17,098	72,367
Accumulated amortisation	—	(609)	(3,329)	(4,718)	(261)	(3,420)	(12,337)
Net book amount	26,806	533	8,926	9,937	150	13,678	60,030
Year ended 31 December 2019							
Opening net book amount	26,806	533	8,926	9,937	150	13,678	60,030
Currency translation differences	(587)	(11)	(257)	(322)	(2)	(240)	(1,419)
Amortisation charge (note 8)	—	(66)	(1,424)	(1,138)	(59)	(3,404)	(6,091)
Closing net book amount	26,219	456	7,245	8,477	89	10,034	52,520
At 31 December 2019							
Cost	26,219	1,118	11,987	14,334	383	16,723	70,764
Accumulated amortisation	—	(662)	(4,742)	(5,857)	(294)	(6,689)	(18,244)
Net book amount	26,219	456	7,245	8,477	89	10,034	52,520

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16 INTANGIBLE ASSETS (Continued)

During the year ended 31 December 2020, the amounts of amortisation expenses charged to cost of sales and administrative expenses were as follows:

	2020 HK\$'000	2019 HK\$'000
Amortisation of intangible assets		
– Cost of sales	3,474	3,419
– Administrative expenses	2,902	2,672
	6,376	6,091

(a) Trademarks and licences, patents and relationship with customers

The intangible assets of trademarks and licences, patents and relationship with customers were recognised upon the acquisition of Lvqi (Fujian) as part of the business combination of the Controlling Shareholders back in November 2012. The intangible assets were recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over the respective useful lives of the assets.

(b) Impairment test for goodwill

Goodwill was derived from the acquisition of Lvqi (Fujian) in November 2012.

The Company has performed an impairment review of the carrying amount of goodwill as at 31 December 2020 and 2019 and have concluded that no provision for impairment is required.

For the purposes of impairment testing, goodwill acquired has been allocated to the lowest level of CGUs identified, which is Lvqi (Fujian) in the segment of manufacturing and sales of agar-agar. The recoverable amount of the CGU is determined based on value-in-use calculations. The calculation of recoverable amount of the CGU uses cash flow projections based on the financial estimates made by the Company, with reference to the prevailing market conditions, covering a period of five years and based on the following key assumptions.

	2020	2019
Revenue annual growth rate		
– average of the forecast period	5.1%	6.5%
Average gross profit margins	31.8%	31.6%
Annual average capex expenditure (RMB'M)	0.9	0.8
Long term annual growth rate	2.5%	3.0%
Pre-tax discount rate	14.8%	14.8%

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17 PREPAYMENTS FOR NON-CURRENT ASSETS

The Group made prepayments for purchase of land use rights, property, plant and equipment and intangible assets. The prepayments will be transferred to the relevant assets when the relevant title documents are obtained or when the assets are in use, whichever is the earlier.

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2020 HK\$'000	2019 HK\$'000
(i) Financial assets at amortised cost		
Trade and other receivables excluding prepayments, deductible value-added tax and export tax rebate receivable (note 21)	152,034	186,690
Cash and bank balances (note 22)	171,842	186,172
	323,876	372,862
(ii) Financial assets at at fair value through profit or loss (note 19)	3,540	—
(iii) Financial liabilities at amortised cost		
Convertible bond - host debt component (note 28(a))	—	29,547
Bank borrowings (note 28(b))	489,939	344,155
Trade and other payables excluding non-financial liabilities (note 27)	115,573	70,606
Lease liabilities (note 28(c))	8,998	4,168
	614,510	448,476

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Current assets		
Financial assets at fair value through profit or loss		
– Debt investment	3,540	—

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19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Movements are analysed as follows:

	2020 HK\$'000	2019 HK\$'000
Bank financial products		
At 1 January	—	
Additions	11,242	—
Disposals	(7,978)	—
Gains on disposal	68	—
Fair value gains (note 7)	17	—
Currency translation differences	191	—
As at the end of year	3,540	—

20 INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	162,955	105,595
Finished goods	342,471	216,833
	505,426	322,428

The costs of individual items of inventories are determined using weighted average costs at the end of the month. See note 2.12 for the Group's accounting policies for inventories.

During the year ended 31 December 2020, the cost of inventories recognised as expense and included in 'cost of sales', 'selling and distribution expenses' and 'administrative expenses' amounted to HK\$570,585,000 (2019: HK\$626,897,000).

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21 TRADE AND OTHER RECEIVABLES

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

(i) Ageing analysis of trade receivables

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

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

(ii) Impairment of trade receivables

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

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

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21 TRADE AND OTHER RECEIVABLES (Continued)

(ii) Impairment of trade receivables (Continued)

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

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

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

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21 TRADE AND OTHER RECEIVABLES (Continued)

(ii) Impairment of trade receivables (Continued)

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

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

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

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

(iii) Impairment of other financial assets at amortised cost

Other financial assets at amortised cost include other receivables.

