



ANNUAL REPORT  
**2022**

**GREEN FUTURE FOOD HYDROCOLLOID  
MARINE SCIENCE COMPANY LIMITED**  
**綠新親水膠體海洋科技有限公司**

Incorporated in the Cayman Islands with limited liability  
Stock Code: 01084

# VISION MISSION CORE VALUES



## Vision

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



## Mission

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

## Core values

Innovation, growth, and re-innovation





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# CORPORATE INFORMATION

## CORPORATE OVERVIEW

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

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 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. As an enterprise engaged in the essential supply chain of large-scale manufacturers, the capabilities of steady supply secured by a top-class production scale is one of the key competitive edges of the Group.

As of 31 December 2022, the total annual design production capacity of Green Fresh (Fujian) Production Base Phase I to Phase III and Lvqi (Fujian) Production Base Phase I and Phase II in Zhangzhou, Fujian, and Lvbao (Quanzhou) Production Base in Quanzhou, Fujian: 7,265 tons (2021: 7,065 tons) of agar-agar products, 10,355 tons (2021: 10,355 tons) of carrageenan products, 1,500 tons (2021: 1,500 tons) of konjac gum products, 3,300 tons (2021: 3,300 tons) of blended products; the annual design production capacity of Shiyanghaiyi Production Base: 660 tons (2021: 660 tons) of konjac gum products; the annual design production capacity of PT Hongxin Production Base in Indonesia: 4,300 tons (2021: 4,300) of carrageenan products; the annual design production capacity of Xiamen Sanji Production Base: 10 tons (2021: nil) of Agarose Microspheres products. The total design production capacity was 27,390 tons (2021: 27,180 tons).

As of 31 December 2022, the number of product technical development personnel is 63 (2021: 65).

## OUR PHILOSOPHY

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



## CORPORATE INFORMATION

### KEY MILESTONES FOR THE DEVELOPMENT OF THE GROUP

- 1999: Lvbao (Quanzhou) Biochemistry Company Ltd. was incorporated, started producing carrageenan products in 2001, and produced blended products as well thereafter.
- 2007: Green Fresh (Fujian) Foodstuff Co., Ltd. was incorporated, mainly engaged in the manufacturing of carrageenan products.
- 2012: Shiyanhaiyi Konjac Products Company Ltd. was incorporated, commencing commercial production of konjac products.
- 2012: Green Fresh (Fujian) Foodstuff Co., Ltd. and Fujian Province Lvqi Food Colloid Company Limited were merged, further expanding the production line scope where carrageenan, agar-agar and blended products were covered.
- 2017: The design production capacity of newly added carrageenan and agar-agar products was 5,775 tons per year, representing an increase of 44.7%.
- 2018: Lvqi Trading (Shanghai) Company Limited was incorporated, energetically strengthening the marketing and sales of quick-dissolve agar-agar, a deep-processing product.
- 2019: The Company was successfully listed on the main board of the Stock Exchange. The design production capacity of newly added quick-dissolve agar-agar and konjac gum was 1,500 tons per year.
- 2021: The Group acquired 82% equity interest in Hung Tai Shun International Trading Limited, a company incorporated in Hong Kong, which in turn holds 99.83% equity interests in PT Hongxin Algae International, a company incorporated in Indonesia which principally engages in the manufacture and safes of semi-refined carrageenan with total designed capacity of 4,300 tons per year.
- 2022: The Group commenced the production of Agarose Microspheres – a separation medium widely used in the fundamental production process of the biomedical sector.

## CORPORATE INFORMATION

### AWARDS AND HONOURS

#### 2016:

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

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

#### 2017:

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

#### 2018:

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

#### 2020:

Green Fresh (Fujian) Foodstuff Co., Ltd. was named as a participating enterprise in the "Postdoctoral Programme" organised by the Ministry of Human Resources and Social Security of the PRC.

#### 2021:

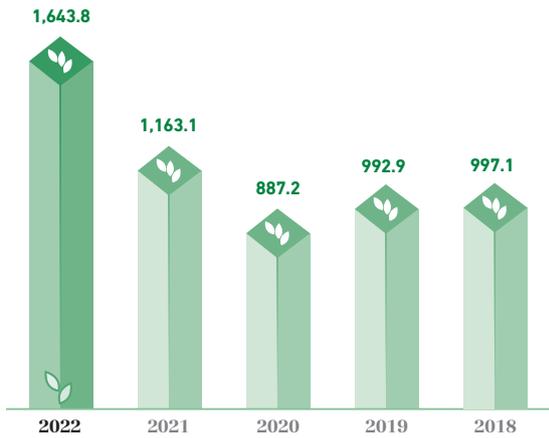
Green Fresh (Fujian) Foodstuff Co., Ltd. was awarded the "Key Leading Enterprise in the Industrialised Agricultural Sector of the Fujian Province" by the municipal government of Zhangzhou, Fujian.



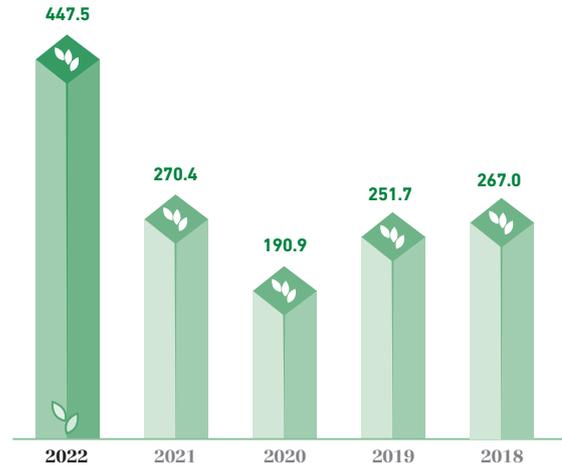
## CORPORATE INFORMATION

### FINANCIAL HIGHLIGHTS

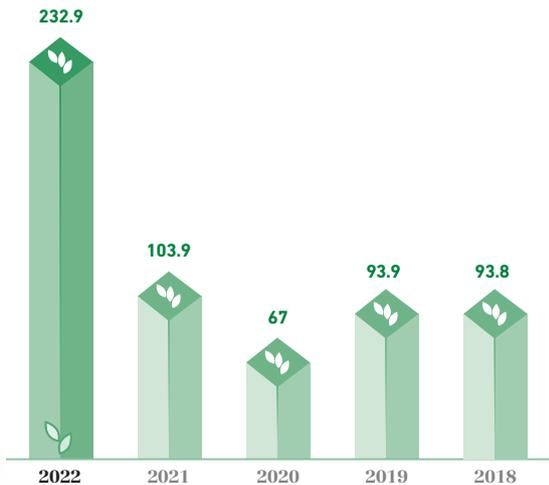
Revenue (HK\$' million)



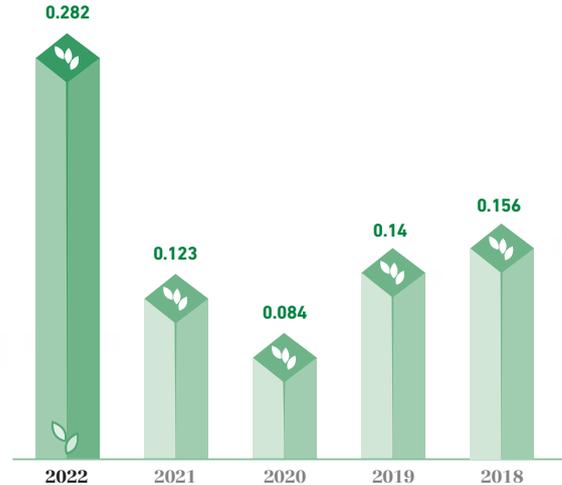
Gross Profit (HK\$' million)



Profit for the year (HK\$' million)



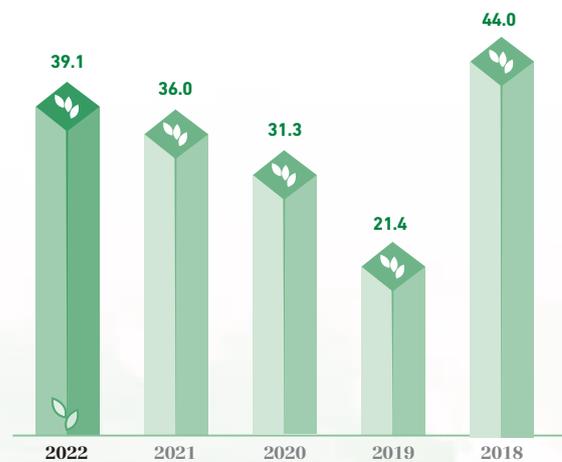
Diluted Earnings Per Share (HK\$)



Total Assets (HK\$' million)



Net Debt to Capital Ratio (%)



## CHAIRMAN'S STATEMENT

Dear Shareholders

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



## CHAIRMAN'S STATEMENT

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 annual report.

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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-agar, 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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	<b>1.60</b>	1.46
Gearing ratio <sup>1</sup>	<b>39.1%</b>	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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

	2022 HK\$'000	2021 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
	<b>5,468</b>	8,865
Future finance charges	<b>(481)</b>	(763)
Total lease liabilities	<b>4,987</b>	8,102

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 RMB1,588,000 (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 RMB10,330,000 (or an equivalent sum of HK\$12,700,000). Junxi Industrial cease to be a member of the Group thereafter. A gain of RMB131,000 (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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 annual report, 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 treasury 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 annual report.

## DIRECTORS' PROFILE

### Executive Directors

**Mr. CHAN Kam Chung (陳金鐘先生)** (formerly known as 陳金鐘), aged 52, is the executive Director, Chairman, and Chief Executive Officer of the Group. Mr. CHAN is also the chairman of the nomination committee and a member of remuneration committee. Mr. CHAN is responsible for formulating our overall strategic planning and business strategies and implementing major development policies and initiatives for the business development of the Group as a whole. Mr. CHAN joined the Group in May 2003.

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

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

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

**Mr. GUO Dongxu (郭東旭先生)**, aged 55, is the executive Director, Vice Chairman, and Vice President of the Group. Mr. GUO oversees our project development, quality control, and external business affairs. Mr. GUO was the executive director and legal representative of South Fujian Agar Co., Ltd (福建省石獅市閩南瓊膠有限公司) from October 1995 to August 2018. Mr. GUO joined us in March 2009 and his first position with us was the supervisor of Lvqi (Fujian). Since December 2012, Mr. Guo has been the executive director and general manager of Lvqi (Fujian). Mr. GUO was subsequently reassigned as the Vice President and General Manager of Greenfresh (Fujian). Mr. GUO has 25 years of experience in seaweed processing and corporate management.

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

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

**Mr. CHAN Shui Yip (陳垂燁先生)** (formerly known as CHAN Kam Ku (陳金鼓), aged 61, is the executive Director, Vice Chairman, and Vice President of the Group. Mr. CHAN oversees the product management, sourcing, human resources, and general administration of the Group. Mr. CHAN has more than 12 years' experience in business management and more than 17 years' experience in food industry. Mr. CHAN was the deputy manager of Jinjiang Xinyi Leather and Plastic Enterprise Co., Ltd. (晉江市新毅皮塑企業有限公司) from July 1988 to March 1999 and was responsible for production management. Mr. CHAN joined our Group in March 1999.



## DIRECTORS' PROFILE

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

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

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

**Mr. SHE Xiaoying (佘小迎先生)**, aged 61, is the executive Director. Mr. SHE oversees the sales of our hydrocolloid products. Mr. SHE has more than 12 years' experience in food industry. Mr. SHE was the production manager of Jinjiang Xinyi Leather and Plastic Enterprise Co., Ltd. (晉江市新毅皮塑企業有限公司) from December 1988 to April 2003 and was responsible for production management. Mr. SHE joined us in May 2003 and has held a number of positions in the Group. From May 2003 to November 2011, Mr. SHE was the director and deputy manager of Lvbao (Quanzhou). From November 2007 to January 2013, Mr. SHE was the legal representative and general manager of Greenfresh (Fujian). Currently, Mr. SHE is a director of Greenfresh (Fujian) and the deputy general manager of Lvbao (Quanzhou).

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

### Non-executive Director

**Mr. GUO Songsen (郭松森先生)**, aged 35, is the non-executive Director. Mr. GUO joined us in December 2011. Mr. GUO graduated in June 2010 from Beijing Geely University (北京吉利學院) with a bachelor's degree in international trade. Mr. GUO has more than six years' experience in quality management. Mr. GUO is member of the Hong Kong Institute of Directors.

