

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



INTERIM **2024**
REPORT

VISION MISSION CORE VALUES



Vision

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



Mission

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

Core values




Innovation, growth, and re-innovation





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Mr. GUO Dongxu
(Vice Chairman and Vice President)

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

Mr. SHE Xiaoying

Ms. Chen Yi

Independent non-executive Directors

Mr. HO Kwai Ching, Mark

Mr. NG Man Kung

Mr. HU Guohua

COMPANY SECRETARY

Mr. SO Chi Man

AUTHORISED REPRESENTATIVES

Mr. CHAN Kam Chung

Mr. SO Chi Man

AUDIT COMMITTEE

Mr. HO Kwai Ching, Mark *(Chairman)*

Mr. NG Man Kung

Mr. HU Guohua

REMUNERATION COMMITTEE

Mr. NG Man Kung *(Chairman)*

Mr. HO Kwai Ching, Mark

Mr. CHAN Kam Chung

NOMINATION COMMITTEE

Mr. CHAN Kam Chung *(Chairman)*

Mr. HO Kwai Ching, Mark

Mr. NG Man Kung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

DEACONS

PRINCIPAL BANKERS

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

In the PRC:
Industrial Bank Co., Ltd.
Block 3, Jiaxin Garden
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Longhai City
Zhangzhou
Fujian Province
China

REGISTERED OFFICE

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

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

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

**PRINCIPAL PLACE OF BUSINESS IN
THE PRC**

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

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

**HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE**

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

COMPANY'S WEBSITE

<http://www.greenfreshfood.com>

STOCK CODE

01084





MANAGEMENT DISCUSSION AND ANALYSIS

Green Future Food Hydrocolloid Marine Science Company Limited (the “Company” which, together with its subsidiaries, is referred collectively as, the “Group”) is a leading producer of seaweed-based and plant-based hydrocolloid products in the People’s Republic of China (the “PRC”) as well as the global markets. In 2020 and 2021, the Group ranked first amongst the agar-agar products as well as the refined and semi-refined carrageenan products manufacturers, in the PRC market in terms of the sales value, sales volume and the related market shares. Also, the Group is the largest manufacturer of agar-agar products and refined and semi-refined carrageenan products globally in 2020 and 2021, according to a report prepared by Frost & Sullivan in June 2022. The products of the Group, including agar-agar, carrageenan, blended products and konjac gum, provide a wide range of functional properties such as thickening, water-retention and separation medium functions for various end-products, such as processed food, cosmetics and biomedical products, and are included in the main contents of many health foods for their rich soluble dietary fibers. In addition, the Group has set out a good step to expand its business into the technically demanding and commercially attractive blended products market which are able to address different needs and functionalities of the end-products.

Distinguished from other conventional manufacturers, the Group is positioned itself to be a long-term partner of its customers in the supply chain of raw materials and certain product development process of its customers. This business cooperation is important in building long-term customer’s relationship. Moreover, through its product research and development efforts, the Group also supports the development of new applications and new end-products by its customers. These business collaboration efforts are part of the long-term business development strategies of the Group and help the Group to secure business orders from its customers.

BUSINESS REVIEW

During the 1H2024, the economies of China and European countries, being the two major markets of the Group, remained feeble amidst all the persistent challenges facing by them. As a result, the Group experienced a slow pick-up in the demand of and hence mild rebound in the market price of agar-agar and carrageenan during the period, as compared to the year-end of 2023. However, despite the period-to-period decrease in the sales price of all major lines of the Group’s products, the augmented decrease in the corresponding cost of sales of carrageenan caused by the continuous decrease in seaweed materials price throughout 2023, as well as the effect of inventory provision made in 2023 contributed to a higher overall gross profit margin to the Group in the 1H2024, as compared to the 1H2023. Furthermore, the decrease in interest rate of Renmibi (“**RMB**”) denominated loans and the decrease in the average draw-down balance of United States dollars (“**USD**”) and Hong Kong dollars (“**HKD**”) denominated loans due to the decrease in the purchase price of seaweed materials resulted in the decrease in the Group’s finance cost for the 1H2024, as compared to the 1H2023. As a composite effect of the aforesaid factors the Group has maintained a similar level of net profit in the 1H2024, as compared to the same period of last year.

During the 1H2024, the Group’s revenue was RMB459.0 million (1H2023: RMB582.9 million), decreased by 21.2% as compared to the same period of last year. The decrease in the Group’s sales revenue was mainly attributed to the decrease in the sales revenue of carrageenan, caused mainly by the decrease in the market price of seaweed materials which is the key determinant of the sales price of the Group’s carrageenan products. As stated in the Company’s annual report for the year ended 31 December 2023, after a wave of substantial increase in the sales price of seaweed materials and hence that of carrageenan in 2022, the sales price of both products decreased throughout 2023 due to the setback in demand caused by the adjustment in the safe stock levels coupled with the economic slow-down emerged in most European countries during the said year. The total sales revenue of agar-agar and carrageenan products, contributing 78.8% of the total sales revenue of the Group, represented a decrease of 6.6% as compared to the 1H2023. This was mainly due to the decrease in the sales revenue of carrageenan alongside the increase in sales revenue of konjac products and blended products during the 1H2024.

For the 1H2024, the gross profit of the Group was RMB98.8 million (1H2023: RMB106.1 million), representing a decrease of RMB7.3 million or 6.9%. The overall gross profit margin for the 1H2024 was 21.5%, representing an increase of 3.3 percentage points as compared to the 1H2023. The increase in the overall gross profit margin was mainly due to the decrease in the direct cost of carrageenan, caused by the decrease in the cost of inventory sold as a result of the continuous decrease in seaweed materials cost throughout 2023, as well as the effect of inventory provision made in 2023. Such increase was partly offset by the narrow-down of the gross profit margin of agar-agar due to the decrease in sales price during the 1H2024 under the sluggish market condition, as compared to the 1H2023. The net profit of the Group for the 1H2024 decreased by RMB2.5 million or 10.0% to RMB22.6 million. The decrease in the net profit for the 1H2024, as compared to that of gross profit, was alleviated by the increase of other income and other gains; and the decrease in finance costs and income tax expenses incurred for the 1H2024 of RMB2.7 million, RMB4.2 million, RMB3.0 million and RMB 1.0 million, respectively; such positive effect was partly off-set by the decrease in net impairment gains and increase in selling and distribution expenses and administrative expenses incurred for the same period of RMB1.5 million, RMB0.9 million and RMB3.6 million, respectively.

During the 1H2024, the sales value in the PRC and the overseas markets accounted for 53.6% and 46.4% of the Group's total sales value, respectively (1H2023: 50.6% and 49.4%). Sales value in the PRC market amounted to RMB245.9 million for the 1H2024, decreased by RMB48.9 million or 16.6% as compared to 1H2023. Sales value in the overseas market amounted to RMB213.1 million for the 1H2024, decreased by RMB75.0 million or 26.0% as compared to the 1H2023. Within the sales value in the overseas market, the total value of products sold to European countries decreased by RMB32.5 million or 22.6%, caused mainly by the decrease in demand from the overseas customers due to the adjustment in safe stock levels coupled with the economic slow-down emerged in most European countries during 2023.

ONGOING INVESTMENT IN PRODUCT TECHNOLOGY

The Group sets out its long-term goal of offering products carrying higher level of product technology which enables us to differentiate from its competitors in meeting the changing needs of customers. Through our ongoing investment in the product research and development capability, the Group has been able to enhance product mix and hence profitability in a sustainable manner. For instance, blended products provide customers with readily usable food additives solution which carries higher profit margin as compared to that of hydrocolloid products in raw form. Besides, quick-dissolve agar-agar used in dairy products and deep-processed carrageenan products used in bakery products are products with ample market potential and the Directors believe that these products shall become key contributors to the enhancement of the Group's profit margin in the foreseeable future. Furthermore, the konjac gum has become a key ingredient of various health foods for its rich soluble dietary fibers, and its development is on the momentum. As for the daily necessities, the markets for gel-type air fresheners and beauty products such as face masks were further developed during the 1H2024. The Directors expect that the diversity in the end products and the applications will be key areas for expansion in the future.

