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**GREEN FUTURE FOOD HYDROCOLLOID MARINE
SCIENCE COMPANY LIMITED**

綠新親水膠體海洋科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01084)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Board is pleased to announce the consolidated audited financial results of the Group for the year ended 31 December 2022 as follows:

- Revenue amounted to HK\$1,643.8 million, representing an increase of 41.3%, as compared to HK\$1,163.1 million for the year ended 31 December 2021.
- Gross profit amounted to HK\$447.5 million and the gross profit margin was 27.2%, representing an increase of 65.5% and 4.0 percentage points, as compared to HK\$270.4 million and 23.2%, respectively, for the year ended 31 December 2021.
- Profit for the year amounted to HK\$232.9 million and the net profit margin was 14.2%, representing an increase of 124.2% and 5.3 percentage points, respectively, as compared to HK\$103.9 million and 8.9%, respectively, for the year ended 31 December 2021.

The Directors propose a final cash dividend for the year ended 31 December 2022 of HK3.0 cents per share, subject to the approval of the Shareholders at the Annual General Meeting.

The board (the “**Board**”) of directors (the “**Directors**”) of Green Future Food Hydrocolloid Marine Science Company Limited (the “**Company**”) is pleased to announce the consolidated audited financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the year and 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	Year ended 31 December	
		2022	2021
		HK\$'000	HK\$'000
Revenue	3	1,643,818	1,163,146
Cost of sales	4	(1,196,336)	(892,714)
Gross profit		447,482	270,432
Other income		12,975	8,237
Other losses – net		(865)	(2,075)
Net impairment losses on financial assets		(443)	(3,515)
Impairment of non-financial assets		—	(3,592)
Selling and distribution expenses	4	(16,069)	(16,667)
Administrative expenses	4	(106,154)	(92,762)
Operating profit		336,926	160,058
Finance income		150	194
Finance costs		(32,301)	(22,625)
Finance costs – net		(32,151)	(22,431)
Profit before income tax		304,775	137,627
Income tax expense	5	(71,852)	(33,700)
Profit for the year		232,923	103,927
Profit for the year attributable to:			
Owners of the Company		232,133	103,622
Non-controlling interests		790	305
		232,923	103,927
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (HK\$)	6	0.282	0.127
Diluted earnings per share (HK\$)	6	0.275	0.123

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Profit for the year	232,923	103,927
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
– Currency translation differences	(93,829)	26,068
Total comprehensive income for the year	139,094	129,995
Total comprehensive income for the year attributable to:		
Owners of the Company	138,304	129,345
Non-controlling interests	790	650
	139,094	129,995

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	As at 31 December	
		2022	2021
		HK\$'000	HK\$'000
Assets			
Non-current assets			
Land use rights		61,428	68,415
Property, plant and equipment		449,376	504,139
Intangible assets		75,979	88,507
Prepayments for non-current assets		1,704	2,339
Deferred income tax assets		13,456	10,461
		<u>601,943</u>	<u>673,861</u>
Current assets			
Inventories		1,014,451	687,456
Trade and other receivables	8	233,225	198,872
Financial assets at fair value through profit or loss		—	5,529
Restricted cash		1,194	—
Cash and bank balances		42,175	133,832
		<u>1,291,045</u>	<u>1,025,689</u>
Total assets		<u><u>1,892,988</u></u>	<u><u>1,699,550</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2022

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Equity		
Equity attributable to owners of the Company		
Share capital	8,253	8,208
Other reserves	262,727	368,018
Treasury shares	(12,582)	(12,582)
Retained earnings	686,802	478,333
	<u>945,200</u>	<u>841,977</u>
Non-controlling interests	<u>8,803</u>	<u>19,889</u>
Total equity	<u>954,003</u>	<u>861,866</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2022

	Note	As at 31 December	
		2022	2021
		HK\$'000	HK\$'000
Liabilities			
Non-current liabilities			
Bank borrowings		99,200	94,224
Lease liabilities		3,191	5,790
Deferred income		22,249	28,160
Deferred income tax liabilities		5,021	6,270
		<u>129,661</u>	<u>134,444</u>
Current liabilities			
Trade and other payables	9	232,660	178,448
Bank borrowings		549,949	500,153
Lease liabilities		1,796	2,312
Current income tax liabilities		24,919	22,327
		<u>809,324</u>	<u>703,240</u>
Total liabilities		<u>938,985</u>	<u>837,684</u>
Total equity and liabilities		<u>1,892,988</u>	<u>1,699,550</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 sale 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 since 17 October 2019.

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

These consolidated financial statements have been approved for issue by the board of directors of the Company on 30 March 2023.

2 Summary of significant accounting policies

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

Basis of preparation

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

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Changes in accounting policies

- (i) *A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.*

Standards	Effective for accounting periods beginning on or after
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37	1 January 2022
Reference to the Conceptual Framework – Amendments to HKFRS 3	1 January 2022
Amendments to AG 5 Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020	1 January 2022

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policies (continued)

- (ii) *Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.*

Standards, amendments and interpretation	Effective for accounting periods beginning on or after
Classification of Liabilities as Current or Non-current – Amendments to HKAS 1	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12	1 January 2023
Insurance contracts – HKFRS 17	1 January 2023
Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to HKAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12	1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to HKFRS 10 and HKAS 28	To be determined
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	To be determined

3 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 trading of milk 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 statements. 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.