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

### Independent non-executive Directors

**Mr. Ho Kwai Ching Mark (何貴清先生)**, aged 61, is the independent non-executive Director. He is also the chairman of the audit committee and a member of the nomination committee and remuneration committee.

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

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

## DIRECTORS' PROFILE

**Mr. NG Man Kung (吳文拱先生)**, aged 71, is the independent non-executive Director. He is also the chairman of the remuneration committee and a member of the audit committee and nomination committee.

Mr. NG completed an extension course in banking at the Hong Kong Polytechnic University in September 1982. Mr. NG was an honorary president of the 37th Hong Kong Chinese Bankers Club, a member of the Council of Hong Kong Polytechnic University from April 1999 to March 2002, and a member of the 10th Fujian Province Committee of the Chinese People's Political Consultative Conference.

Mr. NG had over 40 years of experience in banking and finance. Mr. NG worked at Chiyu Banking Corporation Ltd. from July 1969 to December 2012 and was a chief executive during the period from 1992 to 2012. Mr. NG retired from Chiyu Banking Corporation Limited in 2012. Mr. NG served as a business consultant of China Orient Asset Management (International) Holdings Limited from January 2014 to April 2015. Mr. NG is currently appointed as the chairman of the supervisory board of Well Link Bank in Macau. Mr. NG is also an independent non-executive director of Fujian Holdings Limited (stock code: 0181) and ELL Environmental Holdings Limited (stock code: 1395), both of which are listed on the Stock Exchange. Mr. NG was an independent non-executive director of Shanghai Zendai Property Limited (stock code: 0755) from May 2017 to January 2021, Guoan International Limited (stock code: 0143) from March 2016 to February 2021 and Renco Holdings Group Limited (stock code: 2323) from March 2016 to March 2022, all of which are listed on the Stock Exchange.

**Mr. HU Guohua (胡國華先生)**, aged 49, is the independent non-executive Director. He is also a member of the audit committee.

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

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



## DIRECTORS' REPORT

The directors of the Company (the "**Directors**") present their report and the audited consolidated financial statements for the year ended 31 December 2022.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set forth in note 36 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2022 is set forth in the "Chairman's Statement", and "Management Discussion and Analysis" on pages 6 to 7 and pages 8 to 15 respectively of this annual report.

### RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 and the Group's consolidated balance sheet as at 31 December 2022 are set forth in the consolidated financial statements on pages 101 to 104 of this annual report.

The Board has recommended a final dividend of HK3.0 cents per share, totalling HK\$24.7 million (2021: 20.5 million) for the year ended to 31 December 2022 payable on or around 5 July 2023 to the shareholders (the "**Shareholders**") of the Company whose names appear on the register of members of the Company on 12 June 2023. The recommendation of the final dividend is subject to the Shareholders' approval in the forthcoming annual general meeting (the "**AGM**").

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set forth on page 184 of this annual report.

### SHARE CAPITAL

Details of movements of the share capital of the Company for the year ended 31 December 2022 are set forth in note 23 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution amounted to approximately HK\$85.6 million.

### EQUITY-LINKED AGREEMENTS

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

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, the Group's top five largest customers accounted for 34.0% (2021: 33.0%) of the Group's revenue and the single largest customer accounted for 9.0%. (2021: 10.6%) of the Group's revenue. The Group's top five suppliers accounted for 65.5% (2021: 53.8%) of the Group's total purchase and the single largest supplier accounted for 17.8% (2021: 21.1%) of the Group's total purchase.

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

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

## ENVIRONMENTAL POLICIES AND PERFORMANCE

For the year ended 31 December 2022, no environmental exceedances were recorded and there was no non-compliance in relation to environmental and social aspects. Given the business nature, the Group recognizes its daily operation has an impact to the environment. The Group is highly committed to make continuous efforts on efficient use of natural resources, promotion of energy conservation in its business and office premises, as well as minimization of its overall emissions on the environment. Engagement with stakeholders has resulted in raised concerns on key material issues, which include: Employment, Occupational Health and Safety, Development and Training, Consumer Data Protection and Customer Service. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders for advancing environmental, social and governance management.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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



## DIRECTORS' REPORT

### DIRECTORS

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

#### Executive Directors

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

Mr. Guo Dongxu (Vice Chairman and Vice President)

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

Mr. She Xiaoying

#### Non-Executive Director

Mr. Guo Songsen

#### Independent non-executive Directors

Mr. Ho Kwai Ching, Mark

Mr. Ng Man Kung

Mr. Hu Guohua

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

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

### DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 16 to 18 of this annual report.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years commenced from 25 September 2022 which may be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors and the non-executive Director has signed a letter of appointment with the Company for a term of three years commenced from 25 September 2022, which may be terminated before the expiration of the term by not less than two months' notice in writing served by either party on the other.

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

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

## DIRECTORS' REPORT

## SHARE 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. Further details of the Pre-IPO Share Option Scheme are set forth in note 24 to the consolidated financial statements. The following table sets forth movements in the share options under the Pre-IPO Share Option Scheme for the year ended 31 December 2022:

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					Weighted average closing price of the share immediately before the exercise date
						Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Lapsed/Cancelled during the year	Outstanding at 31 December 2022	
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	13,296,000	—	(4,432,000)	—	8,864,000	N/A
Other participants	9 August 2018	HK\$0.01	17 April 2020 to 16 April 2025	100% from 17 April 2020	N/A	—	—	—	—	—	N/A
Total						13,296,000	—	(4,432,000)	—	8,864,000	

## 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 year ended 31 December 2022, no option had been granted, exercised, lapsed or cancelled under the Post-IPO Share Option Scheme.

The number of share options available for grant under the Post-IPO Share Option Scheme was 80,000,000 share options as of 1 January 2022 and 31 December 2022.



## DIRECTORS' REPORT

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

- |  |   |
|--|---|
| 1. Purpose   | As incentive or rewards to Eligible Participants for their contribution or potential contribution to the Group  |
| 2. Participants  | <p>(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group</p> <p>(b) a director or proposed director (including independent non-executive director) of any member of the Group</p> <p>(c) a direct or indirect shareholder of any member of the Group</p> <p>(d) a supplier of goods or services to any member of the Group</p> <p>(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group</p> <p>(f) an associate of any of the persons referred to in paragraphs (a) to (c) above</p> <p>(the persons referred above are the "Eligible Participant")</p> |
| 3. Total number of securities available for issue under the Post-IPO Share Option Scheme together with the percentage of the issued shares that it represents as of the date of this annual report | A maximum of 80,000,000 shares to be allotted and issued, representing 9.69% of the issued shares of the Company as of the date of this annual report.  |
| 4. Maximum entitlement of each participant   | 1% of our shares in issue from time to time   |
| 5. Period within which the securities must be taken up under an option   | 30 days from the offer date provided that no such grant of an option may be accepted after the expiry of the effective period of the Post-IPO Share Option Scheme   |
| 6. Minimum period, if any, for which an option must be held before it can be exercised   | To be determined at time of offering the grant of an option   |
| 7. Amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid                  | HK\$1.0 on acceptance   |

## DIRECTORS' REPORT

8. Basis of determining the exercise price At the discretion of the Company's Board at the time of grant of the option but the subscription price shall not be less than whichever the highest of:
- The nominal value of a share
  - The closing price of a share in the Stock Exchange's daily quotation sheet on the date of grant; and
  - The average closing price of a share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the date of grant
9. The remaining life of the Post-IPO Share Option Scheme 10 years from the date on which it becomes unconditional

## c) Share Award Scheme

The Company adopted the share award scheme (the "Share Award Scheme") on 10 July 2020. Further details of the Share Award Scheme are set forth in note 24 to the consolidated financial statements. The following table sets forth movements in the share awards granted under the Share Award Scheme for the year ended 31 December 2022:

Category/ name of grantee	Date of grant	Vesting period	Exercise Period	Closing price of the share immediately before the date of grant	Outstanding at 1 January 2022	Granted during the year	Vested during the year	Lapsed/ Cancelled during the year	Outstanding at 31 December 2022
SHI Shuangquan	5 December 2022	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	3.54	Nil	2,000,000	(400,000)	Nil	1,600,000
SO Chi Man	5 December 2022	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	3.54	Nil	1,500,000	(300,000)	Nil	1,200,000
LIN Kuncheng	5 December 2022	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	3.54	Nil	800,000	(160,000)	Nil	640,000
					Nil	4,300,000	(860,000)	Nil	3,440,000

The number of treasury shares available for grant under the Share Award Scheme were 12,490,000 and 8,190,000 shares as of 1 January 2022 and 31 December 2022, respectively.



## DIRECTORS' REPORT

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

- |  |   |
|--|---|
| 1 Purpose:   | To recognise and reward the contribution of certain Eligible Persons (as defined under the Share Award Scheme) 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   |
| 2 Participants:  | <p>"Eligible Person(s)" means any person belonging to the following classes of persons:</p> <ul style="list-style-type: none"> <li>(i) any employee of the Group;</li> <li>(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;</li> <li>(iii) any customer of the Group or any Invested Entity;</li> <li>(iv) any supplier of goods or services to any member of the Group or any Invested Entity;</li> <li>(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;</li> <li>(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;</li> <li>(vii) any person or entity which has contributed to the Group or its business; and</li> <li>(viii) any other person selected by the Board at its sole discretion;</li> </ul> |
| 3 Total number of securities available for award under the Share Award Scheme together with the percentage of the issued shares that it represents as at the date of this annual report: | The maximum number of shares available for award under the Share Award Scheme is 8,190,000, representing 1.0% of the issued shares of the Company as of the date of this annual report.   |
| 4 Maximum entitlement of each participant:   | 1% of the outstanding issued shares of the Company  |
| 5 Period within which the securities must be taken up under the Share Award Scheme:  | The share award shall be deemed to be irrevocably accepted by the Eligible Person 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 award share.  |

**DIRECTORS' REPORT**

- |   |  |   |
|---|--|---|
| 6 | Maximum period, if any, for which an awarded share must be held:   | Nil   |
| 7 | Amount, if any, payable on application or acceptance of the awarded share and the period within which payments or calls may be made or loans for such purposes must be repaid: | Not applicable  |
| 8 | Basis of determining the exercise price:   | Not applicable  |
| 9 | The remaining life of the Share Award Scheme:  | The Share Award Scheme shall be valid and effective for a term of 10 years commenced from 10 July 2020. |

The number of shares of the Company that may be issued/awarded in respect of the share options and share awards granted under the Post-IPO Share Options Scheme and the Share Award Scheme during the year ended 31 December 2022 divided by the weighted average number of the shares of the Company in issue for the year ended 31 December 2022 is 0.5%.



## DIRECTORS' REPORT

### 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 31 December 2022, 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 or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and 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 under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of 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 <sup>(6)</sup>	Approximate percentage of shareholding <sup>(7)</sup>
Mr. CHAN Kam Chung	Interest in a controlled corporation <sup>(1)</sup>	161,700,000	19.59%
	Interest under the Concert Party Agreement <sup>(2)</sup>	588,000,000	71.25%
Mr. CHAN Shui Yip	Interest in a controlled corporation <sup>(3)</sup>	161,700,000	19.59%
	Interest under the Concert Party Agreement <sup>(2)</sup>	588,000,000	71.25%
Mr. GUO Songsen	Interest in a controlled corporation <sup>(4)</sup>	92,603,571	11.22%
	Interest under the Concert Party Agreement <sup>(2)</sup>	588,000,000	71.25%
Mr. GUO Dongxu	Interest in a controlled corporation <sup>(5)</sup>	66,150,000	8.01%
	Interest under the Concert Party Agreement <sup>(2)</sup>	588,000,000	71.25%

#### 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 Songsen held all issued share in Green Forest (BVI) Investment Company Limited ("Green Forest"). Therefore, Mr. GUO Songsen is deemed to be interested in all shares held by Green Forest for the purpose of the SFO. Mr. GUO Songsen is the sole director of Green Forest.
- (5) Mr. GUO Dongxu held all issued share in Strong Achievement (BVI) Investment Company Limited ("Strong Achievement"). Therefore, Mr. GUO Dongxu is deemed to be interested in all shares held by Strong Achievement for the purpose of the SFO. Mr. GUO Dongxu is the sole director of Strong Achievement.
- (6) All the interests disclosed represent long position in the shares and underlying shares.
- (7) As of 31 December 2022, the total number of issued shares of the Company was 825,256,000.