BUSINESS PROSPECTS

Despite the sluggish economic environment of the Group's major markets that restricted the resurgence of business performance of the Group during the 1H2024, the global demand for hydrocolloid products is expected to pick up in the foreseeable future as a result of the downward adjustment in the price of carrageenan products and the need to replenish the decreasing level of stock held by the customer. Moreover, the Directors expect the sales performance in the PRC will continue to remain stable and the uprising trend of blended products will continue. As the key applications of hydrocolloid products are basic consumer goods including food, household and skincare products, there is a strong resilience in demand at all times and the Group shall be benefited from the edges well-established for years as the industry leader.



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of the Group's effort to diversify the geographical location of the production facilities as well as ongoing endeavor in cost-reductions, the Group's subsidiary, PT Hongxin Algae International ("**Hongxin**"), a company incorporated in Indonesia engaged principally in the manufacture of semi-refined carrageenan with clear advantages in lower operating cost and proximity to seaweed resources, has maintained its production scale on one hand and invested in the continuous enhancement of production facilities on the other with the aim to step up further its product quality as well as cost competitiveness in the foreseeable future.

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

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the 1H2024.

FINANCIAL REVIEW

Revenue

During the 1H2024, the Group's revenue was RMB459.0 million (1H2023: RMB582.9 million), decreased by 21.2% as compared to the same period of last year. The sales revenue of agar-agar, konjac products and blended products increased by RMB5.0 million or 3.6%, RMB6.9 million or 27.8% and 0.7 million or 1.2%, respectively. On the other hand, the sales revenue of carrageenan decreased by RMB141.3 million or 39.5% during the 1H2024, as compared to the 1H2023. The decrease in the Group's sales revenue was mainly attributed to the decrease in the sales revenue of carrageenan, caused mainly by the decrease in the market price of seaweed materials which is the key determinant of the sales price of the Group's carrageenan products. As stated in the Company's annual report for the year ended 31 December 2023, after a wave of substantial increase in the sales price of seaweed materials and hence that of carrageenan in 2022, the sales price of both products decreased throughout 2023 due to the setback in demand caused by the adjustment in the safe stock levels coupled with the economic slow-down emerged in most European countries in 2023. The total sales revenue of agar-agar and carrageenan products, contributing 78.8% of the total sales revenue of the Group, represented a decrease of 6.6% as compared to the 1H2023. This was mainly due to the decrease in the sales revenue of carrageenan alongside the increase in sales revenue of konjac products and blended products during the 1H2024.

Cost of Sales

For the 1H2024, the cost of sales of the Group was RMB360.2 million (1H2023: RMB476.7 million), representing a decrease of RMB116.5 million or 24.4%. The cost of sales mainly consisted of the cost of raw materials (seaweed and konjac) and ancillary materials and production cost. The decrease in the cost of sales during the 1H2024, given the increase in the sales volume of carrageenan during the same period, was mainly as a result of the decrease in the cost of inventory sold in respect of carrageenan due to the continuous decrease in the market price of seaweed materials throughout 2023, as well as the effect of inventory provision made in 2023.

Gross Profit and Gross Profit Margin

For the 1H2024, the gross profit of the Group was RMB98.8 million (1H2023: RMB106.1 million), representing a decrease of RMB7.3 million or 6.9%. The overall gross profit margin for the 1H2024 was 21.5%, representing an increase of 3.3 percentage points as compared to the 1H2023. The gross profit margin of carrageenan and konjac products were increased by 4.7 percentage points and 5.3 percentage points, respectively in the 1H2024, as compared to the 1H2023. On the other hand, the gross profit margin of agar-agar and blended products were decreased by 2.0 percentage points and 5.0 percentage points, respectively in the 1H2024, as compared to the 1H2023. The increase in the overall gross profit margin was mainly due to the decrease in the direct cost of carrageenan, caused by the decrease in cost of inventory sold as a result of the continuous decrease in seaweed materials cost during 2023, as well as the effect of inventory provision made in 2023. Such increase was partly offset by the narrow-down of the gross profit margin of agar-agar due to the decrease in sales price under the sluggish market condition.

Selling and Distribution Expenses

For the 1H2024, the selling and distribution expenses of the Group were RMB9.4 million (1H2023: RMB8.5 million), representing an increase of RMB0.9 million or 11.0%. The increase was mainly due to the increase in the number of sales representatives located overseas for market development. Besides, during the 1H2024, the Company has participated in an increased number of trade shows held locally and overseas, as well as increased number of customer visits with corresponding increase in travelling and accommodation expenses. On the whole, the ratio of selling and distribution expenses to sales revenue increased corresponding to the expanded global sales network and increase in sales and marketing activities during the period.

Administrative Expenses

During the 1H2024, the administrative expenses of the Group were RMB49.1 million (1H2023: RMB45.4 million), representing an increase of RMB3.6 million or 8.0%, which was mainly attributable to the increase in staff salaries and social insurance expenses caused mainly by the intake of workforce and the annual salary increment.

Net Finance Costs

During the 1H2024, the finance income and costs of the Group were RMB287,000 and RMB16.7 million, respectively, (1H2023: RMB304,000 and RMB19.7 million), representing a decrease of RMB17,000 for finance income and RMB3.0 million or 15.2% for finance costs. The decrease in finance income was directly linked to the amount and duration of bank deposit made during the 1H2024, while the decrease in finance costs was due to the decrease in interest rate on RMB denominated loans as well as the decrease in the average draw-down balance of USD and HKD denominated loans during the 1H2024 as a result of the continuous decrease in the purchase price of seaweed materials.



MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

During the 1H2024, the income tax expense of the Group was RMB7.4 million (1H2023: RMB8.4 million tax credit), representing a decrease of RMB1.0 million or 11.9%, which was charged based on the Group's pre-tax profit level which was increased by further provision of deferred income tax during the 1H2024.

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Current income tax	2,614	10,568
Deferred income tax/(credit)	4,753	(2,180)
Income tax expense	7,367	8,388

Profit Attributable to Owners of the Company

During the 1H2024, profit attributable to owners of the Company was RMB23.1 million (1H2023: RMB25.0 million), representing a decrease of RMB1.9 million or 7.6%, as a result of the decrease in corresponding magnitude in the net profit of the Group for the 1H2024.

Liquidity and Financial Resources

As of 30 June 2024, the Group's cash and bank balances amounted to RMB64.6 million, representing a decrease of RMB8.0 million or 11.1% from 31 December 2023. The financial ratios of the Group as of 30 June 2024 were as follows:

	As at 30 June 2024	As at 31 December 2023
	Current ratio	1.51
Gearing ratio ¹	40.3%	41.2%

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

Net Current Assets

As of 30 June 2024, the Group's net current assets were RMB329.0 million, representing an increase of RMB29.4 million or 9.8% from RMB299.6 million as of 31 December 2023, primarily due to the increase in RMB0.68 million in receivables, the decrease of RMB45.9 million in payables and the decrease of RMB6.8 million in the balance of short-term bank loans as of 30 June 2024, partly offset by decrease of RMB18.6 million in inventories and the decrease of RMB4.6 million in cash and bank balances. These changes created a composite effect to the net change of net current assets level across the relevant periods.