3 Revenue and segment information (continued)

(a) Segment information

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

	Year ended 31 December 2022					Total
	Sales of	Sales of	Sales of	Sales of	Others	
	agar-agar	carrageenan	konjac products	blended products		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue recognised at a point-in time:						
Sales to customers	375,146	1,099,391	53,833	108,888	6,560	1,643,818
Cost of sales	(257,974)	(812,978)	(47,880)	(72,106)	(5,398)	(1,196,336)
Segment results	<u>117,172</u>	<u>286,413</u>	<u>5,953</u>	<u>36,782</u>	<u>1,162</u>	<u>447,482</u>

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

	<u>2022</u>
	HK\$'000
Results of reportable segments	447,482
Other income	12,975
Other losses – net	(865)
Net impairment losses on financial assets	(443)
Selling and distribution expenses	(16,069)
Administrative expenses	(106,154)
Finance income	150
Finance costs	<u>(32,301)</u>
Profit before income tax	304,775
Income tax expense	<u>(71,852)</u>
Profit for the year	<u><u>232,923</u></u>

3 Revenue and segment information (continued)

(a) Segment information (continued)

	Year ended 31 December 2021					
	Sales of	Sales of	Sales of	Sales of	Others	Total
	agar-agar	carrageenan	konjac	blended		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue recognised at a point-in time:						
Sales to customers	291,371	685,748	69,508	85,777	30,742	1,163,146
Cost of sales	<u>(190,030)</u>	<u>(561,886)</u>	<u>(60,590)</u>	<u>(53,874)</u>	<u>(26,334)</u>	<u>(892,714)</u>
Segment results	<u>101,341</u>	<u>123,862</u>	<u>8,918</u>	<u>31,903</u>	<u>4,408</u>	<u>270,432</u>

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

	2021
	HK\$'000
Results of reportable segments	270,432
Other income	8,237
Other losses – net	(2,075)
Net impairment losses on financial assets	(3,515)
Impairment of non-financial assets	(3,592)
Selling and distribution expenses	(16,667)
Administrative expenses	(92,762)
Finance income	194
Finance costs	<u>(22,625)</u>
Profit before income tax	137,627
Income tax expense	<u>(33,700)</u>
Profit for the year	<u>103,927</u>

3 Revenue and segment information (continued)

(a) Segment information (continued)

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
China	679,161	557,624
Europe	548,448	370,426
Asia (excluding China)	277,179	151,310
South America	72,965	50,173
North America	61,043	29,004
Africa	4,904	4,517
Oceania	118	92
Total	<u>1,643,818</u>	<u>1,163,146</u>

3 Revenue and segment information (continued)

(a) Segment information (continued)

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
China	508,864	579,518
Hong Kong	1,320	2,205
Indonesia	78,303	81,677
Total	<u>588,487</u>	<u>663,400</u>

(b) Liabilities related to contracts with customers

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Contract liabilities	<u>25,516</u>	<u>12,440</u>

Revenue recognised during the year in relation to contract liabilities was as below:

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Revenue recognised during the year that was included in the contract liabilities at the beginning of the year	<u>12,440</u>	<u>6,528</u>

For unsatisfied performance obligations, the Group selected to choose a practical expedient and omitted disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

4 Expenses by nature

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Raw materials and consumables used	1,464,423	872,561
Changes in inventories of finished goods and work in progress	(438,645)	(129,852)
Employee benefit expenses	128,297	119,214
Amortisation of land use rights	1,395	1,484
Depreciation of property, plant and equipment	48,597	43,408
Amortisation of intangible assets	7,712	7,698
Utility expenses	41,860	38,388
Other taxes and levies	10,944	5,464
Transportation costs	9,785	8,927
Auditors' remuneration		
- annual audit services of the Company's auditor	2,505	2,651
- non-audit services of the Company's auditor (Note (i))	256	265
- statutory audit services of subsidiaries' auditor	306	293
Advertising and exhibition expense	2,552	1,963
Others	38,572	29,679
Total	<u>1,318,559</u>	<u>1,002,143</u>

4 Expenses by nature (continued)

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Employee benefit expenses	7,373	6,790
Raw materials and consumables used	8,181	5,984
Depreciation charges	955	994
Others	2,824	1,448
	<u>19,333</u>	<u>15,216</u>

Note:

- (i) Non-audit service fees totalling HK\$256,000 was incurred for assistance provided by the Company's auditor in connection with the Company's annual results announcement and the Company's environmental, social and governance report carried out by separate non-audit team of the Company's auditor (2021: HK\$265,000).

5 Income tax expense

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Current income tax	76,047	32,744
Deferred income tax	(4,195)	956
Income tax expense	<u>71,852</u>	<u>33,700</u>

The Group's income tax comprises:

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

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

The Group's subsidiaries incorporated in the BVI are exempted companies and are not liable for taxation in the 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% (2021: 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% (2021: 16.5%) on the estimated assessable profits for the year with the certain concession. Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2021/2022 onwards, the first HK\$2 million of assessable profits of one of the Group's companies incorporated in Hong Kong under Hong Kong profits tax during the year ended 31 December 2022 is subject to a tax rate of 8.25% (2021: 8.25%). The Group's remaining assessable profits above HK\$2 million will continue to be subject to a tax rate of 16.5% (2021: 16.5%).