## DIRECTORS' REPORT

## (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%
Mr. GUO Songsen	Green Forest	Beneficial owner	One	100%

Save as disclosed above, as of 31 December 2022, none of the directors and chief executive(s) of the Company and any of their associates 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 had been recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 31 December 2022, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and the 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, were as follows:

Name of Shareholders	Nature of interest and capacity	Number of shares held <sup>(4)</sup>	Approximate percentage of shareholding <sup>(5)</sup>
COS Kreation	Beneficial owner	161,700,000	19.59%
Epoch	Beneficial owner	161,700,000	19.59%
Green Forest	Beneficial owner	92,603,571	11.22%
Strong Achievement	Beneficial owner	66,150,000	8.01%
Winning Path	Beneficial owner	66,150,000	8.01%
Mr. GUO Yuansuo	Interest in a controlled corporation <sup>(2)</sup>	66,150,000	8.01%
	Interest under the Concert Party Agreement <sup>(1)</sup>	588,000,000	71.25%
East Prosperity	Beneficial owner	39,696,429	4.81%
Mr. GUO Donghuang	Interest in a controlled corporation <sup>(3)</sup>	39,696,429	4.81%
	Interest under the Concert Party Agreement <sup>(1)</sup>	588,000,000	71.25%

## 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.



## DIRECTORS' REPORT

3. 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.
4. All the interests disclosed represent long position in the shares and underlying shares.
5. As of 31 December 2022, the total number of issued shares of the Company was 825,256,000.

Save as disclosed above, as of 31 December 2022, 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 recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## RELATED PARTY TRANSACTIONS

During the year ended 31 December 2022, no transactions of significance with parties regarded as "Related Parties" were entered into by the Group. Further details are set forth in note 34 to the consolidated financial statements.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

## DEED OF NON-COMPETITION

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

Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-Competition" of the prospectus of the Company dated 30 September 2019. The Company has received declarations from the Controlling Shareholders of their compliance with the Deed of Non-competition for the year ended 31 December 2022 (the "**Declarations**"). The independent non-executive directors of the Company have been provided with all necessary information and have reviewed the Declarations and are satisfied that the Deed of Non-competition was complied with and was effectively enforced during the year ended 31 December 2022.

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transaction" in this annual report and the section headed "Related Party Transactions" in note 34 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the parent company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2022.

### PERMITTED INDEMNITY PROVISION

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

### EMOLUMENT POLICY

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

### MANAGEMENT CONTRACTS

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

### CONTRACT OF SIGNIFICANCE

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

### PURCHASE, REDEMPTION OR SALE 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.

### SIGNIFICANT INVESTMENTS

There was no significant investment during the year ended 31 December 2022.

### CONNECTED TRANSACTION

During the year ended 31 December 2022, the Group has not entered into any connected transaction. The Company confirmed that it has complied with the disclosure requirement of a connected transaction in accordance with Chapter 14A of the Listing Rules by publication of an announcement.



## DIRECTORS' REPORT

### MATERIAL ACQUISITIONS OR DISPOSALS 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 RMB1,588,000 (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 RMB10,330,000 (or an equivalent sum of HK\$12,700,000). Junxi Industrial cease to be a member of the Group thereafter. A gain of RMB131,000 (equivalent to approximately HK\$153,000) was derived from this transaction.

Saved as disclosed above, there was no material acquisition or disposal of subsidiaries during the year ended 31 December 2022.

### SUFFICIENCY OF PUBLIC FLOAT

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

### CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors subsequent to the date of the 2022 interim report of the Company is as follows:

Mr. HO Kwai Ching Mark has been appointed as the chairman of the audit committee of Lee Kee Holdings Limited (stock code: 0637), a company listed on the Stock Exchange with effect from 4 October 2022.

### PRE-EMPTIVE RIGHTS

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

### DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK\$1.2 million (2021: approximately HK\$42,200).

### CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from 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 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Monday, 29 May 2023.

## DIRECTORS' REPORT

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 Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Wednesday, 7 June 2023.

### EVENTS AFTER THE YEAR END DATE

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

### 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 advice in respect of financial reporting at least at half-year intervals, and oversee the risk management policies and internal control procedures of the Group constantly. The Audit Committee consists of three independent non-executive directors, namely Mr. HO Kwai Ching, Mark, Mr. NG Man Kung and Mr. HU Guohua. Mr. HO Kwai Ching, Mark is currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the applicable code provisions in the CG Code. The Audit Committee has reviewed the Group's annual results and consolidated audited financial statements for the year ended 31 December 2022.

### AUDITORS

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

### On behalf of the Board

**Chan Kam Chung**

*Chairman and Chief Executive Officer*

Hong Kong, 30 March 2023



# CORPORATE GOVERNANCE REPORT

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

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and code provisions set forth in the Corporate Governance Code ("**CG Code**") contained in Part 2 of Appendix 14 to the Listing Rules. During the year, the Company has complied with the CG Code except for deviations from code provisions C.2.1. The deviation from code provision C.2.1 of the CG Code is explained in the paragraph headed "Chairman and Chief Executive" of this report.

## THE BOARD

### Responsibilities

The Board is collectively responsible for the long-term success of the Company. Its key responsibilities include providing leadership and supervision to the Management with a view to protecting the Shareholders' interests and enhancing Shareholders' long-term value. Also, the Board is responsible for formulating the Group's long term strategy and development plan, deciding major financial and capital project and reviewing internal control and risks.

The Board has established the Group's purpose, values and strategies and was satisfied that they are aligned with the Group's culture. All Directors must act with integrity, lead by example, and promote the desired culture. The Board should instil and continually reinforce across the Company's values of "acting lawfully, ethically and responsibly".

During the year ended 31 December 2022, the Board closely monitored the implementation of corporate governance practice, risk management and internal control systems to ensure the corporate value and the Company's culture are aligned.

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

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS

#### Composition of the Board

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

#### **Executive Directors**

Mr. Chan Kam Chung (*Chairman and Chief Executive Officer*)

Mr. Guo Dongxu (*Vice Chairman and Vice President*)

Mr. Chan Shui Yip (*Vice Chairman and Vice President*)

Mr. She Xiaoying

#### **Non-executive Director**

Mr. Guo Songsen

#### **Independent Non-executive Directors**

Mr. Ho Kwai Ching, Mark

Mr. Ng Man Kung

Mr. Hu Guohua

The biographical details of the Directors are set out on pages 16 to 18 of this annual report.

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

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



## CORPORATE GOVERNANCE REPORT

### Directors' Appointment and Re-election

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

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

As such, Mr. Chan Kam Chung, Mr. Guo Sonesen and Mr. Hu Guohua shall retire from office as Directors and being eligible, offer themselves for re-election at the forthcoming AGM in accordance with the Article 84 of the Articles of Association.

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

### Chairman and Chief Executive

Under the code provision 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 Group's 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 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 four executive Directors (including Mr. Chan); one non-executive Director; and three INEDs and therefore has a fairly strong independence element in its composition.

### Mechanism Regarding Independent Views to the Board

The Board has implemented different ways to ensure independent views and input are available to the Board (the "**Mechanism**"). The Board will conduct annual review on the implementation and effectiveness of the Mechanism and the results will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Mechanism and the results were satisfactory.

## CORPORATE GOVERNANCE REPORT

### Board Diversity Policy

The Board considers that its diversity is a vital asset to the business and has adopted a board diversity policy for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company has adopted the board diversity policy (the "**Board Diversity Policy**"). The Nomination Committee shall review, at its discretion, the Board Diversity Policy of the Company. For designing the composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, race and educational background, professional experience, knowledge and skills.

The members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. The table below sets forth an analysis of the Board's current composition based on the measurable objectives:

Measurable objective	Category	Number of Director
Gender	Male	8
	Female	0
Age	20-40	1
	41-60	3
	Over 60	4
Place of residences	China	3
	Hong Kong	5

Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set forth on pages 16 to 18 in this annual report.

There is no female Director in the Board of the Company for the time being. According to Rule 13.92 of the Listing Rule, the Stock Exchange will not consider diversity to be achieved for a single gender board. Henceforth, the Board is planning to improve the gender diversity at board level and across the workforce, and is in the process of seeking one or more suitable candidates of different gender to join the Board as Director(s) on or before 31 December 2024.

As of 31 December 2022, among the 1,234 employees (including senior management) of the Group, the percentages of male employees and female employees are 63.8% and 36.2%, respectively. The Board considers that the Group's workforce (including senior management) is diverse in terms of gender.

The Nomination Committee was of the opinion that the Board consisted of members with diversified age, cultural and education background, professional/business experience, skills and knowledge. Further details for the diversity, including the gender diversity, in the workforce during the year ended 31 December 2022 are set forth in the section headed "Environmental, Social and Governance Report" in this annual report.



## CORPORATE GOVERNANCE REPORT

### Board Meetings

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

The attendance of individual director to the Board meetings, board committees meetings and general meeting for the year ended 31 December 2022 is set forth below:

Name of Directors	Number of meetings attended/Number of meetings held				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
<i>Executive Directors:</i>					
Mr. Chan Kam Chung (Chairman and Chief Executive Officer)	7/7	N/A	1/1	1/1	1/1
Mr. Guo Dongxu (Vice Chairman and Vice President)	7/7	N/A	N/A	N/A	1/1
Mr. Chan Shui Yip (Vice Chairman and Vice President)	7/7	N/A	N/A	N/A	1/1
Mr. She Xiaoying	6/7	N/A	N/A	N/A	1/1
<i>Non-executive Director:</i>					
Mr. Guo Songsen	7/7	N/A	N/A	N/A	1/1
<i>Independent Non-executive Directors:</i>					
Mr. Ho Kwai Ching, Mark	7/7	2/2	1/1	1/1	1/1
Mr. Ng Man Kung	7/7	2/2	1/1	1/1	1/1
Mr. Hu Guohua	7/7	2/2	N/A	N/A	1/1

### Nomination Policy

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

## CORPORATE GOVERNANCE REPORT

**Directors' Continuous Professional Development**

The Company has arranged relevant training for all Directors to ensure that they obtain the needed additional skills and comprehensive information to contribute to the Board. A summary of their records of continuous development training during the year ended 31 December 2022 is as follows:

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

**Directors' Insurance**

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



## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES

There are three (3) committees under the Board including the Audit Committee, the Nomination Committee and the remuneration committee (the "**Remuneration Committee**").

#### Audit Committee

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

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

Audit Committee held two meetings during the year. The following tasks have been taken up by the Audit Committee during the year ended 31 December 2022:

- (a) Reviewed the consolidated financial statements of the Group for the year ended 31 December 2021 including the audit findings from external auditors, annual results announcement and annual report and the condensed consolidated financial statements of the Group for the six months ended 30 June 2022, including the interim results announcement and interim report;
- (b) directed and supervised the Company's internal audit department, reviewed the internal audit report, review adequacy and effectiveness of Group's internal controls including financial, operational and compliance controls and risk management; and
- (c) considered the re-appointment of the external auditors.

#### Nomination Committee

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

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

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

## CORPORATE GOVERNANCE REPORT

### Remuneration Committee

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

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

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

### DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

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

The responsibilities of the Company's external auditor, with respect to their audit of the consolidated financial statements of the Company for the year ended 31 December 2022 are set forth in the section headed "Independent Auditor's Report" in this annual report.

### RISK MANAGEMENT AND INTERNAL CONTROL

#### Responsibility of the Board

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

#### Risk Management and Internal Control Framework

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



## CORPORATE GOVERNANCE REPORT

### Internal Audit Function

The internal audit department is led by the internal audit manager, who reports directly to the chairman of the Board with the support of the Audit Committee. The internal audit department is primarily responsible for conducting internal audit reviews on operational, financial and compliance controls of the operating entities to ensure their compliance with the Group's risk management and internal control policies and procedures. Internal audit department is independent from operation management and has full access to data required in performing internal audit reviews. Internal audits are conducted according to the three-year internal audit plan approved by the Audit Committee to review the major operational, financial, compliance and risk management controls. In 2022, Internal audit department performed audits on the key operating entities located in China. During the process of the internal audits, the internal audit department identified internal control deficiencies and weaknesses and proposed recommendations for improvements. Internal audit findings and control deficiencies are communicated to the management, who is responsible for ensuring the deficiencies are rectified within a reasonable period. A follow-up review is also performed to ensure the remedial actions are implemented.