Borrowings

As of 30 June 2024, the total bank borrowings of the Group amounted to RMB584.3 million, of which RMB525.1 million shall be repaid within one year and RMB59.2 million shall be repaid after one year. The carrying amounts of bank borrowings were denominated in HKD, USD and RMB.

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 of 30 June 2024, the weighted average interest rate on bank borrowings (per annum) was 5.34% (2023: 5.64%).

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 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 of 30 June 2024, the Group's bank borrowings were secured by the pledge of the Group's land use rights and buildings with a carrying value of RMB98.1 million (31 December 2023: RMB92.4 million). As of 30 June 2024, the amount of secured bank borrowings was RMB168.4 million (31 December 2023: RMB136.1 million).

Future Plans for Material Investments or Capital Assets

As part of the Group's business strategy of diversifying production facilities geographically for enhancement of cost competitiveness, the Group is expected to invest further in the expansion of production capacity of Hongxin in the foreseeable future which shall be funded by the Group's internal resources.

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

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures for the 1H2024.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group adopts a conservative approach for cash management and investment on funds. The Group's receipts and payments were mainly denominated in RMB and USD which enabled the Group to achieve a good degree of natural-hedging of foreign currency exposure. The Group will closely monitor foreign exchange fluctuations and will consider hedging should the need arises. During the 1H2024, the Group did not use any financial instrument for hedging purpose.



MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policy

As of 30 June 2024, the Group had 1,073 full-time employees, of whom 894 were based in Mainland China and 179 were based in Hong Kong and other countries and territories. The total staff cost during 1H2024 was RMB56.0 million.

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

Share Option Schemes and Share Award Scheme

Prior to the listing of the Company on the Stock Exchange, the Group adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") on 5 August 2018 to recognise the important contributions of related employees and individuals. On 9 August 2018, the Company granted share options for 34,120,000 shares of the Company (the "**Shares**") upon exercise under the Pre-IPO Share Option Scheme. On 21 May 2024, the Board accepted the exercise of an aggregate of 4,432,000 share options by the participants of the Pre-IPO Share Option Scheme involving a total of 4,432,000 Shares, and the Shares were issued on 24 June 2024. Subsequent to the exercise of the aforesaid Pre-IPO share options, there has no outstanding Pre-IPO share option is subsisted as of 30 June 2024. Save as disclosed above, no option had been granted, exercised, lapsed or cancelled during the 1H2024 under the Pre-IPO Share Option Scheme.

The Group adopted the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") on 25 September 2019. During the 1H2024, no option had been granted, exercised, lapsed or cancelled under the Post-IPO Share Option Scheme.

The Group adopted the share award scheme (the "**Share Award Scheme**") on 10 July 2020 for recognising and rewarding the contribution of the selected participants to the business growth of the Group. During the 1H2024, no Shares have been purchased on-market by the trustee (the "**Trustee**") of the Share Award Scheme as part of the shares pool under the Share Award Scheme (2023: 544,000) and the total consideration paid for the purchased Shares was HK\$Nil (2023: HK\$482,000.00). An aggregate of 860,000 awarded shares were vested and an aggregate of 3,800,000 awarded shares were granted out of which 760,000 awarded shares were vested during the 1H2024. Save as disclosed above, no awarded share has been granted, vested, lapsed or cancelled during the 1H2024 under the Share Award Scheme.

Capital Expenditures

The Group's capital expenditures primarily comprise cash expenditures for plant, equipment and land use rights. The capital expenditures for the 1H2024 were RMB23.9 million (31 December 2023: RMB11.8 million).

Commitments

The Group's capital commitments in respect of those that have been contracted for as of 30 June 2024 and 31 December 2023 amounted to RMB10.2 million and RMB29.6 million, respectively.

Lease Liabilities

Lease liabilities are related to building of the Group.

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000
Minimum lease payments:		
Within one year	1,792	1,396
Later than 1 year and no later than 5 years	2,752	1,768
	4,544	3,164
Future finance charges	(267)	(314)
Total lease liabilities	4,277	2,850

Contingent Liabilities

The Group did not have any material contingent liabilities as of 30 June 2024.

Subsequent Events

On 5 August 2024, the Company, as the issuer, entered into the subscription agreement with the subscriber "Power Partner Capital Limited", pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 40,000,000 subscription shares at the subscription price of HK\$0.81 per subscription share. The net proceeds of the subscription, after deduction of all relevant expenses, are estimated to be approximately HK\$32.34 million. The share subscription was completed on 23 August 2024.

Saved as disclosed above, there was no significant event affecting the Group which occurred after 30 June 2024 and up to the date of this report.

Capital Structure

During the 1H2024, there has been no change in the capital structure of the Company.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Green Future Food Hydrocolloid Marine Science Company Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 41, which comprises the interim condensed consolidated balance sheet of Green Future Food Hydrocolloid Marine Science Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2024 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 August 2024

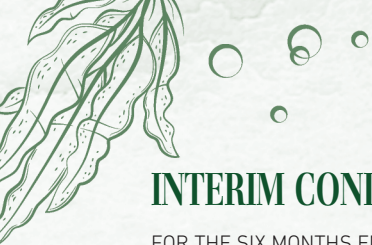
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	6	459,015	582,876
Cost of sales	6	(360,168)	(476,733)
Gross profit		98,847	106,143
Other income		5,145	2,473
Other gains/(losses) - net		634	(3,549)
Net impairment gains on financial assets		215	1,759
Selling and distribution expenses		(9,383)	(8,453)
Administrative expenses		(49,061)	(45,435)
Operating profit		46,397	52,938
Finance income		287	304
Finance costs		(16,693)	(19,738)
Finance costs – net		(16,406)	(19,434)
Profit before income tax	7	29,991	33,504
Income tax expense	8	(7,367)	(8,388)
Profit for the period		22,624	25,116
Profit/(loss) for the period attributable to:			
Owners of the Company		23,086	25,008
Non-controlling interests		(462)	108
		22,624	25,116
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	9	0.028	0.030
Diluted earnings per share (RMB)	9	0.028	0.030

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit for the interim period	22,624	25,116
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Currency translation differences	(2,090)	(3,613)
Total comprehensive income for the interim period	20,534	21,503
Total comprehensive income for the interim period attributable to:		
Owners of the Company	21,173	20,846
Non-controlling interests	(639)	657
	20,534	21,503

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000
Assets			
Non-current assets			
Land use rights	11	53,043	53,913
Property, plant and equipment	11	371,988	374,851
Intangible assets	11	65,313	66,890
Prepayments for non-current assets		1,148	3,449
Deferred income tax assets		43,573	47,816
Total non-current assets		535,065	546,919
Current assets			
Inventories		766,381	784,998
Trade and other receivables	13	128,018	127,337
Restricted cash		15,220	11,749
Cash and bank balances	12	64,556	72,600
Total current assets		974,175	996,684
Total assets		1,509,240	1,543,603
Equity			
Equity attributable to owners of the Company			
Share capital	14	7,525	7,485
Other reserves		252,757	251,462
Shares held for the share award scheme		(9,490)	(10,274)
Retained earnings		518,482	496,570
Capital and reserves attributable to the owners of the Company		769,274	745,243
Non-controlling interests		8,230	8,869
Total equity		777,504	754,112



INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000
Liabilities			
Non-current liabilities			
Bank borrowings	17	59,183	67,154
Lease liabilities	17	2,641	1,706
Deferred income		20,830	19,332
Deferred income tax liabilities		3,906	4,214
Total non-current liabilities		86,560	92,406
Current liabilities			
Trade and other payables	16	115,289	161,185
Bank borrowings	17	525,157	531,965
Lease liabilities	17	1,636	1,144
Current income tax liabilities		3,094	2,791
Total current liabilities		645,176	697,085
Total liabilities		731,736	789,491
Total equity and liabilities		1,509,240	1,543,603