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

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

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21 TRADE AND OTHER RECEIVABLES (Continued)

(iv) Fair values of trade and other receivables

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

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

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

22 CASH AND BANK BALANCES

	2020 HK\$'000	2019 HK\$'000
Cash and cash equivalents		
– Cash on hand	185	191
– Cash in banks	106,657	120,981
Restricted cash - Cash in banks	65,000	65,000
Total of cash and bank balances	171,842	186,172

The restricted cash are deposits held at bank as deposit for letter of guarantee and pledged for bank borrowings of the Group as at 31 December 2020 and 2019, and have been released of the guarantee and pledge on 4 January 2021.

The cash and cash equivalents are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
RMB	38,481	27,429
USD	64,027	22,128
HK\$	69,333	135,612
EUR and others	1	1,003
	171,842	186,172

The restricted cash are denominated in HK\$.

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23 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
At January 2019	39,000,000	390
Increase on 25 September 2019	49,961,000,000	499,610
At 31 December 2019	50,000,000,000	500,000
At 31 December 2020	50,000,000,000	500,000
Issued:		
At 1 January 2019	560,000	6
Capitalisation issue	599,440,000	5,994
New shares issued pursuant to the initial public offering	200,000,000	2,000
At 31 December 2019	800,000,000	8,000
At 8 May 2020-shares issued upon exercise of share options	16,392,000	164
At 31 December 2020	816,392,000	8,164

Authorised share capital

The Company was incorporated on 3 July 2015 in the Cayman Islands with an initial authorised share capital of HK\$390,000 divided into 3,900,000 shares of HK\$0.10 each. On 5 August 2018, each share of the Company was divided into 10 shares and the par value became HK\$0.01. On 25 September 2019, the authorised share capital of the Company was increased to HK\$500,000,000 divided into 50,000,000,000 shares of HK\$0.01 par value.

Issued share capital

From the date of incorporation on 3 July 2015 to 1 January 2018, the share capital of the Company was HK\$40 divided into 400 shares of HK\$0.10 each.

On 26 February 2018, the Company allotted and issued an aggregate of 54,480 shares at par value to the Controlling Shareholders.

On 28 February 2018, the convertible bond holder converted a portion of the bond to ordinary shares of 1,120 shares at par value of HK\$0.10 each.

On 5 August 2018, each share of the Company was divided into 10 shares and the par value became HK\$0.01.

On 17 October 2019, the Company capitalised an amount of HK\$5,994,000 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 599,440,000 shares for allotment and issue to the Controlling Shareholders and other persons whose names appear on the register of members of the Company on 25 September 2019 in proportion to their then shareholdings.

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23 SHARE CAPITAL (Continued)

Issued share capital (Continued)

On 17 October 2019, the Company issued a total of 200,000,000 ordinary shares of HK\$0.01 par value at HK\$1.16 each pursuant to the initial public offering of the Company's shares for listing on the Hong Kong Stocks Exchange, of which HK\$2,000,000 was credited to share capital of the Company and the remaining proceeds, net of attributable transaction costs, amounted to HK\$206,994,000 was credited to share premium account of the Company.

On 8 May 2020, the Company issued a total of 16,392,000 ordinary shares of HK\$0.01 par value at HK\$0.01 each pursuant 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 under the share options scheme (Note 24).

24 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.

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24 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:

	2020 HK\$'000	2019 HK\$'000
Employee benefit expenses (note 9)	3,629	4,146

As at 31 December 2020, the remaining unamortised fair value of shares/options transferred to the three employees amounted to approximately HK\$7,006,000 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:

	2020	2019
As at 1 January	34,120,000	31,360
Increase due to capitalisation issue and the initial public offering of the Company	—	34,088,640
Exercised during the period	(16,392,000)	—
	17,728,000	34,120,000

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24 EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

Share options outstanding at the end of the year have the following exercise period and exercise prices:

	Date of grant	Number of share options outstanding as of 31 December		Vesting period and maximum % of exercisable share options	Exercise period	Exercise price
		2020	2019			
Options granted to the three employees	9 August 2018	17,728,000	22,160,000	20% each year starting from 17 October 2019	17 October 2019 to 16 October 2024. All unexercised share options after the relevant exercise periods or upon resignation will lapse.	HK\$0.01
Options granted to the former NCI and the consultant	9 August 2018	—	11,960,000	100% from 17 April 2020	17 April 2020 to 16 April 2025	HK\$0.01
		17,728,000	34,120,000			