### Review of Risk Management and Internal Control Systems

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

## PROCEDURES AND CONTROLS OVER HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

## CORPORATE GOVERNANCE REPORT

### REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the year ended 31 December 2022 are set forth in note 35 to the consolidated financial statements of this annual report. The remuneration of the members of the senior management (other than the Directors) for the year ended 31 December 2022 by remuneration band is as follows:

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

### AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could give rise to any actual or potential material adverse effect on the Company. During the year ended 31 December 2022, the remuneration paid or payable to the external auditors for audit and non-audit services by the Group are set out as follows:

Services rendered	Fees paid/payable HK\$'000
Annual audit services of the Company's auditor	2,505
Non-audit services of the Company's auditor for their assistance in connection with the Company's ESG reporting and annual results announcement	256
Statutory audit services of subsidiaries' auditors	305

### DIRECTORS' 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.

### COMPANY SECRETARY

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



## CORPORATE GOVERNANCE REPORT

### COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company releases its announcements, financial data and other relevant data on its website [www.greenfreshfood.com](http://www.greenfreshfood.com), which serves as a channel facilitating effective communication. Shareholders may send any inquiry in writing to the Company's principal place of business in Hong Kong. The Company will properly handle all inquiries in due course. The Company has established a shareholders communication policy. The Board reviewed the implementation and effectiveness of the shareholders communication policy and the results were satisfactory.

The Board welcomes suggestions from Shareholders, and encourages Shareholders to attend general meetings to directly raise any issues that they may have to the Board and the Management. Under the code provision F.2.2 of the CG Code, the chairman of the Board and the chairman of respective committees would attend AGM to answer questions put forward by Shareholders.

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

### DIVIDEND POLICY

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

### SHAREHOLDERS' RIGHT

#### Shareholders' Right to Requisite a Meeting

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

#### Procedures for Shareholders to Convene an Extraordinary General Meeting

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

## CORPORATE GOVERNANCE REPORT

### Putting Forward Enquiries to the Board

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

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

### CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company are available on the websites of the Company and the Stock Exchange. There was no change in the Company's constitutional documents during the year ended 31 December 2022.

### DEED OF NON-COMPETITION BY THE CONTROLLING SHAREHOLDERS

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



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE ESG REPORT

The Company hereby issues the 2022 Environmental, Social and Governance Report ("ESG Report"), to demonstrate the Group's policies, practices, measures and performance regarding environmental and social areas to its stakeholders. For information on corporate governance, please refer to the "Corporate Governance Report" of the year.

## REPORTING SCOPE

The ESG Report covers the information on the Group's four production plants located in Fujian Province and Hubei Province in China, the production plant owned and operated by subsidiaries companies namely Greenfresh (Fujian) Foodstuff Co., Ltd. ("Greenfresh (Fujian)"), Fujian Province Lvqi Food Colloid Company Ltd. ("Lvqi (Fujian)"), Lvbao (Quanzhou) Biochemistry Company Ltd. ("Lvbao (Quanzhou)"), Shiyanhaiyi Konjac Products Company Ltd. ("Shiyanhaiyi") for the period from 1 January 2022 to 31 December 2022 ("the Reporting Period"). Compared with the ESG Report released in the Annual Report 2021, there is no significant adjustment in the reporting scope of the ESG Report. In this regard, Hongxin (the Group acquired 82.03% of its equity interest on 15 April 2021), a company incorporated and located in Indonesia, is excluded from our scope of work this year.

## REPORTING STANDARDS AND PRINCIPLES

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

- ✓ "Materiality": The Group identifies material ESG issues by stakeholder engagement and materiality assessment. Please refer to "Governance" chapter for the detailed steps and results;
- ✓ "Quantitative": Information on the standards, methodologies and source of conversion factors used for the reporting of emission and energy consumption is disclosed. For details, please refer to the "Environmental Sustainability" chapter;
- ✓ "Balance": This Report truthfully and objectively discloses ESG information of the Group with a fair and unbiased presentation of the Group's ESG performance during the Reporting Period.
- ✓ "Consistency": The method and key environmental performance indicators are consistent with those used in previous years.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### RESPONSIBLE GOVERNANCE

#### ESG Strategy and Organizational Structure

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

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



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Stakeholder Engagement

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

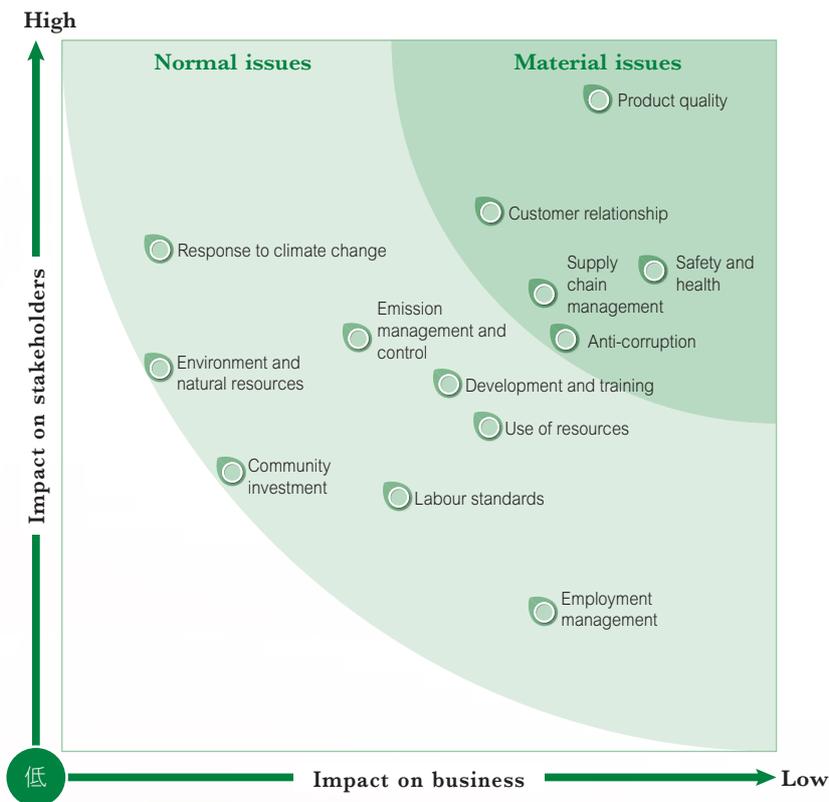
### Materiality Assessment

To further clarify our key areas of focus on ESG, we carried out materiality assessment and identified material ESG issues through the following steps in 2020, which were used to guide our ESG work:

- Identification of ESG issues: Identified the ESG issues relevant to the Group based on the requirements of the ESG Reporting Guide, our business operation, industry status, and the concerns of internal and external stakeholders;
- Scoring and prioritising: Based on the scoring and prioritising results on ESG issues identified, analysed and adjusted such issues in the dimensions of "Impact on businesses" and "Impact on stakeholders" to form the materiality assessment matrix;
- Assessment of results: Our senior management discussed the materiality assessment matrix with the ESG working group, determined the materiality assessment results and material ESG issues with reference to experts' opinions, and directed the implementation of the Group's ESG work and the preparation of the ESG Report accordingly.

In 2022, our senior management discussed the materiality assessment results of 2020, and decided to continue with these results considering that there was no significant change in our business operation and operation environment.

Materiality Assessment Results





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Sustainable Operation Product Management

#### ➤ Product quality management system

Adhering to the utmost tenet of ensuring product quality and safety, we stick to the quality policy of "Pursuing excellent quality by refining technologies and perfecting every detail". We strictly comply with relevant laws and regulations, including but not limited to the Product Quality Law of the People's Republic of China, the Food Safety Law of the People's Republic of China, the Agricultural Product Quality Safety Law of the People's Republic of China etc., established the Quality Manual and other internal policies. We legally obtained licenses to engage in food production and operation activities, and accepted routine supervision and inspection of food production and operation implemented by local food safety supervision and administration authorities. In 2022, in light of the *Quality Management Measures*, we strictly regulate our quality management process covering procurement of raw materials and packaging materials, quality control during the production process, etc. Moreover, we further improved the internal control standards of products to ensure that products always meet product standards and customers' quality requirements during the warranty period.

Product quality targets in 2022	Product quality in 2022	Results in 2022
Pass rate for finished products: 100%	100%	Achieved
Inspection rate for finished products: 100%	100%	Achieved
Significant (>RMB 1,000) quality incidents: 0	0	Achieved

We established quality management system in accordance with GB/T 19001-2016 *Quality Management Systems - Requirements* (equivalent to implement ISO 9001:2015), BRCGS *Global Standard for Food Safety Issue 9*, ISO 22000:2018 *Food Safety Management System*, to strictly manage and control each procedure of production. In addition, we also established the integrity management system that complies with GB/T 33300-2016 *Food Industry Enterprises Integrity Management System* to guarantee food quality and fulfil its quality and safety responsibilities. Greenfresh (Fujian) and Lvqi (Fujian) went through the U.S. Food and Drug Administration ("FDA") certification renewal process. Greenfresh (Fujian) Central Laboratory complies with *the General Requirements for the Competence of Testing and Calibration Laboratories* ISO/IEC 17025:2017. All of these fully demonstrate our standardised product quality management system. We will carry forward our professional and rigorous attitude towards testing to provide a strong guarantee for our raw materials and product quality control.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



In 2022, we took a range of quality improvement measures, aiming to provide customers with better and safer products.

- We held the testing skill competition across the Group to improve testing skills, create an atmosphere of learning and foster craftsmanship. Through the competition, we expected to strengthen the last line of defense for quality and food safety.
- The Central Laboratory of the Group has successfully passed the regulatory review conducted by the China National Accreditation Service for Conformity Assessment.
- We launched the event of quality month and various quality-improving activities to encourage quality competition among workshops, enhance employees' awareness of food safety and quality, and ensure the stability of product quality.
- The Group carried out the 6S Enhancement Competition (「SEIRI」、「SEITON」、「SEISO」、「SEIKETSU」、「SHITSUKE」、「SAFETY」), with the excellent 6S workshops picked out. Through the competition, we further strengthened our product foundation on quality and food safety, and ensured the effective implementation of Good Manufacturing Practice (GMP).
- We upgraded workshop facilities by replacing the cleaning tanks in workshops with the epoxy resin ones and paving the loading dock of Workshop 6 with epoxy resin to prevent any foreign matters in the production process and improve product quality. Moreover, we retrofitted the pilot plant to ensure the punctuality and accuracy of the pilot data, the pilot plant was enabled to better play the guiding role, so as to ensure product quality in the aspect of the process.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- We revised the acceptance standards of raw materials based on the raw materials acceptance history and the updated national standards regarding certain products, to control and improve product quality at the source;
- The Group engaged the professional lecturers of SGS, a well-known testing institution, to carry out ISO 9001 and ISO 22000 internal inspector training for the personnel of different departments to enhance their awareness and knowledge of quality and food safety management.

In 2022, relying on our excellent quality management mode, investment in technology research and development and a number of patents and honours we have obtained, we participated in the review of Zhangzhou Government Quality Prize. At present, we are under the on-site assessment stage after successfully passing the qualification review, public announcement of qualification, application documents review and other procedure.

### ➤ **Product testing and traceability**

The Group implements quality standards and requirements from quality inspection of raw materials to testing of semi-finished products and finished products, conducts risk assessment on each raw material or raw material group and record assessment results to identify potential risks to product safety, legality and quality. According to the *Identification and Traceability Control*, we properly mark products during the course of production and service to prevent confusion and misuse, allowing for product traceability.

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To ensure our product quality on an ongoing basis, we have engaged in active exchanges and cooperation with external institutions on testing methods.

### Exchange and training on professional technology for detection of microorganisms

In January 2022, the Quality Central Laboratory organised a training where our laboratories at each Greenfresh facility and the world-renowned testing company (SGS-CSTC Standards Technical Services Co., Ltd. Xiamen Branch) exchanged ideas about professional technology for detection of microorganisms. Through this training, we check the key issues in the practical operation, and clarified the precautions and key points of each operation step. We hope that this could improve expertise, professional testing skills and professional quality of our microorganism detection personnel.



Exchange and training on professional technology

### Internal inspector training carried out by SGS professional lecturers

The Group invited SGS professional lecturers to conduct ISO 9001 and ISO 22000 internal inspector training to improve the capabilities of quality management and food safety management. This training aimed to improve the skills and competence of the Group's internal inspectors through professional theoretical courses and practical operation. The training made trainees familiar with the authoritative theoretical knowledge, as well as the requirements of industry standards and national laws and regulations, offering them a clearer understanding of the significance of the quality and food safety management. In addition, it was a valuable opportunity for gaining valuable practical experience and promoting the Group's internal management and operation level.