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

	Note	Equity attributable to owners of the Company						Total equity RMB'000
		Share capital RMB'000	Other reserves RMB'000	Shares held for the Share		Retained earnings RMB'000	Non-controlling interests RMB'000	
				Award Scheme RMB'000	Total RMB'000			
(Unaudited)								
Balance at 1 January 2024		7,485	251,462	(10,274)	496,570	745,243	8,869	754,112
Comprehensive income								
Profit for the period		—	—	—	23,086	23,086	(462)	22,624
Other comprehensive income		—	(1,913)	—	—	(1,913)	(177)	(2,090)
– Currency translation differences		—	(1,913)	—	—	(1,913)	(177)	(2,090)
Total comprehensive income for the interim period		—	(1,913)	—	23,086	21,173	(639)	20,534
Transactions with owners								
Equity-settled share-based payment	15	—	2,034	—	—	2,034	—	2,034
Shares issued due to options exercised during the period	14	40	—	—	—	40	—	40
Shares exercised from Share Award Scheme		—	—	784	—	784	—	784
Profit appropriation to statutory reserves		—	1,174	—	(1,174)	—	—	—
Total transactions with owners		40	3,208	784	(1,174)	2,858	—	2,858
Balance at 30 June 2024		7,525	252,757	(9,490)	518,482	769,274	8,230	777,504
(Unaudited)								
Balance at 1 January 2023		7,444	261,617	(10,594)	586,177	844,644	7,566	852,210
Comprehensive income								
Profit for the period		—	—	—	25,008	25,008	108	25,116
Other comprehensive income		—	(4,162)	—	—	(4,162)	549	(3,613)
– Currency translation differences		—	(4,162)	—	—	(4,162)	549	(3,613)
Total comprehensive income for the interim period		—	(4,162)	—	25,008	20,846	657	21,503
Transactions with owners								
Equity-settled share-based payment	15	—	3,801	—	—	3,801	—	3,801
Shares issued due to options exercised during the period	14	41	—	—	—	41	—	41
Transaction with non-controlling interests		—	1,447	—	—	1,447	—	1,447
Disposal of a subsidiary		—	—	762	—	762	—	762
Profit appropriation to statutory reserves		—	3,066	—	(3,066)	—	—	—
Total transactions with owners		41	8,314	762	(3,066)	6,051	—	6,051
Balance at 30 June 2023		7,485	265,769	(9,832)	608,119	871,541	8,223	879,764

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from/(used in) operations	48,520	(21,780)
Income tax paid	(3,129)	(24,967)
Net cash inflow from/(used in) operating activities	45,391	(46,747)
Cash flows from investing activities		
Proceeds from government grants	3,036	2,700
Purchases of property, plant and equipment	(23,928)	(7,624)
Interest received	287	304
Proceeds from disposal of property, plant and equipment	15	6
Net cash used in investing activities	(20,590)	(4,614)
Cash flows from financing activities		
Proceeds from borrowings	323,184	469,305
Proceeds of share issued due to options exercised during the period	40	41
Restricted cash pledged for notes payable and letter of credit	—	(7,219)
Repayments of borrowings	(339,226)	(384,993)
Interest paid	(16,039)	(17,805)
Settlements of lease liabilities	(1,088)	(793)
Net cash (used in)/generated from financing activities	(33,129)	58,536
Net increase/(decrease) in cash and cash equivalents	(8,328)	7,175
Cash and cash equivalents at beginning of period	72,600	37,675
Effect of foreign exchange rates changes	284	1,770
Cash and cash equivalents at end of period	64,556	46,620

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

1 GENERAL INFORMATION OF THE GROUP

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

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

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

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited since 17 October 2019.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

This condensed consolidated interim financial information has been approved for issue by the board of directors of the Company on 30 August 2024.

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

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), except for the adoption of the new and amended standards as disclosed in note 3 below.





NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this condensed consolidated interim financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2023 and the corresponding interim financial period, except for the adoption of new and amended standards as set out below.

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

(i) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group assessed the adoption of these new and amended standards and concluded that they did not have a significant impact on the Group's interim results and financial position.

Standard and amendments	Effective for accounting periods beginning on or after
HKAS 1 (Amendments) - Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments) - Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments) - Lease liability in sale and leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments) - Supplier finance arrangements	1 January 2024
Hong Kong Interpretation 5 (Revised) - Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

(ii) New and amended standards not yet effective

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2025 and have not been early adopted by the Group:

Standard and amendments	Effective for accounting periods beginning on or after
HKAS 21 (Amendments) - Lack of Exchangeability	1 January 2025
HKFRS 18 (Amendments) - Presentation and Disclosure in Financial Statements	1 January 2025
HKFRS 19 (Amendments) - Subsidiaries without Public Accountability: Disclosures	1 January 2025
HKFRS 10 and HKAS 28 (Amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2023.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial information, and should be read in conjunction with the Group's annual financial statements as at 31 December 2023.

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

(a) Liquidity risk

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2024 (Unaudited)					
Bank borrowings	525,157	27,225	31,958	—	584,340
Interest payable on borrowings	13,724	1,898	1,159	—	16,781
Lease liabilities	1,792	1,402	1,350	—	4,544
Trade and other payables (excluding non-financial liabilities)	97,971	—	—	—	97,971
	<u>638,644</u>	<u>30,525</u>	<u>34,467</u>	<u>—</u>	<u>703,636</u>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Liquidity risk (Continued)

	Less than 1 year RMB'000 (Restated)	Between 1 and 2 years RMB'000 (Restated)	Between 2 and 5 years RMB'000 (Restated)	Over 5 years RMB'000 (Restated)	Total RMB'000 (Restated)
At 31 December 2023					
Bank borrowings	531,965	38,287	27,496	1,371	599,119
Interest payable on borrowings	26,412	2,503	1,041	127	30,083
Lease liabilities	1,396	794	974	—	3,164
Trade and other payables (excluding non-financial liabilities)	137,864	—	—	—	137,864
	697,637	41,584	29,511	1,498	770,230

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

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

6 REVENUE AND SEGMENT INFORMATION

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

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

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 information. The chief operating decision maker reviews the total assets, total liabilities and capital expenditure at Group level mainly because the manufacturing of the four categories of products of the Group is managed by the same management team and there are certain degree of sharing of production facilities and warehouses, therefore no segment information of total assets, total liabilities and capital expenditure information was presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

6 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information

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

	(Unaudited)					
	For the six months ended 30 June 2024					
	Sales of agar-agar RMB'000	Sales of carrageenan RMB'000	Sales of konjac products RMB'000	Sales of blended products RMB'000	Others RMB'000	Total RMB'000
Revenue recognised at a point-in-time:						
Sales to customers	145,213	216,434	31,673	60,910	4,785	459,015
Cost of sales	(105,241)	(179,785)	(26,813)	(45,366)	(2,963)	(360,168)
Segment results	<u>39,972</u>	<u>36,649</u>	<u>4,860</u>	<u>15,544</u>	<u>1,822</u>	<u>98,847</u>

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

Results of reportable segments	98,847
Other income	5,145
Other gains – net	634
Net impairment gains on financial assets	215
Selling and distribution expenses	(9,383)
Administrative expenses	(49,061)
Finance income	287
Finance costs	(16,693)
Profit before income tax	29,991
Income tax expense	(7,367)
Profit for the period	<u>22,624</u>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

6 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information (Continued)

	(Unaudited)					
	For the six months ended 30 June 2023					
	Sales of agar-agar RMB'000	Sales of carrageenan RMB'000	Sales of konjac products RMB'000	Sales of blended products RMB'000	Others RMB'000	Total RMB'000
Revenue recognised at a point-in-time:						
Sales to customers	140,173	357,720	24,785	60,172	26	582,876
Cost of sales	(98,732)	(313,849)	(22,306)	(41,829)	(17)	(476,733)
Segment results	<u>41,441</u>	<u>43,871</u>	<u>2,479</u>	<u>18,343</u>	<u>9</u>	<u>106,143</u>