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25 OTHER RESERVES

	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Currency translation differences HK\$'000	Total HK\$'000
At 1 January 2020	331,030	(39,509)	60,718	38,171	(23,619)	366,791
Currency translation differences	—	—	—	—	45,008	45,008
Dividend paid (note 13)	(60,930)	—	—	—	—	(60,930)
Equity-settled share-based payment (note 24)	—	—	3,629	—	—	3,629
Profit appropriation to statutory reserves	—	—	—	9,333	—	9,333
At 31 December 2020	270,100	(39,509)	64,347	47,504	21,389	363,831
At 1 January 2019	130,030	(39,509)	56,572	27,287	(11,994)	162,386
Currency translation differences	—	—	—	—	(11,625)	(11,625)
Capitalisation of shares (note 23)	(5,994)	—	—	—	—	(5,994)
New shares issued pursuant to initial public offering (note 23)	206,994	—	—	—	—	206,994
Equity-settled share-based payment (note 24)	—	—	4,146	—	—	4,146
Profit appropriation to statutory reserves	—	—	—	10,884	—	10,884
At 31 December 2019	331,030	(39,509)	60,718	38,171	(23,619)	366,791

Statutory reserves

Pursuant to the Company Law of the PRC and the articles of association of PRC subsidiaries, the subsidiaries in the PRC are required to appropriate 10% of each year's net profit (after offsetting previous years' losses) to statutory surplus reserve until the fund aggregates to 50% of their respective registered capital; after the appropriation to statutory surplus reserve, the subsidiaries in the PRC can appropriate profit, subject to respective equity holders' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the respective company. The entities in the PRC may transfer their respective statutory surplus reserves into paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

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26 TREASURY SHARES

	2020		2019	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Treasury shares	12,240,000	12,297	—	—

The movements are as follows:

	Number of shares	HK\$'000
At 1 January 2020	—	—
Buy-back of shares	12,240,000	12,297
At 31 December 2020	12,240,000	12,297

The Group bought back of a total of 12,240,000 (2019: Nil) of the Company's shares during 2020. The total consideration paid to buy back these shares was HKD12,297,000 (2019: Nil), which has been deducted from equity attributable to the owners of the Company.

The Group planned to use treasury shares to set up an employee share scheme in future, and not yet issued to employees at the end of the reporting period.

27 TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	65,622	48,947
Payables for property, plant and equipment	17,229	10,717
Amounts due to a third party	23,764	—
Employee benefit payables	8,353	9,270
Advance receipts from customers	6,528	2,461
Other taxes payable	1,557	1,910
Amounts due to a related party (note 33)	106	99
Payables for listing expenses	—	4,888
Others	8,852	5,955
	132,011	84,247

Trade payables are usually paid within 90 days of recognition.

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27 TRADE AND OTHER PAYABLES (Continued)

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

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

The amounts due to a third party were unsecured, bearing an interest rate of 6% (2019: nil) per annum.

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

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

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

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28 CONVERTIBLE BOND, BANK BORROWINGS AND LEASE LIABILITIES

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Convertible bond, unsecured (a)						
– host debt component	—	—	—	29,547	—	29,547
Bank borrowings (b)						
– secured	124,048	28,398	152,446	72,336	59,276	131,612
– unsecured	337,493	—	337,493	212,543	—	212,543
	461,541	28,398	489,939	284,879	59,276	344,155
Lease liabilities (c)						
– unsecured	1,961	7,037	8,998	1,427	2,741	4,168
Total borrowings	463,502	35,435	498,937	315,853	62,017	377,870
Total secured borrowings	124,048	28,398	152,446	72,336	59,276	131,612
Total unsecured borrowings	339,454	7,037	346,491	243,517	2,741	246,258
Total borrowings	463,502	35,435	498,937	315,853	62,017	377,870

(a) Convertible bond

The Company issued a convertible bond for HK\$ 60 million on 20 November 2017. The bond was convertible, at the option of the holder, into ordinary shares of the Company for a maximum of 2% shareholding of the Company at the conversion price as agreed, and the remaining balance would be repayable on 20 November 2019. On 28 February 2018, the conversion option was fully exercised by the convertible bondholder by converting a portion of the bond, amounting to HK\$ 4,821,000, for 1,120 ordinary shares of the Company, representing 2% shareholding of the Company at the date of conversion.

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

On 21 November 2019, the Company repaid HK\$ 25 million of the bond, and on 12 March 2020, the Company fully repaid the remaining balance of the bond of HK\$30,179,000.

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28 CONVERTIBLE BOND, BANK BORROWINGS AND LEASE LIABILITIES (Continued)

(a) Convertible bond (Continued)

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

	2020 HK\$'000	2019 HK\$'000
<i>Host debt component:</i>		
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 31 December	—	29,547

(b) Bank borrowings

The bank borrowings of the Group as at 31 December 2020 and were secured by the pledge of the Group's land use rights, buildings and restricted cash as follows:

	2020 HK\$'000	2019 HK\$'000
Land use rights (note 14)	29,635	33,842
Buildings (note 15)	44,239	51,225
Restricted cash (note 22)	65,000	65,000
Total assets pledged as security	138,874	150,067

The bank borrowings of the Group as at 31 December 2019 were also supported by the guarantees from a related party which were released at 3 January 2020 (note 33(a)(iii)).