5 Income tax expense (continued)

(ii) PRC corporate income tax (“CIT”)

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group’s subsidiaries operate. The Company’s subsidiaries incorporated in the PRC are subject to CIT at the rate of 25% (2021: 25%), except for Fujian Province Lvqi Food Colloid Company Ltd. (“Lvqi (Fujian)”) and 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 2022 and 2021, respectively.

Lvqi (Fujian) obtained the qualification of certified high and new technology enterprises and has been entitled to preferential income tax rate of 15% since 2015, subject to renewal of the qualification for every three years interval. The latest approval of the qualification is for years 2021 to 2023.

Donghaiwan is qualified as an agricultural products enterprise and is subject to a CIT reduction of 50% as granted by the local tax bureau, and the CIT rate is 12.5% during 2022 and 2021.

5 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 out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies. During 2022 and 2021, the holding companies of the Group's subsidiaries in the PRC are Hong Kong incorporated companies and are subject to a withholding income tax rate of 5%.

The Group's subsidiaries in the PRC have undistributed earnings totalled HK\$726,610,000 (2021: HK\$513,443,000) as at 31 December 2022, 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.

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Profit before income tax	304,775	137,627
Tax calculated at the applicable statutory tax rates in the respective regions	74,420	36,528
Adjustment for tax effect of:		
– Expenses not deductible for tax purpose	200	357
– Additional deduction of research and development expenses	(1,904)	(1,536)
– Overprovision of previous year	(58)	(760)
– Impact of preferential income tax	(3,505)	(2,709)
– Tax losses for which no deferred income tax asset was recognised	2,699	1,820
Tax charge	<u>71,852</u>	<u>33,700</u>

5 Income tax expense (continued)

(iii) PRC withholding income tax (continued)

The weighted average applicable statutory tax rate for the year ended 31 December 2022 was 24% (2021: 27%). The effective tax rate for the year ended 31 December 2022 was 24% (2021: 24%).

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
2023	1,154	1,154
2024	705	705
2025	618	3,224
2026	4,528	4,981
2027	2,993	—
	<u>9,998</u>	<u>10,064</u>

6 Earnings per share

(a) Basic and diluted earnings per share

	<u>2022</u>	<u>2021</u>
	HK\$	HK\$
Basic earnings per share attributable to the ordinary equity holders of the Company	0.282	0.127
Diluted earnings per share attributable to the ordinary equity holders of the Company	<u>0.275</u>	<u>0.123</u>

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares in issue during the financial period and excluding ordinary shares purchased by the Group and held as treasury shares.

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

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
<i>Basic and diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company	<u>232,133</u>	<u>103,622</u>

6 Earnings per share (continued)

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

	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	823,384,711	818,954,060
Adjustments for calculation of diluted earnings per share:		
– Share options	7,886,981	9,589,726
– Treasury shares	12,490,000	12,347,534
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>843,761,692</u>	<u>840,891,320</u>

7 Dividends

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Paid final dividend of HK2.5 cents (2021: HK2.5 cents)		
per ordinary share	20,319	20,215
Paid interim dividend of HK2.0 cents (2021: HK1.5 cents)		
per ordinary share	<u>16,255</u>	<u>12,125</u>
Total	<u>36,574</u>	<u>32,340</u>

Dividends relating to the years ended 31 December 2021, amounting to approximately HK\$20,319,000, were paid in July 2022.

Dividends relating to the period ended 30 June 2022, amounting to approximately HK\$16,255,000, were paid in October 2022.

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Proposed final dividend of HK3.0 cents (2021: HK2.5 cents)		
per ordinary share	<u>24,758</u>	<u>20,521</u>

A final dividend in respect of the year ended 31 December 2022 of HK3.0 cents (2021: HK2.5 cents) per share, amounting to a total of HK\$24,758,000 (2021: HK\$20,521,000), was proposed by the board of directors of the Company on 30 March 2023 and is subject to approval by the Company's shareholders in the forthcoming annual general meeting of the Company. The proposed dividend will be distributed out of the share premium account of the Company. These financial statements do not reflect this as dividend payable.

8 Trade and other receivables

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Trade receivables	174,599	149,865
Loss allowance provision	<u>(4,662)</u>	<u>(4,274)</u>
	<u>169,937</u>	<u>145,591</u>
Prepayments for purchases of raw materials	6,124	20,174
Export tax rebate receivables and deductible value-added tax	52,624	25,956
Other receivables	<u>4,540</u>	<u>7,151</u>
	<u>63,288</u>	<u>53,281</u>
Total trade and other receivables	<u><u>233,225</u></u>	<u><u>198,872</u></u>

(i) Ageing analysis of trade receivables

The ageing analysis of the trade receivables as at the 31 December 2022 based on invoice date was as follows:

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Up to 30 days	112,842	87,941
31 to 90 days	51,037	38,629
91 to 180 days	3,787	6,375
181 to 365 days	2,155	10,383
Over one year	<u>4,778</u>	<u>6,537</u>
	<u><u>174,599</u></u>	<u><u>149,865</u></u>