SGS內審員培訓課程現場



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, we continued to use the “One Product, One Code” food safety information traceability platform for our products to implement information management for the introduced batches of products and raw materials in order to realise full traceability covering supply of raw materials, production information and product distribution. In doing so, we can quickly narrow down the scope of food products with safety problems to find the source of production and accurately identify the problems, so as to ensure the efficiency and accuracy of product recall.

In November 2022, we conducted a process drill on product reverse traceability. We traced the raw materials according to the batch number of finished goods and successfully obtained the results by checking the batch number of finished goods, production process records, acceptance reports on raw materials and additives and material balance data. The drill verified the efficiency of the Group’s traceability system, which played a key role in mitigating product safety risks.

### ➤ Technological innovation and intellectual property

We actively follow up the latest market trends and consumers’ demand and continue to invest in the development of new products. We established a product innovation team to work closely with the production team to optimise production processes, improve product quality, product formulation, processing technologies and production efficiency. In 2020, Greenfresh (Fujian) was approved to set up a postdoctoral research centre, which further enhanced our innovation capacity. In the future, carrying on the goal of making new practical scientific achievements through innovative scientific research, we will strive to become a domestic leading comprehensive platform for the scientific theory and technological research and development in fine and deep processing of red algae at an earlier date.

We strictly comply with relevant laws and regulations, including but not limited to the Patent Law of the People’s Republic of China and the Trademark Law of the People’s Republic of China, etc., and strictly manage the Group’s patents, trademarks and other intellectual property rights. We formulated the Regulations on Patent Application, Project Application and Scientific Progress Award, and actively encouraged our employees to actively participate in technological innovation and project application and gave certain bonuses to the winning team or individual. We obtained a number of patents in China for the development and improvement of processing technologies for agar and carrageenan and the extraction of carrageenan. Greenfresh (Fujian) established the intellectual property management system (GBT 29490-2014), which was certified by a third party.



Intellectual Property Management System Certificate

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ➤ Label management

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

### Enhanced Services



Satisfaction questionnaire constitution



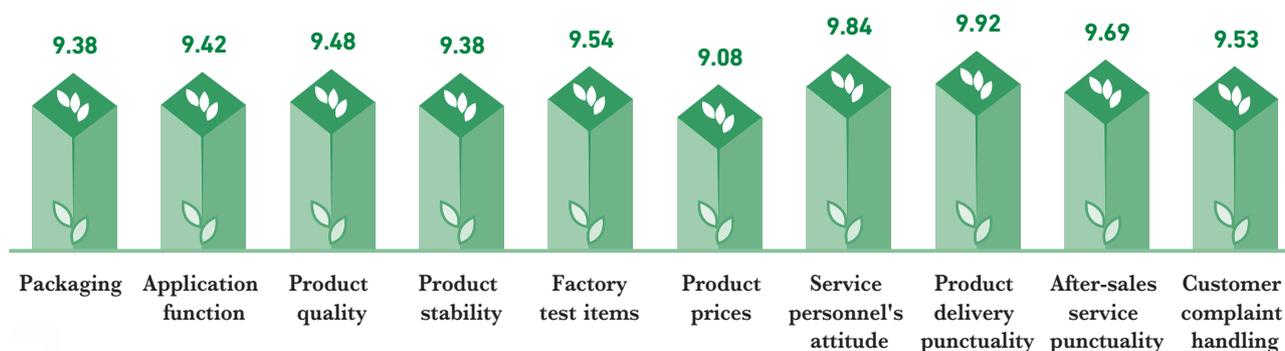
## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ➤ Customer satisfaction

We attach great importance to customer satisfaction with our services, and take various measures to constantly improve their experience, including a specialised sales service hotline and email address to respond to the inquiries and complaints from customers, which promptly and properly handle customers' complaints based on the Procedures for Customers' Complaint Handling. After receiving any inquiries and complaints, customer service staff responds immediately and reports to the relevant internal departments. The relevant internal departments take corresponding remedial measures and properly handle the customers' complaints. The Group conducts annual statistics on the customers' complaints, learns from experience, puts forward improvement plans, so as to constantly improve the quality and level of customer service. In 2022, we conducted customer satisfaction surveys in terms of quality satisfaction and service satisfaction, comprehensively reviewed the level of customer satisfaction with the services we provide and made proper suggestions as necessary. The quality satisfaction survey evaluated the packaging, application function, product quality, stability, accuracy of factory test data and other indicators of products, while the service satisfaction survey evaluated the product prices, service personnel's attitude, product delivery punctuality, after-sales service punctuality, customer complaint handling and problem resolution speed. Remedial measures were taken with respect to product application functions, delivery punctuality, prices and other aspects based on the analysis of the questionnaire results collected during the customer satisfaction survey, steadily improving our customer satisfaction rate.

During the Reporting Period, the overall customer satisfaction scored 9.52 (out of 10), and our product recognition increased steadily. The Group received a total of 4 customer complaints, and achieved a 100% customer complaint handling rate.

Customer Satisfaction Surveys Result



Notes:

1. More than satisfied (scored  $\geq 9$ ); Satisfied (scored 8 to 9); Basically satisfied (scored 6 to 7.9); Dissatisfied (scored 0 to 5.9);
2. Overall customer satisfaction score is the average score after adding up the above individual scores.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We formulated the Returns Management Procedure to standardize return process. On the one hand, we reduce unnecessary product returns; on the other hand, we adopt different treatments according to product quality, logistics, business and other reasons to make products return traceable and prevent the confusion of returned products. For all products that have been sold but do not meet the company or customer requirements, or do not comply with regulations, we will evaluate the need to recall the products. If necessary, to, we will recall the corresponding products in accordance with the procedures in the Product Recall and Withdrawal Procedure. The Group's general manager, quality control department, marketing centre, storage and transportation department and production department jointly participate in the product recall process and conduct regular product recall exercises.

In February 2022, Greenfresh (Fujian) carried out a simulation drill on product recall to verify the feasibility and effectiveness of the product recall process and to ensure that products could be recalled in a timely manner in case of any quality problems.

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

### ➤ Information security management and privacy protection

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

We stipulate in our Employee Manual that employee shall not disclose confidential information to any unauthorised parties, or release and deliver any business information of the Company without authorisation. We formulated the Policy on Customer Privacy Protection to guarantee sufficient customer information management, prevent customer information leakage, safeguard the legitimate rights and interests of customers and show our concerns about customer privacy security. In addition, we will deliver information security knowledge to employees from time to time in daily work to further raise employees' awareness of information security.

### Coordinated Development

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



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, we revised the *Supplier Assessment and Review Procedures* to further regulate the supplier assessment and review process, aiming to ensure that supplier performance meets the needs of the Group's production and operations, and minimise environmental and social risks across the supply chain.

The Group's Quality Centre, Procurement Centre and Technical Centre form an evaluation team to evaluate suppliers in two ways: off-site evaluation and on-site evaluation. We monitor the performance of suppliers through sample testing and on-site inspection, check the validity of the suppliers' quality system certification once a year and coach suppliers to improve their quality control system. The Procurement Centre and the Quality Centre assessed suppliers in terms of pricing, quality, rate of delay, degree of cooperation and other indicators, and classify them accordingly into Level A (scored above 85), Level B (scored 70 to 84), Level C (scored 60 to 69) and Level D (scored below 59). Suppliers rated level D are deemed as unqualified, and we will cease cooperation with such suppliers. Besides, we established a supplier communication platform to encourage suppliers to share information and make progress together. Our Procurement Centre regularly organises supplier qualification inspections, and organises internal employees to study at the suppliers' warehouses and office premises on an irregular basis to strengthen our communication and cooperation with suppliers. In November 2022, the Procurement Centre organised employees for an exchange visit to suppliers' warehouses in the Taiwanese Investment Zone:



In November 2022, the staff of the Group's Procurement Centre visited a supplier's warehouse and exchanged experience on the scientific storage and classification of products in warehouses.



In November 2022, the staff of the Group's Procurement Centre visited a machinery supplier's warehouse to learn how to identify high-quality and high-standard products, laying the foundation for quality requirements during the forthcoming cooperation.



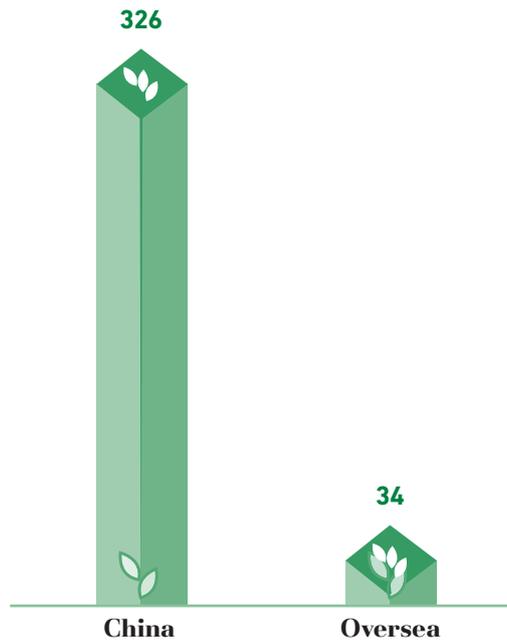
In November 2022, the staff of the Group's Procurement Centre visited an electrical and mechanical supplier's warehouse to inspect the quality of the supplier's products and gain the professional knowledge at the same time.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We establish cooperative partnership with suppliers who have good conditions on quality, price, delivery date, service and goodwill. We also continuously strengthen communication with suppliers on quality, environment, and society. We are concerned with the environmental and social risks of suppliers and require that all the materials they supply must meet relevant laws and regulations and other requirements on safety and environmental protection. We give priority to partners that have a sense of social responsibility and adopt environmentally friendly products and services and work with suppliers to improve environmental and social performance to achieve sustainable development.

As at the end of the Reporting Period, the Group had 360 suppliers in total. The number of suppliers by geographical region was as follows:

Number of suppliers by geographical region



### Public Welfare

Following the *Regulations on Charity and Public Welfare Activities*, the Group shoulders the responsibilities by actively participating in public welfare activities, giving back to the society and delivering a positive social energy.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, the Group organised a range of public welfare activities in the areas of poverty alleviation, education support, youth care, and local community assistance.

### A new chapter of rural revitalisation, and heart-warming charitable donations

Upholding the concept of “a human community with a shared future”, the Group strives to push forward the national strategy of rural revitalisation and support the public welfare undertakings, aiming to revitalise the rural economy and give back to the society. In December 2022, Greenfresh (Fujian) donated RMB 400,000 through the Red Cross Society of Longhai District for the rural revitalisation programme and infrastructure construction of Anshan Village in Zini Town. The Group hoped the donation would help boost the rural revitalisation and development of Anshan Village in Zini Town.

### Donation for Children’s Day

In June 2022, Lvbao (Quanzhou) donated RMB 5,000 to Maofeng Central Primary School in Yonghe Town, Jinjiang, for celebrating the Children’s Day, reflecting its care for education and concept of giving back to the society

### Donation for combating the pandemic

In March 2022, facing the sudden outbreak of the COVID-19 pandemic and severe situation in Longhai District, Zhangzhou, the Group took group-wide measures to control the pandemic, and also actively undertook the social responsibility by donating RMB 1 million to the Red Cross Society of Longhai District to help Longhai District combat the pandemic.

In April 2022, the pandemic broke out in Jinjiang. Lvbao (Quanzhou) shouldered the social responsibility by donating RMB 5,000 to the Villagers Committee of Maoting Village in Yonghe Town, Jinjiang, to support the local community against the pandemic.

In November 2022, Lvbao (Quanzhou) donated RMB 20,000 in a fund-raising event named as “Standing Together against the Pandemic” to help the people in Jinjiang combat the pandemic.