For the year ended 31 December 2020, the weighted average effective interest rate on bank borrowings was 5.21% (2019: 5.51%) per annum.

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28 CONVERTIBLE BOND, BANK BORROWINGS AND LEASE LIABILITIES (Continued)**(c) Lease liabilities**

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

	2020 HK\$'000	2019 HK\$'000
Minimum lease payments:		
Within one year	2,426	1,594
Later than 1 year and no later than 5 years	6,757	2,891
Over 5 years	1,158	265
	10,341	4,750
Future finance charges	(1,343)	(582)
Total lease liabilities	8,998	4,168
Payable:		
Within one year	1,961	1,427
Over one year	7,037	2,741
Total lease liabilities	8,998	4,168

(d) Other disclosures**(i) Fair value**

For 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) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 3.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

28 CONVERTIBLE BOND, BANK BORROWINGS AND LEASE LIABILITIES (Continued)

(d) Other disclosures (Continued)

(iii) Repayment periods

At 31 December 2020, the Group's convertible bond, bank borrowings and lease liabilities were repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	463,502	315,853
Between 1 and 2 years	5,690	57,099
Between 2 and 5 years	28,645	4,662
Over 5 years	1,100	256
	498,937	377,870

(iv) Denomination currency

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

	2020 HK\$'000	2019 HK\$'000
USD	128,512	93,359
RMB	317,555	249,489
HK\$	52,870	35,022
	498,937	377,870

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

28 CONVERTIBLE BOND, BANK BORROWINGS AND LEASE LIABILITIES (Continued)

(d) **Other disclosures** (Continued)

(v) **Undrawn borrowing facilities**

The Group had the following undrawn borrowing facilities as at 31 December 2020:

	2020 HK\$'000	2019 HK\$'000
Bank borrowings, at floating rates		
– Expiring within one year	146,488	164,054

29 DEFERRED INCOME

	2020 HK\$'000	2019 HK\$'000
Deferred income on government grants	31,096	28,799

Government grants were received from the local government as subsidies to the Group's purchase of property, plant and equipment. They are amortised to the profit or loss on a straight-line basis over the expected useful lives of the related assets.

The movements of the above deferred income during the year were as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	28,799	32,861
Additions	4,047	—
Released to other income (note 6)	(3,630)	(3,401)
Currency translation differences	1,880	(661)
At 31 December	31,096	28,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

30 DEFERRED INCOME TAX

	2020 HK\$'000	2019 HK\$'000
Deferred income tax assets	11,746	9,915
Deferred income tax liabilities	(1,803)	(1,793)
	9,943	8,122

(a) Deferred income tax assets

	2020 HK\$'000	2019 HK\$'000
The balance comprises temporary differences attributable to:		
Deferred income (note 29)	6,123	5,868
Unrealised profit of intra-group sales	2,262	479
Tax losses	2,067	—
Provision of loss allowance (note 21)	1,131	1,041
Accrued employee benefits	163	600
Share-based payment expenses	—	1,927
	11,746	9,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

30 DEFERRED INCOME TAX (Continued)

(a) Deferred income tax assets (Continued)

The movements in deferred income tax assets are as follows:

	Deferred income HK\$'000	Unrealised profit HK\$'000	Tax losses HK\$'000	Provision of loss allowance HK\$'000	Accrued employee benefits HK\$'000	Share-based payment expenses HK\$'000	Total HK\$'000
At 1 January 2020	5,868	479	—	1,041	600	1,927	9,915
Credited/(charged) to the statement of profit or loss	(116)	1,783	1,956	32	(450)	(1,927)	1,278
Currency translation differences	371	—	111	58	13	—	553
At 31 December 2020	6,123	2,262	2,067	1,131	163	—	11,746
At 1 January 2019	6,700	928	—	978	1,384	1,187	11,177
Credited/(charged) to the statement of profit or loss	(697)	(449)	—	83	(767)	740	(1,090)
Currency translation differences	(135)	—	—	(20)	(17)	—	(172)
At 31 December 2019	5,868	479	—	1,041	600	1,927	9,915

(b) Deferred income tax liabilities

	2020 HK\$'000	2019 HK\$'000
The balance comprises temporary differences attributable to:		
Land use rights	(73)	(66)
Property, plant and equipment	(171)	(141)
Intangible assets	(1,559)	(1,586)
	(1,803)	(1,793)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

30 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities (Continued)

The movements in deferred income tax liabilities are as follows:

	Land use rights HK\$'000	Property, plant and equipment HK\$'000	Intangible Assets HK\$'000	Total HK\$'000
At 1 January 2020	(66)	(141)	(1,586)	(1,793)
Credited to the statement of profit or loss	2	15	391	408
Currency translation differences	(9)	(45)	(364)	(418)
At 31 December 2020	(73)	(171)	(1,559)	(1,803)
At 1 January 2019	(71)	(226)	(2,109)	(2,406)
Credited to the statement of profit or loss	2	69	396	467
Currency translation differences	3	16	127	146
At 31 December 2019	(66)	(141)	(1,586)	(1,793)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

31 CASH FLOW INFORMATION

(a) Cash generated from operations

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	87,589	128,571
Adjustments for		
– Amortisation of land use rights (note 14)	1,432	1,538
– Depreciation of property, plant and equipment (note 15)	36,513	33,517
– Amortisation of intangible assets (note 16)	6,376	6,091
– Provision/(reversal of provision) of loss allowance (note 21)	128	(992)
– Equity-settled share-based payment expenses (notes 24)	3,629	4,146
– Finance costs – net	25,983	18,112
– Amortisation of deferred income (note 6)	(3,630)	(3,401)
– Foreign exchange gains on operating activities	(1,126)	(2,831)
– Losses on disposal of property, plant and equipment	145	3
– Fair value gains on financial assets at fair value through profit or loss (note 7)	(17)	–
– Gains on disposal of financial assets at fair value through profit or loss (note 7)	(68)	–
Changes in working capital:		
– Inventories	(153,492)	(129,216)
– Trade and other receivables	28,526	(23,208)
– Trade and other payables	9,586	(13,303)
Cash generated from operations	41,574	19,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

31 CASH FLOW INFORMATION (Continued)

(b) Non-cash financing activities

	2020 HK\$'000	2019 HK\$'000
Capitalisation of shares	—	5,994

(c) Total debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2020 HK\$'000	2019 HK\$'000
Net debt		
Bank borrowings – repayable within one year	461,541	284,879
Bank borrowings – repayable after one year	28,398	59,276
Lease liabilities – repayable within one year	1,961	1,427
Lease liabilities – repayable after one year	7,037	2,741
Amount due to a third party	23,764	—
Convertible bond	—	29,547
Total debt	522,701	377,870
Cash and bank balances	(171,842)	(186,172)
Financial assets at fair value through profit or loss	(3,540)	—
Net debt	347,319	191,698
Gross debt – fixed interest rates	252,193	137,530
Gross debt – variable interest rates	246,744	210,793
Amounts due to a third party	23,764	—
Convertible bond	—	29,547
Total debt	522,701	377,870
Cash and bank balances	(171,842)	(186,172)
Financial assets at fair value through profit or loss	(3,540)	—
Net debt	347,319	191,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

31 CASH FLOW INFORMATION (Continued)

(c) Total debt reconciliation (Continued)

Liabilities from financing activities

	Convertible bond due after 1 year HK\$'000	Bank borrowings due within 1 year HK\$'000	Bank borrowings due after 1 year HK\$'000	Lease liabilities due within 1 year HK\$'000	Lease liabilities due after 1 year HK\$'000	Amounts due to related parties HK\$'000	Amount due to a third party HK\$'000	Total HK\$'000
Total debt as at 1 January 2020	29,547	284,879	59,276	1,427	2,741	—	—	377,870
Cash flows - principal	(30,179)	102,538	24,732	(2,621)	—	—	23,764	118,234
Cash flows - interest	(763)	—	—	—	—	—	—	(763)
Foreign exchange adjustments	—	16,565	1,949	62	294	—	—	18,870
Other non-cash movements	1,395	57,559	(57,559)	3,093	4,002	—	—	8,490
Total debt as at 31 December 2020	—	461,541	28,398	1,961	7,037	—	23,764	522,701
Total debt as at 1 January 2019	52,644	253,370	63,580	1,848	4,148	102	—	375,692
Cash flows - principal	(25,000)	34,425	(2,968)	(2,064)	—	(102)	—	4,291
Cash flows - interest	(5,353)	—	—	—	—	—	—	(5,353)
Foreign exchange adjustments	—	(8,142)	3,890	(21)	(66)	—	—	(4,339)
Other non-cash movements	7,256	5,226	(5,226)	1,664	(1,341)	—	—	7,579
Total debt as at 31 December 2019	29,547	284,879	59,276	1,427	2,741	—	—	377,870

32 COMMITMENTS

Capital commitments

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

	2020 HK\$'000	2019 HK\$'000
Contracted but not recognised as liabilities:		
Property, plant and equipment	54,052	1,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

33 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.

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 year, and significant balances arising from related party transactions as at the end of the reporting period.