8 Trade and other receivables (continued)

(ii) Impairment of trade receivables

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

The expected loss rates are based on the payment profiles of sales over a period of 24 months before balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the consumer price index of China in which it sells its goods and services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The loss allowance provision of trade receivables as at 31 December 2022 is as follows:

	Within						Total
	3 months	4-6 months	7-9 months	10-12 months	over 1 year	over 2 years	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 31 December 2022							
Expected loss rate	0.35%	2.37%	8.31%	14.02%	18.81%	100.00%	—
Gross carrying amount	163,878	3,787	1,066	1,090	2,675	2,103	174,599
Loss allowance provision	574	90	89	153	503	2,103	3,512
Individually impaired receivables							1,150
Total allowance							4,662

8 Trade and other receivables (continued)

(ii) Impairment of trade receivables (continued)

	Within						Total
	3 months	4-6 months	7-9 months	10-12 months	over 1 year	over 2 years	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 31 December 2021							
Expected loss rate	0.09%	0.38%	6.52%	11.95%	14.82%	100.00%	—
Gross carrying amount	<u>126,569</u>	<u>6,375</u>	<u>7,162</u>	<u>3,222</u>	<u>3,968</u>	<u>2,569</u>	<u>149,865</u>
Loss allowance provision	<u>114</u>	<u>24</u>	<u>467</u>	<u>385</u>	<u>588</u>	<u>2,569</u>	<u>4,147</u>
Individually impaired receivables							<u>127</u>
Total allowance							<u><u>4,274</u></u>

Impairment losses are recognised in profit or loss within net impairment losses on financial assets. Receivables for which an impairment allowance was recognised are written off against the allowance when there is no reasonable expectation of recovering additional cash. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 24 months.

8 Trade and other receivables (continued)

(ii) Impairment of trade receivables (continued)

As at 31 December 2022, the loss allowance provision for trade receivables are reconciled to the opening loss allowance for that provision as follows:

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
At 1 January	4,274	754
Increase in loss allowance recognised in profit or loss during the year	443	3,515
Currency translation differences	<u>(55)</u>	<u>5</u>
At 31 December	<u><u>4,662</u></u>	<u><u>4,274</u></u>

During the year ended 31 December 2022, the following losses were recognised in profit or loss in relation to impaired receivables.

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Individually impaired receivables	1,078	—
(Reversal of)/provision for impairment according to the expected credit losses matrix	<u>(635)</u>	<u>3,515</u>
Net impairment losses	<u><u>443</u></u>	<u><u>3,515</u></u>

8 Trade and other receivables (continued)

(iii) Impairment of other financial assets at amortised cost

Other financial assets at amortised cost include other receivables.

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

The Group has assessed that the expected credit losses for these financial assets are not material under the 12 months expected losses method. Thus, no loss allowance provision was recognised during the year (2021: nil). The Group does not hold any collateral in relation to these other receivables.

(iv) Fair values of trade and other receivables

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

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
USD	71,069	41,604
RMB	156,422	152,395
HK\$	1,078	1,141
Other currencies	4,656	3,732
	<u>233,225</u>	<u>198,872</u>

9 Trade and other payables

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Trade payables	154,218	95,979
Contract liabilities - advance receipts from customers	25,516	12,440
Payables for property, plant and equipment	10,367	23,750
Employee benefit payables	9,804	9,632
Other taxes payable	5,593	5,084
Amount due to a related party	1,478	—
Amount due to a third party	—	22,016
Others	25,684	9,547
	<u>232,660</u>	<u>178,448</u>

Trade payables are usually paid within 90 days of recognition. The ageing analysis of trade payables as at 31 December 2022 based on invoice date was follows:

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
0 to 90 days	127,768	93,095
91 to 180 days	23,535	276
181 to 365 days	837	125
Over 365 days	2,078	2,483
	<u>154,218</u>	<u>95,979</u>

9 Trade and other payables (continued)

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

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
RMB	134,050	98,490
USD	68,542	67,965
HK\$	792	679
IDR	29,276	11,314
	<u>232,660</u>	<u>178,448</u>

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2022.

Long-Term Business Strategy

The Group is a leading producer of seaweed-based and plant-based hydrocolloid products in the PRC and the global market. In 2020 and 2021, we ranked first amongst the agar-agar products as well as the refined and semi-refined carrageenan products manufacturers, in the People's Republic of China (the "PRC") market in terms of the sales value, sales volume and the related market shares. Also, we are the largest manufacturer of agar-agar products and refined and semi-refined carrageenan products globally in 2020 and 2021, according to a report prepared by Frost & Sullivan in June 2022. Our products, mainly including agar-agar, carrageenan, blended products and konjac gum, provide functional properties such as thickening, water-retention and separation medium functions for various end products such as processed food, cosmetics and biomedical products, and make up the main contents of many health foods for their rich soluble dietary fibers. In addition, we can extend product functions through blending different colloids and gums. For example, konjac gum blended products enable plant-based artificial meat to offer the mouthfeel resembling that of real meat, at the same time konjac has become increasingly popular under the trend of promoting healthy eating.