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

Results of reportable segments	106,143
Other income	2,473
Other losses – net	(3,549)
Net impairment gains on financial assets	1,759
Selling and distribution expenses	(8,453)
Administrative expenses	(45,435)
Finance income	304
Finance costs	<u>(19,738)</u>
Profit before income tax	33,504
Income tax expense	<u>(8,388)</u>
Profit for the period	<u>25,116</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

6 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information (Continued)

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
China	245,862	294,712
Europe	111,562	144,121
Asia (excluding China)	76,934	103,515
South America	16,203	26,480
North America	7,644	12,470
Africa	682	1,486
Oceania	128	92
Total	459,015	582,876



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

7 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Crediting		
Government grants	5,097	2,457
Net impairment gains on financial assets	215	1,759
Interest income from banks	287	304
Charging		
Employee benefit expenses, including directors' emoluments	56,056	57,558
Depreciation of property, plant and equipment (note 10)	23,225	21,561
Net foreign exchange gains/(losses) on financing activities and operating activities	1,860	(1,174)
Amortisation of intangible assets (note 10)	1,713	1,233
Amortisation of land use rights (note 10)	592	716
Electricity and water expenses	13,178	15,286
Interest and finance charges on bank borrowings	16,039	17,804
Consulting fee	681	575

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax	3,432	10,568
Deferred income tax	3,935	(2,180)
Income tax expense	7,367	8,388

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

8 INCOME TAX EXPENSE (Continued)

The Group's income tax comprises:

- (i) Cayman Islands, British Virgin Islands ("BVI"), Indonesia and Hong Kong profits tax

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

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

The Group's subsidiaries in Indonesia are subject to Indonesian profits tax at the rate of 22% (2023: 22%) on the estimated assessable profits for the year.

The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits for the year with certain concession. Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2023/2024 onwards, the first HK\$ 2 million of assessable profits of one of the Group's companies incorporated in Hong Kong under Hong Kong profits tax during the year is subject to a tax rate of 8.25%. The Group's remaining Hong Kong assessable profits above HK\$ 2 million will continue to be subject to a tax rate of 16.5% (2023: 16.5%).

- (ii) PRC corporate income tax ("CIT")

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group's subsidiaries operate. The Company's subsidiaries incorporated in the PRC are subject to CIT at the rate of 25% (2023: 25%), except for Fujian Province Lvqi Food Colloid Company Ltd. ("Lvqi (Fujian)"), Longhai City Donghaiwan Seaweed Breeding Comprehensive Development Company Limited ("Donghaiwan") which are subject to CIT at the preferential rate of 15% and 12.5% for six months ended 2024 and 2023, respectively.

Lvqi (Fujian) obtained the qualification of certified high and new technology enterprises and has been entitled to preferential income tax rate of 15% since 2015, subject to renewal of the qualification for every three years interval. The latest approval of the qualification is for years 2021 to 2024.

Donghaiwan is qualified as an agricultural products enterprise and is subject to a CIT reduction of 50% granted by the local tax bureau, and the CIT rate is 12.5% for the six months ended 30 June 2024 and 2023.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

8 INCOME TAX EXPENSE (Continued)

(iii) PRC withholding income tax

According to the CIT Law, a 10% withholding tax on dividends received/receivable will be levied on the PRC companies' immediate holding companies established outside PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies. For the six months ended 30 June 2024 and 2023, 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 RMB528,850,000 as at 30 June 2024 (31 December 2023: RMB 501,202,000), which, if paid out as dividends, would be subject to income tax borne by their overseas holding companies. An assessable temporary difference exists, but no deferred income tax liability has been recognised as the parent entities are able to control the timing of distributions from their subsidiaries and the subsidiaries are expected to retain these profits for future development purpose and not to distribute the profits in the foreseeable future.

9 EARNINGS PER SHARE

(a) Basic and diluted earnings per share

	Six months ended 30 June	
	2024 RMB (Unaudited)	2023 RMB (Unaudited)
Basic earnings per share attributable to the ordinary equity holders of the Company	0.028	0.030
Diluted earnings per share attributable to the ordinary equity holders of the Company	0.028	0.030

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, excluding ordinary shares held for the share award scheme.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

9 EARNINGS PER SHARE (Continued)

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

	Six months ended 30 June	
	2024 RMB (Unaudited)	2023 RMB (Unaudited)
<i>Basic and diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company	23,086	25,008

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

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	818,610,666	825,649,956
Adjustments for calculation of diluted earnings per share:		
– Share options	4,185,778	3,735,420
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	822,796,444	829,385,376

10 DIVIDENDS

No interim dividend was proposed by the board of directors of the Company in 2024 (2023: Nil).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

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

	(Unaudited)			
	Property, plant and equipment	Land use rights	Intangible assets	
	RMB'000	RMB'000	Goodwill RMB'000	Others RMB'000
At 1 January 2024	374,851	53,913	47,138	19,752
Additions	21,281	—	—	—
Depreciation/amortisation	(23,225)	(592)	—	(1,713)
Disposal	(14)	—	—	—
Currency translation differences	(905)	(278)	170	(34)
At 30 June 2024	371,988	53,043	47,308	18,005

	(Unaudited)			
	Property, plant and equipment	Land use rights	Intangible assets	
	RMB'000	RMB'000	Goodwill RMB'000	Others RMB'000
At 1 January 2023	401,428	54,873	46,801	21,071
Additions	9,488	—	—	—
Depreciation/amortisation	(21,561)	(716)	—	(1,233)
Disposal	(69)	—	—	—
Currency translation differences	2,527	789	750	1,390
At 30 June 2023	391,813	54,946	47,551	21,228

The bank borrowings of the Group as at 30 June 2024 were secured by the pledge of the Group's land use rights, buildings as stated in note 16(a).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

12 CASH AND BANK BALANCES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000
Cash and cash equivalents		
– Cash on hand	160	162
– Cash in banks	64,396	72,438
– Cash on hand and in banks	64,556	72,600
– Restricted cash - cash in banks	15,220	11,749
Total of cash and bank balances	79,776	84,349

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

13 TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000
Trade receivables	98,367	86,290
Loss allowance provision	(679)	(894)
	97,688	85,396
Prepayments for purchases of raw materials	8,717	5,800
Export tax rebate receivables and deductible value-added tax	11,445	29,935
Other receivables	10,168	6,206
	30,330	41,941
Total trade and other receivables	128,018	127,337



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

13 TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of the trade receivables as at the 30 June 2024 based on invoice date was as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000
Up to 30 days	43,325	44,154
31 to 90 days	50,455	33,438
91 to 180 days	3,312	7,884
181 to 365 days	483	232
Over one year	792	582
	98,367	86,290

14 SHARE CAPITAL

	(Unaudited)		(Unaudited)	
	2024 Shares	2024 RMB'000	2023 Shares	2023 RMB'000 (Restated)
As at 1 January	829,688,000	7,485	825,256,000	7,444
Shares issued upon exercise of share options	4,432,000	40	4,432,000	41
As at 30 June	834,120,000	7,525	829,688,000	7,485

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FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

15 EQUITY-SETTLED SHARE-BASED PAYMENT

The equity-settled share-based payment expenses charged to the consolidated statement of profit or loss during the period ended 30 June 2024 are as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Share option scheme (a)	341	608
Share award scheme (b)	1,502	3,193
Share award scheme (c)	191	—
	2,034	3,801

(a) Share option scheme

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

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

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

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
As at 1 January	4,432,000	8,864,000
Exercised during the period	(4,432,000)	(4,432,000)
	—	4,432,000



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FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

15 EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

(a) Share option scheme (Continued)

Share options outstanding as at 30 June 2024 have the following exercise period and exercise prices:

	Date of grant	Number of share options outstanding as at June 30		Vesting period and maximum % of exercisable share options	Exercise period	Exercise price
		2024	2023			
		(Unaudited)	(Unaudited)			
Options granted to the three employees	9 August 2018	—	4,432,000	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

As at 30 June 2024, the remaining unamortised fair value of share options transferred to the three employees amounted to approximately RMB229,000 which will be charged to the consolidated statement of profit or loss in the future.