The Group donated RMB 1 million to the Red Cross Society of Longhai District to help combat the pandemic.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ENVIRONMENTAL SUSTAINABILITY

#### Energy Conservation and Consumption Reduction

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

We formulated energy and water conservation policies, targets and energy management plans by analysing and evaluating the current situation of energy and water utilisation. We required all production workshops to align with the annual energy and water consumption quota according to the quota assessment system. Moreover, each workshop formulated the corresponding energy-conservation targets and management measures and arranges different teams to complete the workshop assessment indicators. The Group also developed an energy conservation target evaluation scheme to comprehensively evaluate the achievement of energy-conservation targets for each system and deployed an online real-time system to monitor consumption of coal in workshops, conducted analysis and pressed ahead with energy conservation and emission reduction. In 2022, we continued to transform and upgrade our existing equipments of production lines to achieve the win-win results of energy conservation and productivity improvement. The details are as follows:

- ✓ In February 2022, Lvqi (Fujian) formally started to use and purchase the central heating steam recommended by the government, and the heating steam generated by the Ashford combined heat and power project. Moreover, Lvqi (Fujian) shut down one 12-tonne coal boiler for the fluidised bed and one 8-tonne natural gas boiler. By doing so, it can annually reduce coal consumption by approximately 4,800 tonnes, electricity consumption by approximately 700,000 kWh, water consumption by approximately 60,000 tonnes, and natural gas consumption by about approximately 200,000 cubic meters, fume emissions by approximately 2.6 tonnes, sulphur dioxide emissions by approximately 4 tonnes and nitrogen oxide emissions by approximately 3 tonnes;
- ✓ Lvqi (Fujian) is actively promoting the use of clean energy. In April 2022, the 1.2MW distributed photovoltaic power generation project at the base officially passed the trial operation acceptance, with a total of 2,525 photovoltaic panels installed and an estimated annual power generation of 1,569,500 kWh, which can effectively reduce carbon emissions in Scope 2;
- ✓ In 2022, Lvbao (Quanzhou) changed from using coal-fired boilers to using natural gas boilers, which can reduce coal burning by about 595 tonnes, reduce fume emissions by about 0.5 tonnes, reduce sulfur dioxide emissions by about 1.2 tonnes and reduce nitrogen oxide emissions by about 1.7 tonnes.



Central heating by Lvqi (Fujian)



Lvbao (Quanzhou) switched coal-fired boilers to natural gas boilers



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To save water, Greenfresh (Fujian) used the wastewater from the third pond to clean the algae in the first or the second pond to promote the recycling of water resources and reduce water consumption. In 2022, Greenfresh (Fujian) established a water and electricity conservation team, which is responsible for conducting surveys in regions where its facilities are located, collecting and analysing the cases related to water wasting, issuing survey reports, and talking with persons in charge of the key areas for collecting improvement suggestions based on the reports. Greenfresh (Fujian) has formulated a range of water-conservation management measures based on the survey results and the actual situation of various departments. The specific implementation steps include formulating improvement plans for the equipments and facilities of the production or auxiliary departments where water wasting has been identified, setting the implementation schedule, and completing the technical transformation with efficiency. The Production Department of Greenfresh (Fujian) has uniformly set water intakes, re-arranged the existing water intakes, and dismantled most faucets and other water intake devices. In addition, measures are in place to clarify responsibility, such as numbering the water intakes and publicising the persons in charge. The Production Centre supervises the Human Administration Department and Environment and Safety Department for inspecting the implementation of the water-saving measures, with the implementation report submitted on a weekly basis. The violation and relevant personnel will be publicly announced and punished according to the reward and punishment rules. In addition, Greenfresh (Fujian) also carries out training and publicity on the significance of water and electricity conservation through various methods such as publicity boards, banners and playing promotional videos in canteens to raise the employees' awareness of water and electricity conservation, and create a good atmosphere of active participation and conscious action.

We advocate green office, and get committed to reducing greenhouse gas emissions and resource consumption during the working process. We abide by the *Management Regulations on Use of Office Air Conditioners*, assigning specific person to control the use of air conditioners, which stipulates that the air conditioners shall not be enabled on rainy days, or unless the outdoor temperature reaches 30°C or above, and the setting temperature for refrigeration shall not be lower than 26°C. Besides, the Group also encourages employees to commute by bus, bicycle or carpooling, or go on business travels in an environmentally friendly way, to reduce energy consumption and greenhouse gas emissions. In terms of office supplies, Greenfresh (Fujian) continues to reduce the paper use through the use of Office Automation (OA) system, promoting paperless office throughout the Group.

For the use of packaging materials, we have a preference for procurement of recyclable packaging materials and sign a packaging bag recycling agreement with customers. If the customers return packaging materials such as pads, paper or woven bags used in storage and transportation, they will obtain rebate accounting for 10% of the cost of packaging materials, thereby increasing the utilisation rate of packaging materials and reducing the amount used. In 2022, in active response to environmental protection, the Group replaced the small-size packaging to the large-size for delivery after the close communication and coordination with customers, saving 699,202 packaging bags during the year and reducing the consumption of packaging materials.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group's use of resources indicators was shown as below:

	KPI	2022	2021	2020
<b>Energy</b>	Total direct energy consumption (MWh)	<b>126,551.75</b>	124,514.74	99,577.25
	Total indirect energy consumption (MWh)	<b>86,739.33</b>	48,346.30	45,991.25
	Total energy consumption (MWh)	<b>213,291.08</b>	172,861.04	145,568.5
	Energy consumption intensity (MWh/tonne output)	<b>15.53</b>	12.07	10.78
<b>Water</b>	Total water consumption (tonne)	<b>2,772,271.00</b>	2,861,127.00	2,315,403.00
	Water consumption intensity (tonne/tonne output)	<b>201.86</b>	199.86	171.41
<b>Packaging materials</b>	Total packaging materials (tonne)	<b>183.88</b>	182.74	136.46
	Packaging materials intensity (tonne/tonne output)	<b>0.0134</b>	0.0128	0.0101

Note:

1. The total energy consumption are presented by MWh (kWh in 000's), and the conversion factors are derived from the Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions from Food, Tobacco and Wine, Beverage and Refined Tea Enterprises (Trial) issued by the National Development and Reform Commission;
2. The consumption of coal, electricity and water comes from the corresponding bills;
3. During the Reporting Period, Lvqi (Fujian) newly purchased heating steam, as a tail-end customer of central heating steam supply, the moisture content of steam was large, and the steam temperature was lower than coal-fired temperature. As a result, longer steam supply was required for product production which led to an increase in total indirect energy consumption and energy consumption intensity.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Pollutant Management

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

In 2022, Greenfresh (Fujian), Lvqi (Fujian), Lvbao (Quanzhou) and Shiyai Haiyi obtained discharge permits, and they were required to control the air, water, noise and solid waste discharged within the permitted limits according to the *Measures for the Administration of Pollutant Discharge Permits*.



Greenfresh (Fujian) Discharge Permit



Lvqi (Fujian) Discharge Permit



Lvbao (Quanzhou) Discharge Permit



Shiyai Haiyi Discharge Permit

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We established the Environmental Protection Committee and set the Environmental Protection Team as the working body of the Environmental Protection Committee. The Environmental Protection Team is responsible for leading and coordinating the environmental protection work of the Group, and formulating the Company's environmental protection plan, goals and annual work plan. Each unit establishes a responsibility system for environmental protection target, and formulates their respective annual environmental protection work plans and annual pollution source treatment plans. They assign specific personnel to carry out environmental protection tasks, implement environmental protection measures, and strengthen environmental supervision and management. We have established and adopted an environmental management system, which fulfils the requirements of GT/T24001-2016/ISO 14001: 2015, and obtained the third-party certification. In 2022, we completed our current year targets in waste gas, wastewater, and hazardous waste.



Environment Management System  
Certificate

Discharge targets in 2022	Discharge in 2022	Results in 2022
Pass rate for waste gas discharge: 100%	100%	Achieved
Pass rate for wastewater discharge: 100%	100%	Achieved
Professional discharge rate for hazardous wastes: 100%	100%	Achieved

### ➤ Waste gas

Exhaust gases produced by the Group mainly include sulfur dioxide, smoke and nitrogen oxides produced in the production process. All exhaust gases are discharged in accordance with standards after treatment. The Group carries out real-time monitoring of exhaust gas emissions. For example, Lvqi (Fujian) Production Plant performs on-line monitoring of flue gas, and a real-time warning will be sent in case of emissions exceeding the specific standard. We invite third parties to conduct the periodic on-site inspection annually, and obtains the inspection report and the periodic comparison report, to ensure compliant emissions.

In 2022, the Group took various measures to reduce the waste gas emission. In terms of fuel use, we use low sulphur coal for our boilers, thus reducing the formation of sulphur dioxide; in addition, we add urea to the bunker coal to reduce nitrogen oxide emissions in flue gas. In the operation process, we increase the input of catalyst in the desulphurisation pool and improve the PH level to reduce sulphur dioxide emissions in the flue gas. In the daily operation, we increase the spray frequency in plants to control dust; in order to meet the government's requirement for reducing emissions, we reduce boilers' load and cut certain production lines in workshops during the air quality alert period.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ➤ *Waste water*

The Group's four production plants built sewage treatment stations and set up water purification posts, sewage posts and desliming posts to handle various processes related to sewage treatment. Testing rooms were constructed in each sewage treatment station for on-line or manual monitoring of the emission data. The production wastewater is discharged when relevant indicators meet requirements after being treated, monitored and tested. In Lvqi (Fujian) Production Plant, the sewage can be finally discharged into the municipal pipe network only when meeting the third-level sewage discharge standard after treatment. Greenfresh (Fujian) conducted online real-time monitoring on sewage discharge and realised unified discharge and treatment of sewage.

In 2022, we continued to strengthen our third-party monitoring of wastewater discharges. For example, we monitored the wastewater from Lvbao (Quanzhou) and Greenfresh (Fujian) on a quarterly basis, and that from Lvqi (Fujian) on a semi-annual basis. Meanwhile, Lvqi (Fujian) and Greenfresh (Fujian) replaced and upgraded the online monitoring equipment for sewage discharge to further improve the monitoring capacity.

We monitor, manage and maintain all kinds of environmental protection facilities to ensure normal operation of facilities, and up-to-standard discharge of various pollutants. We actively introduced advanced purification equipment and treatment technology to seal up the sewage treatment unit producing odorous gas and treat it intensively, so as to reduce the impact on the environment. In addition, we reduce wastewater by recycling and reusing water from plate-and-frame filter press, and water discharged in line with standards in the first and the second pond.

### ➤ *Wastes*

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

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Source avoidance	<ul style="list-style-type: none"> <li>✓ Recycling of packaging materials and used work clothes as equipment wipes;</li> <li>✓ Double-sided use of office papers, and recycling of shredded papers;</li> <li>✓ Purchasing recyclable pads, paper woven bags and wrapping straps in a unified way to reduce wastes generated from storage and transportation;</li> <li>✓ The raw material is filtered through a rolling screen device to filter the sediment before use to reduce the amount of seaweed residue produced.</li> </ul>
Terminal treatment	<ul style="list-style-type: none"> <li>✓ Selling the waste papers and scrap metals to recyclers for reuse;</li> <li>✓ Requesting the environmental sanitation department to clear, transport and dispose of the collected household wastes;</li> <li>✓ Recycling all collected wastes as much as possible;</li> <li>✓ Contacting a qualified third party via contractor to store and ferment the kitchen wastes so as to decompose the wastes into sanitary and odorless humus;</li> <li>✓ Providing the farmers with the crushed organic wastes, such as raw seaweed residue (gracilaria residue, eucheuma residue, etc.), which are used as organic fertiliser for their vegetable and fruit tree planting bases;</li> <li>✓ We have brought in and overhauled equipment to limit moisture content in solid waste to 60% and bring down solid waste discharge by 20%.</li> </ul>



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

	KPI	2022	2021	2020
<b>Wastewater</b>	Wastewater discharge (tonnes)	<b>6,776,566.00</b>	6,173,773.00	5,090,230.00
	Chemical Oxygen Demand (COD) (tonnes)	<b>735.22</b>	578.24	558.56
	Ammonia nitrogen (tonnes)	<b>12.02</b>	14.64	32.96
<b>Exhaust gas</b>	Smoke (tonnes)	<b>6.05</b>	6.23	6.51
	Sulphur dioxide (tonnes)	<b>12.81</b>	19.06	46.02
	Nitrogen oxides (tonnes)	<b>49.86</b>	56.25	50.04
<b>Hazardous wastes</b>	Total hazardous wastes produced (tonnes)	<b>2.83</b>	0.97	1.01
	Hazardous wastes intensity (tonnes/tonne output)	<b>0.00021</b>	0.00007	0.00007
<b>Non-hazardous wastes</b>	Total non-hazardous wastes produced (tonnes)	<b>63,692.18</b>	47,183.10	44,403.46
	Non-hazardous wastes intensity (tonnes/tonne output)	<b>4.64</b>	3.30	3.29

Notes:

1. Data on emissions is derived from the on-line monitoring system;
2. Data on hazardous waste was extracted from hazardous waste transfer manifests;
3. Data on non-hazardous wastes is from daily monitoring.
4. During the Reporting Period, the wastewater of Lvbao (Quanzhou) was discharged into the municipal pipe network, and the tertiary discharge standard was implemented, therefore, the Group's wastewater and COD emissions increased.
5. During the Reporting Period, the total hazardous wastes produced and hazardous wastes intensity increased significantly due to the centralized replacement of hydraulic oil in the Group's old workshops (which is a normal periodic replacement).
6. During the Reporting Period, the total non-hazardous wastes produced and non-hazardous wastes intensity increased significantly because the quality of seaweed raw materials was unstable and the yield rate decreased.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Response to Climate Change

Navigating the climate change has become a common challenge facing the world. Therefore, we keep concerned about the impact of climate change trends and changes in domestic and overseas regulations on our business operations. We have incorporated the climate change into our daily operation and production process and constantly strengthened our monitoring of greenhouse gases to reduce environmental pollution.

