

**IPO FACT SHEET**
**Green Future Food Hydrocolloid Marine Science Company Ltd (1084)**
**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$232m – HK\$348m
<b>Placement Tranche:</b>	200m
<b>Price:</b>	HK\$1.16 – HK\$1.74
<b>Board lot:</b>	2,000
<b>Entry fee:</b>	HK\$3,515.06
<b>Historical PE</b>	9.90x – 14.84x
<b>Net tangible asset per share:</b>	HK\$0.73 – HK\$0.87
<b>Market Cap (post-IPO):</b>	HK\$928m – HK\$1,392m
<b>Open:</b>	30 Sep 2019
<b>Close:</b>	12.00 noon on 9 Oct 2019
<b>Trading:</b>	17 Oct 2019
<b>Sponsor:</b>	Essence Corporate Finance (Hong Kong) Limited

Year ended 31 Dec	(HKD'000)	yoy % chg
Revenue		
2017	661,568	23.6%
2018	997,056	50.7%
Profit for the year / period		
2017	92,769	73.7%
2018	93,776	1.1%

**BACKGROUND**

- They are a leading seaweed-based and plant-based hydrocolloid producer in the PRC.
- Their hydrocolloid products include agar-agar products, carrageenan products, konjac products, and their respective blended products, which are derived from natural sources and have a seaweed or plant origin. Seaweed-based and plant-based hydrocolloid products are commonly used in food producing and processing industry.
- In food production process, hydrocolloid products can enhance the appearance and texture of food, achieve the desired viscosity and mouthfeel, and have the functional properties of gelling and thickening. Hydrocolloid products are used in dairy products, beverages, confectioneries, meat products, jellies, and desserts.
- Pursuant to the Frost & Sullivan Report, they ranked first amongst the agar-agar producers, both in the PRC and the global market, in terms of both the sales volume and sales value in 2018. Pursuant to the same report, their market share in the PRC agar-agar market in 2018 was 31.6% in terms of sales volume and 33.7% in terms of sales value. Their market share in the global agar-agar market in 2018 was 13.4% in terms of sales volume and 10.3% in terms of sales value.
- Pursuant to the Frost & Sullivan Report, they ranked second amongst the carrageenan producers in the PRC in 2018, with the market share of 22.7% in terms of sales volume and 27.7% in terms of sales value.
- Their market share in the global carrageenan market in 2018 was 9.4% in terms of sales volume and 10.4% in terms of sales value. Their products are sold under their brands or in bulk volume not bearing their brands. During the Track Record Period and up to the Latest Practicable Date, they sold their products in the PRC and 48 countries and territories in North America, South America, Europe, Asia, and Africa.

**BUSINESS STRATEGIES**

- They aim to achieve sustainable growth in their production and sales and enhance their market position in the hydrocolloid market by implementing the following strategies.
- They will expand their production capacity and improve the operational efficiency.
- They will further strengthen their product research and development capability and continue to develop products and product formulas pursuant to the industry trends.
- They will enhance their sales and marketing coverage.

#### COMPETITIVE STRENGTHS

- They are a leading seaweed-based hydrocolloid producer both in the PRC and the global market.
- They have strong product research and development capability.
- They offer a wide range of seaweed-based and plant-based hydrocolloid products including agar-agar products, carrageenan products, and konjac products, and their respective blended products backed by their strong product research and development capability.
- They have developed interchangeable production lines for different hydrocolloid products.
- They have dedicated quality management system from procurement to the entire production process.
- They have a solid customer base.
- They have an experienced and visionary management team with proven track record.

#### KEY RISKS

- They rely on a stable and adequate supply of quality raw materials which are subject to price volatility and may not be readily available.
- They do not have long-term purchase commitments from their customers and they may be subject to revenue volatility and uncertainty.
- They may not be able to effectively manage their inventory of raw materials and finished products.
- They may fail to maintain effective quality control and may be subject to product liability claims which could have a material adverse impact on their reputation, business and financial condition, and operating results.
- Their business is affected by changes in consumer tastes, preferences, and general perceptions for hydrocolloid products.
- If they are not able to implement their production capacity expansion plans or effectively manage. Their expansion, their business and financial condition and operating results could be adversely affected.
- They may incur substantial costs in complying with stringent environmental laws and regulations.

#### DIVIDEND POLICY

- They intend to adopt a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 20% of their distributable net profit attributable to their equity shareholders in the future.

#### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Will be used for partial financing of the construction cost for the new production plant adjacent to the location of Lvqi (Fujian) Production Plant, which will have a total site area of 37,680 sq.m. and a total gross floor area of 8,266.21 sq.m.	26.4	11.0%
Will be used for the construction of a new production plant in Longhai City, Zhangzhou City, Fujian Province with an annual design production capacity of 50 tonnes of agarose, 10 tonnes of agar microspheres, and 200 tonnes of agarophyte.	81.2	33.8%
Will be used for the construction of a new production plant in Indonesia with an annual design production capacity of 3,000 tonnes of semi-refined carrageenan.	27.6	11.5%
Will be used for the construction of a new production plant of agar-agar products in Zhangzhou City, Fujian Province, the PRC with an annual design production capacity of 1,000 tonnes.	82.1	34.2%
Will be used for their general working capital purpose.	22.7	9.5%
<b>Total:</b>	<b>240.0</b>	<b>100.0%</b>

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