(b) Share award scheme

On 10 July 2020, the Company's board of directors approved a share award scheme of the Company.

On 5 December 2022, the Company granted awarded shares to three employees, and the first vesting date is 1 April 2023, and the remaining vesting dates shall fall on the subsequent anniversary dates during the vesting period, and the total vesting period is 5 years.

The Company planned to use "shares held for the share award scheme" to award the grantees of the awarded shares.

The total amounts of the fair value of the awarded shares to the three employees are expensed over the vesting period of 5 years and recorded in 'employee benefit expenses' in the consolidated statement of profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

15 EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

(b) Share award scheme (Continued)

Movements in the number of awarded shares outstanding are as follows:

	As at 30 June 2024 (Unaudited)	As at 31 December 2023
As at 1 January	3,440,000	4,300,000
Exercised during the period	(860,000)	(860,000)
	2,580,000	3,440,000

Awarded shares outstanding as at 30 June 2024 have the following vesting period and purchase prices:

	Date of grant	Number of awarded shares outstanding as at June 30		Vesting period and maximum % of awarded share	Exercise period	Purchase price
		2024 (Unaudited)	2023 (Unaudited)			
Awarded shares granted to three employees	5 December 2022	2,580,000	3,440,000	20% each year starting from 1 April 2023	1 April 2023 to 1 April 2027. All unexercised awarded shares after the relevant exercise periods or upon resignation will subject to re-granting at management's discretions.	—

As at 30 June 2024, the remaining unamortised fair value of awarded shares transferred to the three employees amounted to approximately RMB4,102,000 which will be charged to the consolidated statement of profit or loss in the future.



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FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

15 EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

(c) Share award scheme

On 21 May 2024, the Company's board of directors approved a share award scheme of the Company and granted awarded shares to five employees, and the first vesting date is May 21 2024, and the remaining vesting dates shall fall on the subsequent anniversary dates during the vesting period, and the total vesting period is 5 years.

The Company planned to use "shares held for the share award scheme" to award the grantees of the awarded shares.

The total amounts of the fair value of the awarded shares to the five employees are expensed over the vesting period of 5 years and recorded in 'employee benefit expenses' in the consolidated statement of profit or loss.

Movements in the number of awarded shares outstanding are as follows:

	As at 30 June 2024 (Unaudited)	As at 31 December 2023
As at 1 January	—	—
Granted during the period	3,800,000	—
Vested during the period	(760,000)	—
	3,040,000	—

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FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

15 EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

(c) Share award scheme (Continued)

Awarded shares outstanding as at 30 June 2024 have the following vesting period and purchase prices:

	Date of grant	Number of awarded shares outstanding as at June 30		Vesting period and maximum % of awarded share	Exercise period	Purchase price
		2024 (Unaudited)	2023 (Unaudited)			
Awarded shares granted to five employees ⁽¹⁾	21 May 2024	3,040,000	—	20% each year starting from 21 May 2024	21 May 2024 to 21 May 2028. All unvested awarded shares after the relevant exercise periods or upon resignation will subject to re-granting at management's discretions.	—

(1) One of the grantees was appointed as director on 7 June 2024 after the grant.

As at 30 June 2024, the remaining unamortised fair value of awarded shares transferred to the five employees amounted to approximately RMB2,168,000 which will be charged to the consolidated statement of profit or loss in the future.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

16 TRADE AND OTHER PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000
Trade payables	83,794	103,713
Payables for property, plant and equipment	1,576	6,916
Contract liabilities - advance receipts from customers	6,205	11,003
Employee benefit payables	8,025	9,211
Other taxes payable	3,088	3,107
Others	12,601	27,235
	115,289	161,185

Trade payables are usually paid within 90 days of recognition.

The ageing analysis of trade payables as at 30 June 2024 based on invoice date was as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000
0-90 days	70,822	78,695
91-180 days	11,385	21,071
181-365 days	1,210	3,947
over 365 days	377	—
	83,794	103,713

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

17 BANK BORROWINGS AND LEASE LIABILITIES

	(Unaudited) As at 30 June 2024			(Restated) As at 31 December 2023		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings (a)						
– secured	138,593	29,788	168,381	112,292	23,858	136,150
– unsecured	386,564	29,395	415,959	419,673	43,296	462,969
	525,157	59,183	584,340	531,965	67,154	599,119
Lease liabilities (b)						
– unsecured	1,636	2,641	4,277	1,144	1,706	2,850
Total borrowings	526,793	61,824	588,617	533,109	68,860	601,969
Total secured borrowings	138,593	29,788	168,381	112,292	23,858	136,150
Total unsecured borrowings	388,200	32,036	420,236	420,817	45,002	465,819
Total borrowings	526,793	61,824	588,617	533,109	68,860	601,969

(a) Bank borrowings

The bank borrowings of the Group as at 30 June 2024 were secured by the pledge of the Group's land use rights, buildings as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000
Land use rights	29,307	29,718
Buildings	68,784	62,666
Total assets pledged as security	98,091	92,384

For the six months ended 30 June 2024, the weighted average effective interest rates on bank borrowings were 5.34% (for the six months ended 30 June 2023: 5.64%).

The unsecured bank borrowings of the Group were supported by guarantees from Mr. Chan Kam Chung and Mr. Guo Dongxu to the extent of RMB 103,008,000 and RMB 10,000,000, respectively, as at 30 June 2024.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

17 BANK BORROWINGS AND LEASE LIABILITIES (Continued)

(b) Lease liabilities

Lease liabilities are related to buildings of the Group.

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000
Minimum lease payments:		
Within one year	1,792	1,396
Later than 1 year and no later than 5 years	2,752	1,768
	<u>4,544</u>	<u>3,164</u>
Future finance charges	(267)	(314)
Total lease liabilities	<u>4,277</u>	<u>2,850</u>
Payable:		
Within one year	1,636	1,144
Over one year	2,641	1,706
Total lease liabilities	<u>4,277</u>	<u>2,850</u>

18 COMMITMENTS

Capital commitments

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000
Contracted but not recognised as liabilities:		
Property, plant and equipment	10,247	29,563

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FOR THE SIX MONTHS ENDED 30 JUNE 2024

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19 CONTINGENT LIABILITIES

At 30 June 2024, the Group had no material contingent liabilities (31 December 2023: nil).

20 RELATED PARTY TRANSACTIONS

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

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

(a) Transactions with related parties

Two directors provided personal guarantees for the Group's bank borrowings. Details are set out in note 16.

(b) Key management compensation

For the six months ended 30 June 2024, the key management compensation amounted to approximately RMB 4,520,000 (2023: RMB 5,592,000).

21 EVENTS AFTER THE BALANCE SHEET DATE

On 5 August 2024, the Company, as the issuer, entered into the subscription agreement with the subscriber "Power Partner Capital Limited", pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 40,000,000 subscription shares at the subscription price of HK\$0.81 per subscription share. The net proceeds of the subscription, after deduction of all relevant expenses, are estimated to be approximately HK\$32.34 million. The share subscription was completed on 23 August 2024.