To play our part in China's strategic goals of "carbon peaking and carbon neutrality", we have put forward new requirements for green and low-carbon operation. We increased our investment in low-carbon technology and product research and development, actively responded to the requirements for energy conservation and consumption reduction set by Fujian Provincial Department of Ecology and Environment, and implemented emission reduction measures, including:

- ✓ Greenfresh (Fujian) made scientific arrangements for production and suspended production lines in certain workshops to reduce ozone emissions;
- ✓ Greenfresh (Fujian) reduced the speed of blowers from 1,300 RPM to 1,100 RPM to enable the boilers to operate at a reduced load so as to reduce ozone emissions;
- ✓ Greenfresh (Fujian) increased its pharmaceutical inputs and stepped up the strength and frequency of spray moisturising in plant areas to meet the requirements of Fujian Environmental Protection Bureau for ozone control.

The Group's greenhouse gas (GHG) emissions were mainly from the purchased and used electricity and the bituminous coal, anthracite coal, natural gas, gasoline and diesel consumed for production. During the Reporting Period, the Group's GHG emissions in total and intensity were showed as below:

	KPI	2021	2020	2019
<b>Greenhouse gases</b>	Scope 1: Direct emissions(tCO <sub>2</sub> e)	<b>38,174.74</b>	38,113.50	31,503.10
	Scope 2: Energy indirect emission(tCO <sub>2</sub> e)	<b>49,234.93</b>	33,804.22	32,170.86
	Total emissions (tCO <sub>2</sub> e)	<b>87,409.67</b>	71,917.72	63,673.96
	Emission intensity (tCO <sub>2</sub> e/tonne output)	<b>6.36</b>	5.02	4.71

Note:

1. During the Reporting Period, Lvqi (Fujian) newly purchased heating steam, as a tail-end customer of central heating steam supply, the moisture content of steam was large, and the steam temperature was lower than coal-fired temperature. As a result, longer steam supply was required for product production which led to an increase in total indirect energy consumption and increases in energy indirect greenhouse gas emission and emission intensity.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, the Group conducted an overall assessment for climate change-related risks. Laws, regulations and policies, as well as extreme weather such as typhoons and rainstorms, are expected to exert a potential impact on our business operations upon assessments. In face of climate change risk, we have taken a series of preliminary measures to mitigate its impact on the business operations, including:

- ✓ Comply with the latest environmental protection laws and regulations and relevant policies, and revise internal systems and standards in a timely manner;
- ✓ Establish and implement an accountability system for environmental protection goals, under which the Environmental Protection Department assumes overall responsibility for company-wide environmental protection;
- ✓ Identify and evaluate environmental factors and their environmental impacts, formulate appropriate management measures based on risk levels, and step up risk response;
- ✓ Set out the Administrative Measures for Emergency Plan and other systems with reference to business characteristics, and tighten the control over identified risks and environmental emergencies;
- ✓ Run statistics on greenhouse gas emissions and actively push forward energy conservation management to reduce energy consumption and greenhouse gas emissions, based on the Management Standards for Energy (Resource) Consumption and Greenhouse Gas Emissions;
- ✓ Organise annual emergency drills to lower chances of environmental emergencies.

### Environment and Natural Resources

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

Noise of the Group mainly comes from the crushing process. The Group strives to reduce the impact of noise on surrounding areas in strict compliance with relevant laws, regulations and standards, including but not limited to the Law of the People's Republic of China on Prevention and Control of Noise Pollution and the Emission Standard for Community Noise. For the purpose of meeting standards for production, the Group adopts high-efficiency stainless steel sound-absorbing material and modern multi-layer silencing technology to effectively reduce the sound decibels generated by the equipment. In 2022, the Group conducts third-party monitoring for noise at boundary on a quarterly basis to bring that noise at boundary in line with standards. In addition, we took various measures to reduce noise at the production site:

- ✓ Replacement of the silencer of old crushers, greatly reducing noise during crushing;
- ✓ Installation of muffler for the mill to reduce the noise of equipment;
- ✓ Frequent detection of shop noise, and supervision on the implementation and effectiveness of preventive measures;
- ✓ Strengthening of daily repair, shortening of the repair cycle, and regular repair of the piston of forcing fans, air inlet units and gearing.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is concerned about biodiversity. So we continuously improve our knowledge of biodiversity, refuse to process, sell and consume key national protected species, and achieving the “Three simultaneous” (The Group’s environmental protection facilities and the main construction work of the new construction, reconstruction and expansion projects are designed, constructed, and commissioned at the same time) of biodiversity. We also actively participate in public welfare publicity and appeal to the public to protect biodiversity.

In 2022, the Group actively carried out knowledge training on ecological conservation and environmental protection for employees in a bid to update their knowledge reserve in this regard, and further reinforce their attention to this issue.





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### TALENT SUSTAINABILITY

#### Employee Safety

##### ➤ Production safety

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

Work safety target in 2022	Work safety in 2022	Results in 2022
<b>Completion rate of the implementation plan for safety projects <math>\geq</math> 95%</b>	100%	Achieved
<b>Completion rate of safety training <math>\geq</math> 90%</b>	100%	Achieved
<b>Notice on non-compliance from environmental protection authorities: 0</b>	0	Achieved
<b>Monthly safety inspection and feedback rate: 100%</b>	100%	Achieved

#### Annual Work Safety Targets

We strictly comply with relevant laws and regulations, including but not limited to the *Labour Law of the People's Republic of China*, the *Work Safety Law of the People's Republic of China* and the *Interim Provisions on the Investigation and Handling of Safety Accidents and Hidden Dangers*, etc. We formulated and implemented the *Regulations of Work Safety Management at the Base (Trial)*, the *Emergency Rescue Plan for Steam Boiler Accidents*, and the *Special Emergency Plan for Hazardous Chemicals Leakage Accidents*, etc. We have revised the *Detailed Rules for Rewards and Punishments for Work Safety* and formulated the *Supplementary Regulations on the Management of Hazardous Operations*, strictly standardising employee behaviours at work, and clarifying responsibilities and procedures of hazardous operations for steady progress in comprehensive and effective work safety management. Meanwhile, Lvqi (Fujian) has been certified as a Work Safety Standardisation Level 3 Enterprise after passing the assessment. Lvbao (Quanzhou) and Shiyan Haiyi have also completed the safety standardisation self-assessment, and investigated and rectified potential safety issues based on the self-assessment report.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>Safety education</b>	<ul style="list-style-type: none"> <li>✓ Implement three-level safety education for new employees based on the <i>Management Policy on Safety Education</i>;</li> <li>✓ Provide professional safety education for special operation personnel, designate personnel to help during the apprenticeship, and require them to obtain operating certificates before they can operate independently;</li> <li>✓ Carry out secondary safety education for personnel who change their job type.</li> </ul>
<b>Electrical safety</b>	<ul style="list-style-type: none"> <li>✓ Ensure electricity safety through electrical technical data management, safe operation of electrical equipment and electrical equipment safety inspection based on the <i>Management Policy on Electricity Work Safety</i>.</li> </ul>
<b>Investigation and rectification of hidden dangers</b>	<ul style="list-style-type: none"> <li>✓ Conduct factory-level inspection, employee self-inspection, seasonal inspection and professional inspection based on the <i>Management Policy on Investigation and Rectification of Hidden Dangers</i>. If hidden danger was found, rectification would be carried out within a definite period, and relevant leaders would be punished as appropriate.</li> </ul>
<b>Hazardous chemicals safety</b>	<p>Conduct safety management of hazardous chemicals based on the <i>Management Policy on Hazardous Chemicals</i>, including;</p> <ul style="list-style-type: none"> <li>✓ storing inflammables and explosives in designated safe places</li> <li>✓ regularly checking storage and transportation facilities and equipment with inflammable and explosive materials;</li> <li>✓ designing grades of fire and explosion prevention in hazardous areas;</li> <li>✓ maintaining and managing fire facilities.</li> </ul>
<b>Fire safety</b>	<ul style="list-style-type: none"> <li>✓ Conduct fire inspections, safety evacuation facilities and fire equipment maintenance, fire control room duty, fire hazards rectification, and fire safety education and training based on the <i>Management Policy on Fire Safety</i>.</li> </ul>
<b>Operational safety in limited space</b>	<ul style="list-style-type: none"> <li>✓ Designate the head of operations and supervisors of operations and equip them with safety facilities for hazardous operation in limited spaces, provide personal labour protection appliance that meet national or industry standards, etc., based on the <i>Management Policy on Operational Safety in Limited Space</i>.</li> </ul>
<b>Aloft work safety</b>	<ul style="list-style-type: none"> <li>✓ Conduct training, approval and various protective measures for aloft work based on the <i>Management Policy on Aloft Work Safety</i>.</li> </ul>
<b>Outsourcing project safety</b>	<ul style="list-style-type: none"> <li>✓ Sign the <i>Outsourcing Project Safety Agreement</i> with the contractor to clarify the safety responsibilities of both parties and ensure the safety of personnel, equipment, electricity and the environment during the entire construction process.</li> </ul>
<b>Hazardous work safety</b>	<ul style="list-style-type: none"> <li>✓ Stipulate the responsibilities and procedures of dangerous operations such as high-voltage circuit construction and lifting operation at high altitude of fire operation based on <i>Supplementary Provisions on the Management of Hazardous Operations</i>.</li> </ul>



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

In 2022, the Group followed the production safety responsibility system of which the production centre provides consulting services, guidance and supervision, while each base takes full responsibilities. Adhering to the principle of "the person in charge taking full responsibilities", the Group strengthened the management of safe operation of equipments, the management of fire-fighting regulations, the management of dangerous chemicals, especially the management of fire usage, and the management of labor protective equipment. The Group strictly controlled the four dangerous operations (fire usage, high-altitude, limited space, and operations involving hazardous chemicals) and the management of outsourced approval process to prevent major and extra serious work-related injuries and protect the safety of employees' live and the Group's property as much as possible. Meanwhile, we set monthly production performance assessment indicators for employees at the specialist level and above, we involved more production employees in the performance assessment, and improved work safety performance indicators to discover and solve hidden safety hazards and improve the work safety environment. In addition, we post identification of risk sources for the departments of storage and transportation, production, technology, human administration and other departments, and develop corresponding safety control measures, to minimize the occurrence of various accidents and personal injury. In daily safety management, we conducted a special fire drill every half year to enhance employees' capabilities in emergency response and self-rescue.

In July 2022, we launched the Greenfresh Group's Work Safety Month. During the month, we carried out various publicity campaigns, educational training, emergency drill, hidden danger investigation and other activities for clarifying the responsible entity. The results were assessed to improve the employees' safety awareness in work and daily life.

The main activities in the Greenfresh Group's Work Safety Month include:

1. Promotion of Work Safety: each base hung slogans of safe production and warning signs in plain sight in important production area.
2. Safety education and accident warning: each base organised employees to participate in activities including safety education and training, and viewing educational video.
3. Emergency drill: each base carried out safety drills, such as emergency drill for hazardous chemicals accidents and fire drill.
4. Hidden danger investigation and other activities for clarifying the responsible entity: each base organised safety inspection, and the Production Centre conducted cross safety inspection, proposed rectification plans and reviewed the signing of safety responsibility agreement for each base.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Promotion of Work Safety Month in July 2022



Fire drill in April 2022



Emergency drill for hazardous chemical leakage accidents in June 2022



Training on safe production in July 2022

In the last 3 years, the Group had no work-related fatalities. During the Reporting Period, the Group lost 448 working days due to work injury.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ➤ Occupational health

We strictly comply with the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other relevant laws and regulations, formulated the *Distribution Standards and Management Measures for Labour Protection Appliance* to provide employees engaged in any special operation with protective antistatic clothing, high-voltage protective gloves, insulating shoes, inhalers and other labour protection supplies. We post up the occupational hazards billboard at conspicuous places to remind and inform employees of the hazards. In addition, the Group organises annual physical examination for employees, and provides them with the analysis report of physical examination results issued by the hospital to archive employees' health surveillance files and protect their health. In 2021, Lvqi (Fujian) passed the third-party occupational health assessment and protected the health and safety of employees based on the assessment report.