Distinguished from other traditional manufacturers, the Group is a long-term partner of its customers in the supply of raw materials and in certain process of the product development of its customers. These cooperative relationship plays a significant role in enhancing customer loyalty. Moreover, through product research and development, the Group is capable of supporting and facilitating the development of new applications and end products for the customers, thereby helping the Group to secure customer orders, which is one of the long-term business development strategies of the Group.

Business Overview for 2022

In 2022, riding on the recovery from the impact of coronavirus (“COVID-19”), the Group is benefitted from the strong demand for agar-agar products and carrageenan products from both domestic and overseas buyers in the food sector. The Group has enjoyed a significant increase in the sales revenue and significant improvement in the gross profit margin and the net profit as a result.

During the year, the Group’s total revenue was HK\$1,643.8 million (2021: HK\$1,163.1 million), representing an increase of 41.3%, as compared to last year. The intermittent lockdown measures of COVID-19 in the PRC, the fast economic recovery in the western countries, and the inflationary pressure of natural resources have driven up and accelerated the demand for food and food additives included hydrocolloid products on a global dimension. The net profit of the Group for the year increased by HK\$129.0 million to HK\$232.9 million, primarily due to the stable sales volume of agar-agar products and carrageenan products across years, coupled with the increase in the gross profit margin by 4.0 percentage points, up to 27.2% during the year caused mainly by the significant increase in average selling prices of agar-agar products and carrageenan products by 12.7% and 67.6%, respectively, in response to the increasing prices of seaweeds started in late 2021 and continued throughout the year. The extent of increase in the net profit for the year was partially offset by the increase in administrative expenses, finance costs and income tax expense of the year of HK\$13.4 million, HK\$9.7 million and HK\$38.2 million, respectively.

During the year, the sales revenue in the PRC and overseas markets accounted for 41.3% and 58.7% of our total sales revenue, respectively (2021: 47.9% and 52.1%). The percentage increase in the sales revenue in the PRC market was less than the increase in, as compared the overseas markets, primarily due to the constraints imposed to the retail channels for end-products as a result of the COVID-19 lockdown measures escalated in various parts of the PRC since the second quarter of the year. On the other hand, riding on the recovery from the impact of COVID-19, the sales revenue in Europe, North America, South America and Asia (excluding China) markets increased by 48.1%, 110.5%, 45.4% and 83.2%, respectively during the year.

The Directors believe that alongside the full relaxation of the COVID-19 pandemic control measures and the resumption of the outbound travelling between China and other countries, the Group would be able to further strengthen sales growth in overseas market through the participation of international trade shows and the launching of on-site marketing activities.

The Directors believe that our financial results demonstrated the strategic edge, competitiveness and resilience of the Group as an industry leader.

2022 Final Cash Dividend

In order to share the operating results of the Company with our shareholders (the “**Shareholders**”), the Directors propose a final cash dividend of HK3.0 cents per share for the year ended 31 December 2022, which demonstrated the Company’s continuous efforts in attaining the target dividend payout each year after considering the available resources, amounting to a total of HK\$24.7 million. Dividends will be paid in cash.

Subsequent Event

There was no significant event affecting the Group which occurred after 31 December 2022 and up to the date of this announcement.

Prospects

Because of full recovery from the impact of COVID-19 in most parts of the world in 2022, and also alongside the full relaxation of the COVID-19 pandemic control measures in China by the end of 2022, the Directors expect a very promising growth in the demand for food products globally in the long-run.

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

Appreciation

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

CHAN Kam Chung

Chairman

Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2022, riding on the full recovery from the impact of COVID-19 in most parts of the world, the Group is benefitted from the strong demand for agar-agar products and carrageenan products from both domestic and overseas buyers in the food sector. The Group has enjoyed a significant increase in the sales revenue and significant improvement in the gross profit margin and the net profit as a result.

During the year, the Group's total revenue was HK\$1,643.8 million (2021: HK\$1,163.1 million), representing an increase of 41.3%, as compared to last year. The intermittent lockdown measures of COVID-19 in the PRC, the fast economic recovery in the western countries, and the inflationary pressure of natural resources have driven up and accelerated the demand for food and food additives included hydrocolloid products on a global dimension. The net profit of the Group for the year increased by HK\$129.0 million to HK\$232.9 million, primarily due to the stable sales volume of agar-agar products and carrageenan products across years, coupled with the increase in the gross profit margin by 4.0 percentage point, up to 27.2% during the year caused mainly by the significant increase in average selling prices of agar-agar products and carrageenan products by 12.7% and 67.6%, respectively, in response to the increasing prices of seaweeds started in late 2021 and continued throughout the year. The extent of increase in the net profit for the year was partially offset by the increase in administrative expenses, finance costs and income tax expense of the year of HK\$13.4 million, HK\$9.7 million and HK\$38.2 million, respectively.

During the year, the sales revenue in the PRC and overseas markets accounted for 41.3% and 58.7% of our total sales revenue, respectively (2021: 47.9% and 52.1%). The percentage increase in the sales revenue in the PRC market, was less than the increase in, as compared the overseas markets, primarily due to the constraints imposed to the retail channels for end-products as a result of the COVID-19 lockdown measures escalated in various parts of the PRC since the second quarter of the year. On the other hand, riding on the recovery from the impact of COVID-19, the sales revenue in Europe, North America, South America and Asia (excluding China) markets increased by 48.1%, 110.5%, 45.4% and 83.2%, respectively during the year.