(a) Transactions with related parties

	2020 HK\$'000	2019 HK\$'000
(i) Rental expenses – Mr. Guo Dongxu	401	398
(ii) Purchase of office premises – Mr. Guo Dongxu	33,271	—

On 15 December 2017, the Group's subsidiary in the PRC entered into a lease agreement to lease office premises in Xiamen city from Mr. Guo Dongxu, a director of the Company, for three years from 1 January 2018 to 31 December 2020. On 14 December 2020, the Group's subsidiary entered into a purchase agreement with Mr. Guo Dongxu to purchase the office premises that the Group had leased and other office premises at the same location at a total consideration of HK\$ 33,271,000. A prepayment amounting to HK\$ 11,882,000 was made to Mr. Guo Dongxu as at 31 December 2020. The purchase was completed subsequently in February 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

33 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

	2020 HK\$'000	2019 HK\$'000
(iii) Amounts repaid to related parties		
– Mr. Guo Dongxu	301	398
(iv) Guarantees provided by related parties to the Group's bank borrowings		
– Mr. Chan Kam Chung (Note 28)	—	63,000

The bank borrowings of the Group amounting to HK\$ 10.9 million (note 28) as at 31 December 2019 were covered by guarantees provided by a director of the Company, Mr. Chan Kam Chung. The guarantee was released at 3 January 2020.

(v) Key management compensation

Salaries and bonus	7,713	7,819
Other benefits	117	134
Share-based payment expenses	3,629	4,146
	11,459	12,099

Key management includes directors (executive and non-executive), executive officers and the Company Secretary. The above were compensations paid or payable to key management for employee services.

(b) Balances with related parties

	2020 HK\$'000	2019 HK\$'000
Amount due to a related party:		
– Mr. Guo Dongxu	106	99
Prepayment to a related party:		
– Mr. Guo Dongxu	11,882	—

The amount due to Mr. Guo Dongxu was the rental payable which was unsecured, non-interest bearing and repayable on demand.

The prepayment to Mr. Guo Dongxu was related to the purchase of office premises from Mr. Guo Dongxu (Note 33(a)(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

34 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director of the Company paid/payable by the Group for the year ended 31 December 2020 is set out as follows:

Name of directors	Fees HK\$'000	Salaries HK\$'000	Bonus HK\$'000	Other benefits HK\$'000	Total HK\$'000
Year ended 31 December 2020					
Chairman:					
Mr. Chan Kam Chung	—	1,000	—	18	1,018
Executive directors:					
Mr. Chan Shui Yip	—	799	—	18	817
Mr. Guo Dongxu	—	751	—	4	755
Mr. She Xiaoying	—	159	—	5	164
Non-executive directors:					
Mr. Hu Guohua	—	180	—	—	180
Mr. Ho Kwai Ching, Mark	—	180	—	—	180
Mr. Ng Man Kung	—	180	—	—	180
Mr. Guo Songsen	—	147	—	—	147
	—	3,396	—	45	3,441
Year ended 31 December 2019					
Chairman:					
Mr. Chan Kam Chung	—	1,000	—	18	1,018
Executive directors:					
Mr. Chan Shui Yip	—	799	—	18	817
Mr. Guo Dongxu	—	750	—	10	760
Mr. She Xiaoying	—	156	—	11	167
Non-executive directors:					
Mr. Hu Guohua	—	180	—	—	180
Mr. Ho Kwai Ching, Mark	—	180	—	—	180
Mr. Ng Man Kung	—	180	—	—	180
Mr. Guo Songsen	—	141	—	—	141
	—	3,386	—	57	3,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

34 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

Other than the remunerations disclosed above, there were no retirement benefits, termination benefits paid or payable to any director during the year or at any time during the year (2019: nil).

During the year, the Company provided no consideration to third parties for making available director's services (2019: nil).

There were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors as at 31 December 2020 or at any time during the year (2019: nil).

No other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2020 or at any time during the year (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

35 SUBSIDIARIES

(i) Subsidiaries of the Group as at 31 December 2020 are as follows:

Company name	Country/Place of incorporation and date of incorporation	Issued/registered capital	Effective interest held		Principal activities
			2020	2019	
Directly held:					
Green Source Limited 綠源有限公司	BVI, 20 July 2015	USD1	100%	100%	Investment holding
Keen Field Limited 啟泰有限公司	BVI, 22 July 2015	USD1	100%	100%	Investment holding
Wealth Creation Limited 恒宇有限公司	BVI, 22 July 2015	USD1	100%	100%	Investment holding
Green Tactics Limited 綠韜有限公司	BVI, 17 August 2020	USD10,000	100%	N/A	Investment holding
Indirectly held:					
Green Fresh (H.K) International Co., Limited. 綠新(香港)國際有限公司	Hong Kong, 19 June 2013	HK\$10,000	100%	100%	Investment holding
Lubao Technology Development Limited 綠寶科技發展有限公司	Hong Kong, 11 August 2015	HK\$1	100%	100%	Investment holding
Green Brilliant Limited 綠晟有限公司	Hong Kong, 28 November 2019	HK\$10,000	100%	100%	Investment holding
Green Vision International Limited 綠泓國際有限公司	Hong Kong, 21 September 2020	HK\$10,000	100%	N/A	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