OTHER INFORMATION

DONATIONS

Charitable donations made by the Group during the 1H2024 amounted to approximately RMB205,000 (2023: RMB20,000.00).

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

As of 30 June 2024, the interests and short positions of the Directors and chief executive of the Company or any of their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be (a) notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have taken under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix C3 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), were as follows:

(i) Interests in the Company

Name of Directors	Nature of interest and capacity	Number of shares or underlying shares held ⁽⁶⁾	Approximate percentage of shareholding ⁽⁷⁾
Mr. CHAN Kam Chung	Interest in a controlled corporation ⁽¹⁾	161,700,000	19.48%
	Interest under the Concert Party Agreement ⁽²⁾	588,000,000	70.87%
Mr. CHAN Shui Yip	Interest in a controlled corporation ⁽³⁾	161,700,000	19.48%
	Interest under the Concert Party Agreement ⁽²⁾	588,000,000	70.87%
Mr. GUO Dongxu	Interest in a controlled corporation ⁽⁵⁾	66,150,000	7.97%
	Interest under the Concert Party Agreement ⁽²⁾	588,000,000	70.87%

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 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 shares held by Epoch for the purpose of the SFO. Mr. CHAN Shui Yip is the sole director of Epoch.
- (4) 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 shares held by Strong Achievement for the purpose of the SFO. Mr. GUO Dongxu is the sole director of Strong Achievement.
- (5) All the interests disclosed represent long positions in the shares and underlying shares of the Company.
- (6) As of 30 June 2024, the total number of issued shares of the Company was 834,120,000.

(ii) Interests in associated corporations

Name of Directors	Name of associated corporations	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%

Save as disclosed above, as of 30 June 2024, none of the directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 30 June 2024, the person or corporations (not being a Director or chief executive of the Company) who had an interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Shareholders	Nature of interest and capacity	Number of shares held ⁽⁴⁾	Approximate percentage of shareholding ⁽⁵⁾
COS Kreation	Beneficial owner	161,700,000	19.39%
Epoch	Beneficial owner	161,700,000	19.39%
Green Forest	Beneficial owner	92,603,571	11.10%
Strong Achievement	Beneficial owner	66,150,000	7.93%
Winning Path	Beneficial owner	66,150,000	7.93%
Mr. GUO Yuansuo	Interest in a controlled corporation ⁽²⁾	66,150,000	7.93%
	Interest under the Concert Party Agreement ⁽¹⁾	588,000,000	70.49%
East Prosperity	Beneficial owner	39,696,429	4.76%
Mr. GUO Donghuang	Interest in a controlled corporation ⁽³⁾	39,696,429	4.76%
	Interest under the Concert Party Agreement ⁽¹⁾	588,000,000	70.49%

Notes:

- 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.
- 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 shares held by Winning Path for the purpose of the SFO. Mr. GUO Yuansuo is the sole director of Winning Path.
- 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 shares held by East Prosperity for the purpose of the SFO. Mr. GUO Donghuang is the sole director of East Prosperity.
- All the interests disclosed represent long positions in the shares and underlying shares of the Company.
- As of 30 June 2024, the total number of issued shares of the Company was 834,120,000.

Save as disclosed above, as of 30 June 2024, the Directors were not aware of any other person or corporation having an interests or short positions in the shares and underlying shares of the Company as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE SCHEMES

a) Pre-IPO Share Option Scheme

On 5 August 2018, the Company approved a pre-IPO share option scheme (the “**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 are set forth in note 15(a) to the condensed consolidated interim financial statements. No share options available for grant under the Pre-IPO Share Option Scheme as of 1 January 2024 and 30 June 2024. The following table set forth the movements in the share options under the Pre-IPO Share Option Scheme for the 1H2024:

Category/name of grantee	Date of grant	Exercise price per share	Exercise period	Vesting Period	Closing price of the share immediately before the date of grant	Number of share options					As of 30 June 2024
						As of 1 January 2024	Granted during the 1H2024	Exercised during the 1H2024	Lapsed during the 1H2024	Cancelled during the 1H2024	
Employees in aggregate	9 August 2018	HK\$0.01	17 October 2019 to 16 October 2024. All unexercised share options after the relevant exercise periods or upon resignation will lapse	20% each year starting from 17 October 2019	N/A	4,432,000	—	(4,432,000) ⁽¹⁾	—	—	—
Other participants	9 August 2018	HK\$0.01	17 April 2020 to 16 April 2025	100% from 17 April 2020	N/A	—	—	—	—	—	—
Total						4,432,000	—	(4,432,000)	—	—	—

Note:

- (1) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$0.80.

b) Post-IPO Share Option Scheme

The Company adopted the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") pursuant to the resolutions passed by the shareholders of the Company on 25 September 2019 and subject to the approval of the shareholders of the Company at the forthcoming extraordinary general meeting of the Company.

During the 1H2024, no share option had been granted, exercised, lapsed or cancelled under the Post-IPO Share Option Scheme. There are no outstanding share options granted under the Post-IPO Share Option Scheme as at the date of this report. The number of share options available for grant under the Post-IPO Share Option Scheme was 80,000,000 as of 1 January 2024 and 30 June 2024.

A summary of the Post-IPO Share Option Scheme is set forth below:

1. Purpose:

The purpose of the Post-IPO Share Option Scheme is to enable our Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group and to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (a) motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; (b) attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group; and/or (c) for such purposes as the Board may approve from time to time.

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, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for 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) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
 - (g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

- 3. Total number of shares available for issue under the Post-IPO Share Option Scheme together with the percentage of the issued shares that it represents as of the date of this report: A maximum of 80,000,000 shares to be allotted and issued, representing 9.59% of the issued shares of the Company as of the date of this report.

- 4. Maximum entitlement of each participant: No option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period exceeds 1% of our shares in issue from time to time.

- 5. Option period: The Board shall be entitled at any time within 10 years from the date of adopting the Post-IPO Share Option Scheme to offer the grant of an option to any eligible participant as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may determine. There is no minimum period for which an option must be held before it can be exercised.

- 6. 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: The amount payable on acceptance of an Option is HK\$1.0. An offer of an option must be accepted by the relevant eligible participant, being a date not later than 30 days after the offer date

7. Basis of determining the exercise price: The subscription price of a share in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of:
- (a) the nominal value of a share;
 - (b) the closing price of a share in the Stock Exchange's daily quotations 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.
8. Remaining life: 10 years from the date on which it becomes unconditional.

c) Share Award Scheme

The Company adopted the share award scheme (the "**Share Award Scheme**") on 10 July 2020 for recognising and rewarding the contribution of the selected participants to the business growth of the Group. The Share Award Scheme also provides incentive to the selected participants to continue their contribution to the future business development of the Group. The Share Award Scheme includes (a) the rules relating to Share Award Scheme and (b) a trust deed, pursuant to which an independent trust company has been appointed as the trustee (the "**Trustee**") of the Share Award Scheme. Pursuant to the Share Award Scheme, the Company would provide the Trustee with certain funds for market purchase by the Trustee of certain shares or subscription for certain shares from the Company at par value, which will be used to establish a shares pool for the benefit of the selected participants. All shares comprising the shares pool under the Share Award Scheme have been and will be purchased by the Trustee and will be held by the Trustee for the benefit of the selected participants until vesting. The following table sets forth the movements in the share awards under the Share Award Scheme for the 1H2024:

(a) Awarded shares granted on 5 December 2022.