Ongoing investment in research and development

The Group sets out a long-term goal in offering products carrying higher level of product technology which enables us to differentiate further from its competitors in meeting the changing needs of customers. Through our ongoing investments in the research and development capability, the Group is able to enhance products mix and hence profitability in a sustainable manner. For instance, quick-dissolve agar-agar used in dairy products and deep-processed carrageenan products used in bakery products are the 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 year. The Directors expect that the diversity in the end products and the applications will be key areas for our expansion in the future.

Complementary strategies for product and market

The sales volume and sales revenue of agar-agar products and carrageenan products, contributing to approximately 86.8% and 89.7% (2021: 83.1% and 84.0%) of our total sales volume and total sales revenue for the year ended 31 December 2022, representing an increase of 3.7 percentage points and 5.7 percentage points, respectively, as compared to 2021. The sales volume and sales revenue of konjac products, as a percentage to total sales revenue and sales volume, recorded a mild increase of 0.4 percentage point and a decrease of 2.7 percentage points, respectively for the year ended 31 December 2022, as compared to 2021. On the same basis, the sales volume and sales revenue of blended products remained stable across the years and recorded a mild decrease of 0.8 percentage point, respectively, for the year ended 31 December 2022, as compared to 2021. Despite the decrease in the proportions in terms of sales revenue of konjac products and blended products which was caused mainly by the strong increase in sales revenue of agar-agar products and carrageenan products during the year, the absolute sales volumes of the two products which carry relatively high profit potential in the sales mix remained stable across years. Benefitting from the diversification and complementarity of our colloid products, the Group is able to adjust the sales efforts in light of changes in market demand in end products, thereby maintaining a solid and high-yielding revenue base over time.

Prospects

Because of full recovery from the impact of COVID-19 in most parts of the world in 2022, and also alongside the full relaxation of the COVID-19 pandemic control measures in China by the end of 2022, the Directors expect very promising growth in the demand for food products globally in the long-run.

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

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

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group's revenue was HK\$1,643.8 million (2021: HK\$1,163.1 million), increased by 41.3% as compared to the last year. Sales revenue of agar-agar, carrageenan and blended products increased by 28.8%, 60.3% and 26.9%, respectively, while sale revenue of konjac product decreased by 22.6%, as compared to the last year. The key driver of revenue growth of this year, established on the strong demand of hydrocolloid products, was attributed to the persisting increase in purchase prices of seaweeds since late 2021 and way through 2022, which in turn provided room for the Group to pass on cost and increase the selling prices of products and hence achieved a substantial growth in sales revenue. The total sales revenue of agar-agar and carrageenan products, contributing 89.7% of the total sales revenue of the Group, represented an increase of 5.7 percentage points as compared to 2021. Such increase is mainly due to their wide applications in food products of household necessities which carries a faster and stronger rebound amongst all others.

Cost of Sales

For the year ended 31 December 2022, the cost of sales of the Group was HK\$1,196.3 million (2021: HK\$892.7 million), representing an increase of 34.0%. Our cost of sales mainly consisted of raw materials (seaweed and konjac) and ancillary materials costs, direct labor cost and production costs. The increase in the cost of sales during the year was attributed to the persisting increase in the purchase prices of seaweeds since late 2021 way through 2022. On the other hand, direct labor cost increased due to salary increment while manufacturing cost increased as a result of increase in water treatment and fuel costs due to change in production mix, increased use of clean energy and increase in general price level caused by inflation. However, the percentage proportion of each cost component was maintained fairly stable, as compared to the last year.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2022, the gross profit of the Group was HK\$447.5 million (2021: HK\$270.4 million), representing an increase of 65.5%. The overall gross profit margin for the year was 27.2%, representing an increase of 4.0 percentage points as compared to 2021. The gross profit margin of carrageenan was increased by 8.0 percentage points while those of agar-gar, konjac and blended products were decreased by 3.5 percentage point, 1.8 percentage points and 3.4 percentage points, respectively. Supported by the strong market demand, the selling price of carrageenan escalated continuously in response to the persisting increase in purchase prices of seaweeds since late 2021 and way through 2022. During the year, the average selling price of agar-agar, carrageenan and blended products increased by 12.7%, 67.6% and 33.3%, respectively, while cost of sales increased as well at various extents. As a consequence of the soaring selling prices of carrageenan, the Group was able to widen its gross profit margin further by disposing its on-hand inventory manufactured previously at a relatively lower cost. It is noteworthy that this is also an expected outcome under the Group's inventory management strategy devised based on the latest market situation from time to time.

Selling and Distribution Expenses

For the year ended 31 December 2022, selling and distribution expenses of the Group were HK\$16.1 million (2021: HK\$16.7 million), representing a mild decrease of 3.6%. The decrease was primarily attributable to the decrease in staff cost during the year caused by the higher turnover of sales staff. In this regard, given the significant increase in sales revenue for the year, the ratio of selling and distribution expenses to revenue manifested an encouraging improvement as compared to 2021.