35 SUBSIDIARIES (Continued)

(i) Subsidiaries of the Group as at 31 December 2020 are as follows: (Continued)

Company name	Country/Place of incorporation and date of incorporation	Issued/ registered capital	Effective interest held		Principal activities
			2020	2019	
Greenwich (China) Technology Development Limited 格林(中國)科技發展有限公司	Hong Kong, 3 September 2007	HK\$10,000	100%	100%	Investment holding and trading company
Green Fresh (Fujian) Foodstuff Co., Ltd. 綠新(福建)食品有限公司	PRC 8 November 2007*	USD25,380,000	100%	100%	Manufacturing and sales of carrageenan, agar-agar and blended products
Fujian Province Lvqi Food Colloid Company Ltd. 福建省綠麒食品膠體有限公司	PRC, 18 March 2009#	RMB50,000,000	100%	100%	Manufacturing and sales of agar-agar and blended products
Lvbao (Quanzhou) Biochemistry Company Ltd. 綠寶(泉州)生化有限公司	PRC, 14 May 1999*	HK\$26,880,000	100%	100%	Manufacturing and sales of carrageenan and blended products
Shiyanghaiyi Konjac Products Company Ltd. 十堰海乙魔芋製品有限公司	PRC, 7 September 2012#	RMB20,000,000	100%	100%	Manufacturing and sales of konjac products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

35 SUBSIDIARIES (Continued)

(i) Subsidiaries of the Group as at 31 December 2020 are as follows: (Continued)

Company name	Country/Place of incorporation and date of incorporation	Issued/ registered capital	Effective interest held		Principal activities
			2020	2019	
Longhai City Donghaiwan Seaweed Breeding Comprehensive Development Company Limited 龍海市東海灣海藻養殖綜合開發有限公司	PRC, 16 July 2012 [#]	RMB10,000,000	100%	100%	Manufacturing and sales of seaweed
Lvqi (Xiamen) Marine Biotechnology Company Ltd. 綠麒(廈門)海洋生物科技有限公司	PRC, 4 June 2013 [#]	RMB5,000,000	100%	100%	Research and development center
PT. Greenfresh Biotechnology Indonesia	Indonesia, 12 August 2016	USD1,200,000	100%	100%	Investment holding
Lvqi Trading (Shanghai) Company Ltd. 綠麒商貿(上海)有限公司	PRC, 9 February 2018 [®]	RMB10,000,000	61%	61%	Trading company
Brilliant Bioscience (Shanghai) Co., Ltd 晟溪生物科技(上海)有限公司	PRC, 2 March 2020 [®]	RMB15,000,000	51%	N/A	R&D, Marketing and Trading of Deep-Processed Agar-Agar and Blended Products

* Registered as a wholly foreign owned enterprise under PRC law with limited liability.

[#] Wholly owned subsidiary and registered as domestic enterprise under PRC law with limited liability.[®] Non-wholly owned subsidiary and registered as domestic enterprise under PRC law with limited liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

36 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

(a) Balance sheet of the Company

	Note	As at 31 December	
		2020 HK\$'000	2019 HK\$'000
Assets			
Non-current assets			
Investment in subsidiaries		128,710	125,003
Current assets			
Amounts due from subsidiaries		99,224	113,393
Other receivables		247	78
Cash and bank balances		88,449	135,475
		187,920	248,946
Total assets		316,630	373,949
Equity			
Share capital	23	8,164	8,000
Other reserves		333,658	390,959
Treasury shares		(12,297)	—
Accumulated losses		(63,589)	(57,439)
Total equity		265,936	341,520
Liabilities			
Current liabilities			
Convertible bond		—	29,547
Bank borrowings		30,000	—
Amounts due to subsidiaries		20,581	—
Other payables		113	2,882
		50,694	32,429
Total liabilities		50,694	32,429
Total equity and liabilities		316,630	373,949

The balance sheet of the Company was approved by the board of directors of the Company on 30 March 2021 and was signed on its behalf by:

CHAN Kam Chung
Director

CHAN Shui Yip
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

36 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

(b) Reserve movements of the Company

	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Total HK\$'000	Accumulated losses HK\$'000
At 1 January 2020	215,491	115,539	59,929	390,959	(57,439)
Dividend paid	(60,930)	—	—	(60,930)	—
Equity-settled share-based payment	—	—	3,629	3,629	—
Losses for the year	—	—	—	—	(6,150)
At 31 December 2020	154,561	115,539	63,558	333,658	(63,589)
At 1 January 2019	14,491	115,539	55,783	185,813	(35,753)
Capitalisation of shares	(5,994)	—	—	(5,994)	—
New shares issued pursuant to initial public offering	206,994	—	—	206,994	—
Equity-settled share-based payment	—	—	4,146	4,146	—
Losses for the year	—	—	—	—	(21,686)
At 31 December 2019	215,491	115,539	59,929	390,959	(57,439)

37 CONTINGENCIES

As at 31 December 2020, there were no significant contingencies for the Group and the Company.