Name of grantees	Date of grant	Vesting period	Number of awarded shares					As of 30 June 2024	Fair Value for each of the awarded shares ⁽⁴⁾ HK\$
			As of 1 January 2024	Granted during the 1H2024	Vested during the 1H2024	Lapsed during the 1H2024	Cancelled during the 1H2024		
SHI Shuangquan	5 December 2022 ⁽²⁾	20% each year starting from 1 April 2023	1,600,000	—	(400,000) ⁽³⁾	—	—	1,200,000	3.38
SO Chi Man ⁽¹⁾			1,200,000	—	(300,000) ⁽³⁾	—	—	900,000	3.38
LIN Kuncheng			640,000	—	(160,000) ⁽³⁾	—	—	480,000	3.38
			<u>3,440,000</u>	<u>—</u>	<u>(860,000)</u>	<u>—</u>	<u>—</u>	<u>2,580,000</u>	

The group used Binomial option-pricing model to determine the fair value of the share option as of the grant date. Key assumption are set as below:

	As at grant date 5 December 2022
Dividend yield (%)	1.74
Risk-free rate (%)	3.72~4.91
Expected volatility (%)	43.67
Fair value per share (HK\$)	3.27~3.50
Exercise price (HK\$)	—

Notes:

1. Mr. SO Chi Man is one of the five highest paid employees of the Group.
2. The closing price of the shares immediately before the date of grant was HK\$3.54.
3. The awarded shares have been granted for nil purchase price and the weighted average closing price of the shares immediately before the date on which the awarded shares were vested was HK\$0.79. The vesting of each tranche of the awarded shares is subject to the satisfaction of such predetermined performance targets as determined by the Board (and its committees). The Group has established an appraisal system for the evaluation of the contributions and performance of the grantees against these performance targets.
4. The total amount of the fair value of the awarded shares at the date of grant to the three employees are amortised over the vesting period of five years and recorded in "employee benefit expenses" in the consolidated statement of profit or loss.
5. During the 1H2024, no shares have been purchased by the Trustee on the Stock Exchange.

(b) Awarded shares granted on 21 May 2024

Name of grantees	Date of grant	Vesting period	As of	Granted	Vested	Lapsed	Cancelled	As of	Fair Value
			1 January 2024	during the 1H2024	during the 1H2024	during the 1H2024	during the 1H2024	30 June 2024	for each of the awarded shares HK\$ Note 3
					Note 2				
CHEN Yi (an executive director appointed on 7 June 2024)	21 May 2024	20% each year starting from 21 May 2024 ⁽¹⁾	—	800,000	(160,000)	—	—	640,000	0.75
LIN Penghui			—	800,000	(160,000)	—	—	640,000	0.75
WU Zhiyong			—	700,000	(140,000)	—	—	560,000	0.75
YANG Qigui			—	700,000	(140,000)	—	—	560,000	0.75
ZHOU Jianhua			—	800,000	(160,000)	—	—	640,000	0.75
			—	3,800,000	(760,000)	—	—	3,040,000	

The group used Binomial option-pricing model to determine the fair value of the share option as of the grant date. Key assumption are set as below:

	As at grant date 21 May 2024
Dividend yield (%)	2.19
Risk-free rate (%)	3.60~4.25
Expected volatility (%)	63.75
Fair value per share (HK\$)	0.71~0.78
Exercise price (HK\$)	—

Notes:

- (1) The closing price of the shares immediately before the date of grant was HK\$0.77. The vesting of each tranche of the awarded shares is subject to the satisfaction of such predetermined performance targets as determined by the Board (and its committees). The Group has established an appraisal system for the evaluation of the contributions and performance of the grantees against these performance targets.
- (2) The awarded shares have been granted for nil purchase price and the weighted average closing price of the shares immediately before the date on which the awarded shares were vested) was HK\$0.77.
- (3) The total amount of the fair value of the awarded shares at the date of grant to the five employees are amortised over the vesting period of five years and recorded in "employee benefit expenses" in the consolidated statement of profit or loss.
- (4) During the 1H2024, no shares have been purchased by the Trustee on the Stock Exchange.

The number of award shares available for grant under the Share Award Scheme was 8,734,000 as of 1 January 2024 and 5,294,000 as of 30 June 2024. The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during 1H2024 divided by the weighted average number of Shares of the relevant class in issue (excluding treasury shares) for 1H2024 was 0.31%.

A summary of the Share Award Scheme is set forth below:

1. Purpose:

The purposes of the Share Award Scheme is, through as award of shares, to: (a) recognize and reward the contribution of certain eligible person(s) for the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (b) to attract suitable personnel for further development of the Group.
2. Participants:

Eligible person(s) means any person belonging to the following classes of persons:

 - (i) any employee of the Group;
 - (ii) any executive director or non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any invested entity;
 - (iii) any customer of the Group or any invested entity;
 - (iv) any supplier of goods or services to any member of the Group or any invested entity;
 - (v) any person or entity that provides research, development or other technological support to the Group or any invested entity;
 - (vi) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity;
 - (vii) any person or entity which has contributed to the Group or its business; and
 - (viii) any other person selected by the Board as its sole discretion.



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| 3. | Total number of shares available for award under the Share Award Scheme together with the percentage of the issued shares that it represents as of the date of this report: | A maximum of 5,294,000 shares available for award under the Share Award Scheme, representing 0.63% of the issued shares of the Company as of the date of this report. |
| 4. | Maximum entitlement of each participant: | Not applicable, but the Board has decided that no more than 1.0% of the issued share capital of the Company could be granted to each selected participant. |
| 5. | Amount, if any, payable on application or acceptance of the awarded shares and the period within which payments or calls must or may be made or loans for such purposes must be repaid: | All awarded shares have been granted to the grantees for nil purchase price. The awarded shares shall be deemed to be irrevocably accepted by the selected participant unless he/she shall within five (5) business days after receipt of notice of award notify the Company in writing that he/she would decline to accept such awarded shares. |
| 6. | Basis of determining the purchase price of shares awarded: | All awarded shares have been granted to the grantees for nil purchase price. The Trustee may purchase the shares on the Stock Exchange at the prevailing market price. If the Trustee effects any purchase off-market, the price for such purchase will not be higher than the lower of the following: (i) the closing market price on the date of such purchase and (ii) the average closing market price for the five preceding trading days on which the shares were traded on the Stock Exchange. |
| 7. | Remaining life: | The Share Award Scheme shall be valid and effective for a term of 10 years commenced from 10 July 2020. |

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the 1H2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

The Company believes that good corporate governance can enhance its overall effectiveness, and thus create additional value for our shareholders. The Company is committed to maintaining high standards and has applied the principles that are set forth in the Corporate Governance Code (the “**CG Code**”) in Part 2 of Appendix C1 to the Listing Rules. The Company’s corporate governance practices are based on these principles. The Board believes that good corporate governance standards are essential in contributing to the provision of a framework for the Company to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies and enhance transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company’s corporate governance practices since its listing.

The Directors confirmed that the Company has complied with the applicable code provisions of the CG Code during the 1H2024, except for the deviation from code provision C.2.1 of the CG Code as described below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company’s securities for relevant employees (as defined in the Listing Rules).

The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during 1H 2024. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company’s securities, without noticing any violation of the guidelines.



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AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS

The Company established the audit committee (the “**Audit Committee**”) pursuant to a resolution of Directors passed on 25 September 2019. The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advise in respect of financial reporting at least at half-year intervals, and oversee the risk management policies and internal control procedures of the Group constantly. The Audit Committee consists of three independent non-executive Directors, namely Mr. HO Kwai Ching, Mark, Mr. NG Man Kung and Mr. HU Guohua. Mr. HO Kwai Ching, Mark currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the applicable code provisions in the CG Code. The Company’s unaudited interim results for the 1H2024, the condensed consolidated interim financial statements for the 1H2024 and this report have been reviewed by the Audit Committee.

The condensed consolidated interim financial statements for the 1H2024 is unaudited but has been reviewed by PricewaterhouseCoopers, the independent auditors of the Company, in compliance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.