Administrative Expenses

For the year ended 31 December 2022, administrative expenses of the Group were HK\$106.2 million (2021: HK\$92.8 million), representing an increase of 14.4%, which was mainly attributable to the increase in staff salaries and social insurance expenses caused by salary increment and the increase in research and development cost designated to products and production process enhancement.

Finance Costs - Net

For the year ended 31 December 2022, net finance costs of the Group was HK\$32.2 million (2021: HK\$22.4 million), representing an increase of 43.8%. The increase in net finance costs was mainly due to the persisting increase in loan interest rate in Hong Kong and the increase in the average balance of bank loans during the year.

Income Tax Expenses

For the year ended 31 December 2022, income tax expenses of the Group were HK\$71.9 million (2021: HK\$33.7 million), representing an increase of 113.4%. The significant increase was mainly due to the corresponding increase in taxable profit for the year of approximately 121.5%.

	Year ended 31 December	
	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Current income tax	76,047	32,744
Deferred income tax	(4,195)	956
Income tax expense	<u>71,852</u>	<u>33,700</u>

Profit Attributable to Owners of the Company

For the year ended 31 December 2022, profit attributable to owners of the Company were HK\$232.1 million (2021: HK\$103.6 million), after the share of operating profit attributable to certain non-controlling shareholders of a subsidiary. Main reasons attributable to the increase in profit attributable to owners of the Company resemble those attributable to the increase in profit for the year as explained in above.

Liquidity and Financial Resources

As of 31 December 2022, the Group's cash and bank balances amounted to HK\$42.2 million (2021: HK\$133.8 million), representing a decrease of HK\$91.6 million from 2021. The financial ratios of the Group as of 31 December 2022 were as follows:

	As of 31 December 2022	As of 31 December 2021
Current ratio	1.60	1.46
Gearing ratio ¹	39.1%	36.0%

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

Net Current Assets

As of 31 December 2022, the Group's net current assets were HK\$481.7 million, representing an increase of HK\$159.3 million from HK\$322.4 million as of 31 December 2021, primarily due to the increase in inventories and trade and other receivables of HK\$327.0 million and HK\$34.3 million, respectively as of 31 December 2022, offset by the increase in short-term bank borrowings, trade and other payables and current income tax liabilities of HK\$49.8 million, HK\$54.2 million and HK\$2.6 million, respectively, and also the decrease in cash and bank balances of HK\$91.6 million.

Borrowings

As of 31 December 2022, the total bank borrowings of the Group amounted to HK\$649.1 million, of which HK\$549.9 million shall be repaid within one year and HK\$99.2 million shall be repaid after one year. The carrying amounts of bank borrowings were denominated in Hong Kong dollars, United States (“US”) dollars and Renminbi.

The Group did not use any financial instruments for hedging purposes and did not have any net foreign currency investments hedged against existing borrowings and/or other hedging instruments. As of 31 December 2022, the weighted average interest rate on bank borrowings was 4.59% per annum (2021: 4.44%).

Interest Rate Risk

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

Pledge of Assets

As of 31 December 2022, the Group’s bank borrowings were secured by the pledge of the Group’s land use rights and buildings with a carrying value of HK\$ 105.0 million (2021: HK\$80.5 million), and supported by guarantees from Mr. Chan Kam Chung, the director of the Company to the extent of HK\$211,744,000 as at 31 December 2022.

Capital Expenditures

Our capital expenditures primarily comprise cash expenditures for plant, equipment and land use rights. Our capital expenditures for the years ended 31 December 2022 and 2021 were HK\$50.6 million and HK\$77.5 million, respectively.

Commitments

The Group's capital commitments in respect of those that have been contracted for as of 31 December 2022 and 2021 amounted to HK\$10.8 million and HK\$10.9 million, respectively.

Lease Liabilities

Lease liabilities are related to buildings of the Group.

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Minimum lease payments:		
Less than 1 year	2,030	2,714
Over 1 year and less than 5 years	3,438	5,640
Over 5 years	—	511
	5,468	8,865
Future finance charges	(481)	(763)
Total lease liabilities	<u>4,987</u>	<u>8,102</u>

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 has been investing further in the expansion of production capacity of PT Hongxin during 2022 and expected to be continued in 2023.

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 25 March 2022, the Group entered into an equity acquisition agreement to acquire a total of 39% equity interests in Lvqi Trading (Shanghai) Company Ltd. ("Lvqi (Shanghai)"), a previously 61% non-wholly owned subsidiary of the Group, from the non-controlling shareholders of Lvqi (Shanghai), at cash considerations totalled RMB 1,588,000 (equivalent to approximately HK\$ 1,846,000). Lvqi (Shanghai) became a wholly-owned subsidiary of the Company thereafter.

On the same date, the Group entered into an equity disposal agreement to dispose the Group's entire 51% equity interests in Junxi Industrial (Shanghai) Co., Ltd. ("Junxi Industrial"), a previously non-wholly owned subsidiary of the Group, to the non-controlling shareholder of Junxi Industrial, at a cash consideration of RMB 10,330,000 (or an equivalent sum of HKD 12,700,000). Junxi Industrial cease to be a member of the Group thereafter. A gain of RMB 131,000 (equivalent to approximately HK\$ 153,000) was derived from this transaction.