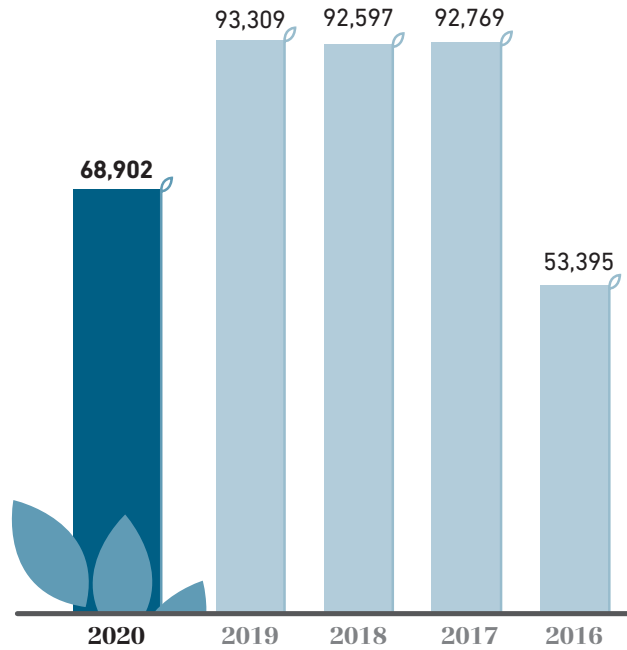
38 EVENTS AFTER THE BALANCE SHEET DATE

On 26 March 2021, a member of the Group entered into a Sale and Purchase Agreement with Mr. CAI Ming Huang, the sole shareholder of Hung Tai Shun, a company incorporated in Hong Kong, which in turn holds 99.83% of the issued share capital of Hongxin, a company incorporated in Indonesia with principal business engaging in the manufacture and sales of semi-refined carrageenan, in respect of the acquisition of a total of 8,200 ordinary shares, representing 82% of Hung Tai Shun's total issued shares at a total consideration of HK\$60.0 million. The remaining 0.17% issued share capital of Hongxin was held by Mr. CAI Ming Can, an associate of Mr. CAI Ming Huang and Mr. CAI Ming Can will transfer the 0.17% issued share capital of Hongxin to the Group upon completion pursuant to the sale and purchase agreement. The transaction was carried out pursuant to the Group's business strategy of diversifying production facilities geographically for enhancement of cost competitiveness. The transaction has been completed as of the date of this annual report.

FIVE YEARS FINANCIAL SUMMARY

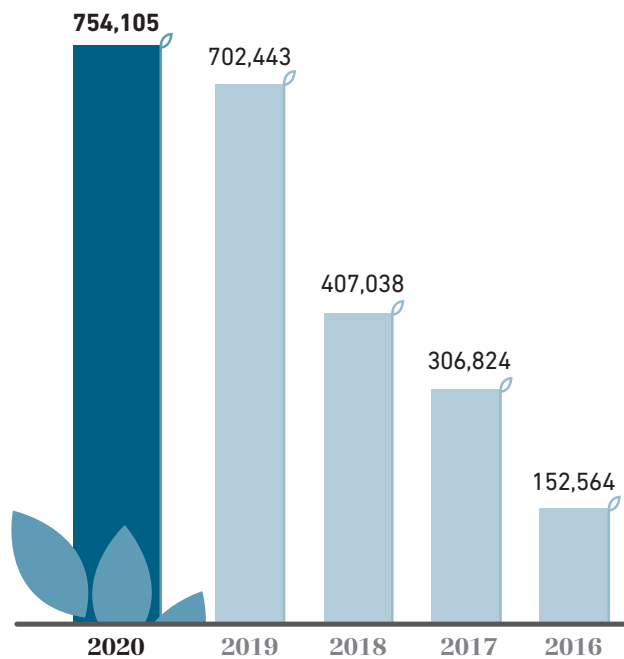
RESULTS (YEAR ENDED 31 DECEMBER)

Profit for the year attributable to owners of the Company (HK\$'000)



NET ASSETS (AS AT 31 DECEMBER)

Net assets (HK\$'000)





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

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Hong Kong

LEGAL ADVISER

Squire Patton Boggs

COMPLIANCE ADVISER

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PRINCIPAL BANKERS

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CORPORATE INFORMATION

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STOCK CODE

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