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 denominated in Renminbi and US dollars with limited foreign exchange risk exposure in the latter. Besides, as the conversion of Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government, the Directors consider that there is no significant exposure on Renminbi-denominated assets. The Group will closely monitor foreign exchange exposure and will consider hedging should the need arises.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2022, the Group had 1,234 full-time employees, of whom 1,018 were based in Mainland China and 216 were based in Hong Kong and other countries and territories. The total staff costs, including the emoluments of the Directors, amounted to HK\$128.3 million for the year ended 31 December 2022 (2021: HK\$119.2 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 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, the Group adopted the pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) on 5 August 2018 to recognise the important contributions of related employees and individuals. On 9 August 2018, the Company granted share options for 34,120,000 ordinary shares of the Company upon exercise under the Pre-IPO Share Option Scheme. The exercise price was HK\$0.01, representing 0.86% of the final offer price of the share issued in connection with the listing. On 13 May 2022, the Board accepted the further exercise of an aggregate sum of 4,432,000 share options by the participants of the Pre-IPO Share Option Scheme for the year 2022 involving a total of 4,432,000 ordinary shares, and the shares became listed shares on 6 June 2022. As of 31 December 2022, the issued share capital of the Company was 825,256,000 shares. Save as disclosed above, no option had been granted, exercised, lapsed or cancelled during the year under the Pre-IPO Share Option Scheme. The Company had 8,864,000 outstanding share options under the Pre-IPO Share Option Scheme, representing 1.07% of issued share capital of the Company as of the date of this announcement, which shall be exercisable over the pre-determined exercise period.

The Group adopted the post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”) on 25 September 2019. During the year ended 31 December 2022, no option had been granted, exercised, lapsed or cancelled under the Post-IPO Share Option Scheme.

During the year ended 31 December 2022, the Group did not buy back any of the Company’s shares pursuant to the share award scheme adopted on 10 July 2020 (the “**Share Award Scheme**”) (2021: bought back 250,000 shares). Up to 31 December 2022, the total consideration paid to buy back the shares was HK\$12,582,000 (2021: HK\$12,582,000), which has been deducted from equity attributable to the owners of the Company.

During the year ended 31 December 2022, 4,300,000 awarded shares had been granted under the Share Award Scheme.

EVENT AFTER THE REPORTING PERIOD

There was no significant event affecting the Group which occurred after 31 December 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company believes that good corporate governance can enhance its overall effectiveness, and thus create additional value for the 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 14 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 with effect from the Listing Date.

In the opinion of the Directors, the Company has complied with all the code provisions of the CG Code and to a large extent the recommended best practices in the CG Code during the year ended 31 December 2022, except for the deviation from code provision C.2.1 of the CG Code as described below.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. CHAN Kam Chung (“**Mr. CHAN**”) is our Chairman and Chief Executive Officer. Mr. CHAN is responsible for formulating the Group’s 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 Company’s long-serving and outstanding senior management team and the Board, which comprise experienced and highcaliber individuals, provide a check on balance of power and authority. The Board comprises four executive Directors (including Mr. CHAN); one non-executive Director; and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

AUDIT COMMITTEE

The Company established the audit committee (the “**Audit Committee**”) pursuant to a resolution of Directors passed on 25 September 2019 in compliance with Rule 3.12 of the Listing Rules. The Audit Committee has set up the written terms of reference on 25 September 2019. The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advise in respect of financial reporting at least at half-year intervals, and oversee the risk management policies and internal control procedures of the Group constantly. The Audit Committee consists of three independent non-executive directors, namely Mr. HO Kwai Ching, Mark, Mr. NG Man Kung and Mr. HU Guohua. Mr. HO Kwai Ching, Mark currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the applicable code provisions in the CG Code. The Audit Committee has reviewed the Group’s annual results for the year ended 31 December 2022, the consolidated audited financial statements for the year ended 31 December 2022 and this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors confirmed that they have complied with the required standard of dealings as set forth in the Model Code during the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2022 as set forth in this preliminary announcement have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set forth in the Group’s consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the “**Annual General Meeting**”) will be held on Friday, 2 June 2023. For the purpose of determining Shareholder’s eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 29 May 2023.

For the purpose of ascertaining Shareholders’ entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 8 June 2023 to Monday, 12 June 2023, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 7 June 2023.

PUBLICATION OF ANNUAL REPORT

The 2022 annual report of the Company for the year ended 31 December 2022 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be published on the websites of the Company (www.greenfreshfood.com) and the Stock Exchange (www.hkexnews.hk) and despatched to the Shareholders in due course.

By order of the Board

**GREEN FUTURE FOOD HYDROCOLLOID
MARINE SCIENCE COMPANY LIMITED**

CHAN Kam Chung

Chairman and Chief Executive Officer

Hong Kong, 30 March 2023

As of the date of this announcement, the executive directors are Mr. CHAN Kam Chung, Mr. GUO Dongxu, Mr. CHAN Shui Yip and Mr. SHE Xiaoying; the non-executive director is Mr. GUO Songsen; and the independent non-executive directors are Mr. HO Kwai Ching, Mark, Mr. NG Man Kung and Mr. HU Guohua.