In addition, in order to safeguard employee health and reduce the impact of noise on employees, we took effective control measures against noise at the production site and consolidated employee protection, including:

- ✓ Distribution of protective articles to employees such as earplugs, earmuffs and helmets to strengthen individual protection;
- ✓ Provision of reasonable work and rest schedule for employees, and of work breaks for workers exposed to noise to eliminate auditory fatigue;
- ✓ Regular health inspections for workers exposed to noise, especially on their hearing, to observe any damage to their hearing, and if so, taking measures in a timely manner; and
- ✓ Provision of pre-employment physical examinations for workers exposed to noise, and avoidance of high-noise operations for employees with hearing disorders.



Employees wearing earmuffs

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Special Topic: Pandemic prevention and control**

In 2022, the COVID-19 pandemic recurred across the country. Based on the pandemic updates, we issued the *Notice of Greenfresh Group on the Requirements Related to the Return to the Factory after the 2022 Festival*, the *Notice of Greenfresh Group on Further Strengthening the Management of Pandemic Prevention and Control* and the *Supplementary Notice of Greenfresh Group on Strengthening the Management of Pandemic Prevention and Control in succession to integrate pandemic prevention and control into daily management.*

- Mandatory requirement for all employees to properly wear disposable mask all the time on the Company's premises;
- Temperature monitoring, health QR code and travel code check at the entrance on employees lined up at the commuter time by on-duty employees arranged by the Human Administration Department;
- Requirement for the office staff to work in the designated office and the workshop staff to keep a safe distance and communicate through telephone, OA and WeChat in work, if possible;
- Requirement for front-line employees to dine avoiding peak hours, seat separately and properly wear masks when queuing for food;
- Daily monitoring on inventory of anti-pandemic materials and timely purchase of the materials when the stock is in shortage by each subsidiary's Human Administration Department;
- Daily provision of protective masks for employees and mandatory requirement on wearing masks during work;
- Daily disinfection on working and living areas, as well as venues for activities by on-duty employees, including plants, offices, canteens and elevators;
- Collective purchase of daily necessities for employees living in the Company's dormitory;
- Strengthening of employees' awareness of pandemic prevention and control, and regular pandemic prevention inspections;
- Free masks for all employees and their families.

**Through a series of protective measures, we provided employees with a safe and healthy workplace, minimising their infection risk, and fighting the pandemic with all employees.**



Health QR code check



Nucleic acid test



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### HONESTY AND INTEGRITY

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

We formulated a *Whistle-blowing Policy* and established an internal monitoring mechanism for irregularities and frauds within the Group, to provide employees with whistle-blowing channels and guidelines. Employees can report any fraud and violation of discipline in real names or anonymously through channels such as mailbox, email, and hotline. The Company Secretary is responsible for receiving fraud reports and planning fraud investigation and reporting. The Group handles the contents and information provided by the whistle-blowers in a prudent manner. The personal identity or any information of the whistle-blowers is kept confidential to prevent them from being harmed.

**Reporting mailbox:** Flat A, 16th Floor, 169 Electric Road, North Point, Hong Kong

**Reporting email:** freemanso@greenfreshfood.com

**Reporting hotline:** 852 3543 0708

Staff reporting channels

In addition, we required our partners to comply with the above business ethics. In accordance with the *Regulations on Clean Procurement*, we further regulated procurement staff's behaviours and enhanced the anti-corruption and integrity management on procurement staff. Meanwhile, we signed an *Anti-Commercial Bribery Agreement* with our business partners, providing clear definitions on commercial bribes, setting forth both parties' responsibilities for reporting, investigating and penalising bribes, and requiring both parties to abide by the commitment to integrity. Anybody noticing any violation of the clean procurement policy can report to us via reporting telephone or email. The violators will be punished if the reported situation is attested.

In December 2022, we held an annual anti-corruption promotion and training meeting for all employees (including senior management) to publicise anti-corruption measures, as well as the *Code of Discipline*, the *Whistle-blowing Policy*, the *Corporate Governance Code* and other anti-corruption policies by the manager of the Audit Department, and highlighted the necessity and importance of anti-corruption to enhance all employees' awareness of integrity and self-discipline.

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### EMPLOYEE DEVELOPMENT

We value talent cultivation, encourage employees to learn advanced knowledge, and provide them with various opportunities for personal improvement and career development for their rapid growth. The Group Headquarters set up Green Future Cottage consisting of 7 societies, namely, Human Resource and Administration Society, Environment and Safety Society, Technology Society, Quality Society, Efficiency Society, Management and Leadership Society, and Green Seeding Initiative. Through the systematic mechanism of middle and senior management level training and outdoor development training, live training courses and professional skills training courses by branches of Green Future Cottage for each subsidiary, we provide employees with all-round, multi-level and different forms of training and development opportunities to promote the mutual growth of the Group and employees.

We established the *Training Management Policy*, formulated the annual and monthly training plans, and mobilised internal and external resources to offer a wealth of trainings, including but not limited to outward development training for middle and senior management, orientation training for new joiners, professional skills training, management training and vocational training. We also established and nurtured an in-house lecturer team, conducted internal trainer selection, training, certification and management to maximise the sharing of knowledge, skills and best practices. In 2022, we engaged 2 external trainers in special training for employees at the supervisor and manager level. In this year, we created a new series of courses "Partners in Leadership" for the training of middle and senior management level employees, converting the original scattered model to a more systematic and centralised one. The courses were taught in three sessions by specialist teachers. The teachers conducted survey a week before each session to better combine the course with actual circumstance, and reviewed the course a week and a month later to consolidate the knowledge. Meanwhile, we organised outdoor development programmes, moving the training site to the classrooms in the surrounding scenic spot, to carry out the training in a relaxed and pleasant environment and the knowledge was shared through the organisation of team building activities.

In 2022, we continued to abide by the *Regulations on the Dispatch Management Within the Group* to specify the management of dispatched employees, and provide more opportunities for employees' career development.

We encouraged employees to actively participate in the Company's training, and have formulated the *Regulations on the OPL Management of the Group* (OPL, One Point Lesson, an on-site training model) to encourage employees to share their personal work experience and wisdom, give full play to the advantages and specialities of each employee for mutual learning, and fully tap into the wisdom of employees for the sharing of knowledge, experience, and skills. We integrated training into daily work, which was effective and targeted.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, 725 employees participated in 135 training sessions held by Green Future Cottage. As of the end of the Reporting Period, 27 trainees were certified as internal trainers.



Training for middle and senior management level employees by the Green Future Cottage in 2022



Training by the branch of the Green Future Cottage in 2022



Live training courses in 2022

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Type		Percentage of employees trained	Average training hours completed per employee
By gender	Male	63.8%	14.6
	Female	36.2%	11.2
By employee category	Senior management	2.4%	63.0
	Middle management	12.6%	30.8
	Junior employees	85.0%	9.4

### Talent Employment

The Group strictly complies with relevant laws and regulations, including but not limited to the *Labour Law of the People's Republic of China* and the *Labour Contract Law of the People's Republic of China*, etc. In 2022, the Group, based on the *Employee Manual*, regulated employees' management to protect their rights and interests.

- Recruitment, dismissal and promotion**

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

In 2022, we formulated the *Management Regulation for the Group Management Trainee (GMT)*, to improve the team building and development and training mechanism for management talents and ensure the continuity, effectiveness and scientificity of talent ladder building, so as to cultivate internal core talents. The Regulation provides complete and detailed guidance on the selection criteria, mentorship responsibilities, mentoring allowances, rotation and promotion of the management trainee programme, to lift the Group's ability to independently, effectively and scientifically train high quality management talents. Meanwhile, we implement the "Talent Ladder Building Programme for Key Departments" and conduct research and analysis on talent matching for all departments and key positions in the Group. For employees qualified for special training and promotion, the Group offers individualised training and development plans to further enhance their skills, abilities and performance through various specific trainings, thereby creating more benefits for the Group; for replaceable or disqualified employees, the Group provides them with relevant training, and gradually replace the employees still incompetent for their jobs in accordance with the *Resignation Policies and Procedures*. Arbitrary dismissal is not allowed.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

As at 31 December 2022, the Group had a total of 1,234 employees, all of whom worked full-time. The total workforce and employee turnover rate by gender, age group and geographical region are showed as below:

Type		Total workforce	Employee turnover rate*
By gender	Male	787	19%
	Female	447	14%
By age group	<30	186	19%
	30-50	800	18%
	>50	248	11%
By geographical region	Mainland China	1,018	19%
	Hong Kong SAR	8	0%
	Others	208	0%

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

- **Compensation and benefits**

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group, with reference to the *Performance Appraisal Management Regulations*, evaluated all employees' performance, in terms of individual behavioural indicators and individual performance indicators, on a monthly basis. We continuously improved the performance-oriented management system, formulated the *Regulations on the Management of Performance Interview of the Group*, to carry out face-to-face exchanges and discussions with employees and encourage and motivate them to continuously improve their performance.

- **Working hours and holidays**

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

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

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

The Group is committed to providing a work environment with fair competition, mutual respect and diversity, and according to the principles of fairness, impartiality and openness in recruitment, selecting the outstanding employees under the same conditions. In strict compliance with national and local laws and regulations, we have no tolerance in any discrimination against any employee due to personal characteristics such as race, ethnicity, colour, religious beliefs, gender, nationality, marital status, citizenship, age, disability, sexual orientation, veteran status or other status protected by laws. We strictly ensure fairness for all employees in terms of remuneration, dismissal, promotion, vacation, benefits, etc., and prevent any violation of the principles of equal opportunities and anti-discrimination. Meanwhile, the Group encouraged employees to report any suspected discrimination.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Labour standards**

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

- **Employee care**

We value communication with our employees. In 2022, we continued to hold the special meeting for bi-monthly communication and employee birthday party. Serving as a bridge between employees and the Group's management, the activities help the Group's management better listen to the voices of employees, and assist employees in solving practical problems in work and life, closing the gap between employees and the Group and enhancing employees' sense of belonging.

### Employee communication meeting and birthday party

In 2022, the Group held a total of 22 employee communication meetings and birthday parties, enabling the effective communication between the staff and the management. We actively understand the employees' situation and requirements, and strive to make them feel the Group's sincere care, to improve their identification with the Group and enthusiasm for work.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, we held various themed activities during holidays to enrich the amusements of employees and promote the corporate culture, including the celebration of Dragon-boat Festival, "Enjoy the Dragon-boat Festival and taste Zongzi", the May 1<sup>st</sup> Labour Day activities, "Empower the front-line employees", the check-in challenge for sports and wellness, "Focus on health, care for ourselves" and a series of activities in the International Women's Day, "Greenfresh Women's power".



Celebration of Dragon-boat Festival,  
"Enjoy the Dragon-boat Festival and taste Zongzi"



Check-in challenge for sports and wellness,  
"Focus on health, care for ourselves"



Activities in the International Women's Day,  
"Greenfresh Women's power"



May 1st Labour Day activities,  
"Empower the front-line employees"



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### HKEX ESG REPORTING GUIDELINES INDEX TABLE

#### Part 1: Mandatory Disclosure Requirements

Aspects	Disclosure Requirements	Chapter
<b>Governance Structure</b>	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> <li>(i) a disclosure of the board's oversight of ESG issues;</li> <li>(ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and</li> <li>(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.</li> </ul>	ESG Strategy and Organizational Structure

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Disclosure Requirements	Chapter
<b>Reporting Principles</b>	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p> <p><b>Materiality:</b> The ESG report should disclose:</p> <ul style="list-style-type: none"> <li>(i) the process to identify and the criteria for the selection of material ESG factors;</li> <li>(ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.</li> </ul> <p><b>Quantitative:</b> Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p><b>Consistency:</b> The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	Reporting Standards and Principles
<b>Reporting Boundary</b>	<p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	Reporting Scope



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Part2: "Comply or explain" Provisions

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
<b>General Disclosure A1</b>	<p>General Disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p>	<p>Energy Conservation and Consumption Reduction</p> <p>Pollutant Management</p> <p>Response to Climate Change</p>
<b>A1.1</b>	The types of emissions and respective emissions data.	Pollutant Management
<b>A1.2</b>	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Response to Climate Change
<b>A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Pollutant Management
<b>A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Pollutant Management
<b>A1.5</b>	Description of emissions target(s) set and steps taken to achieve them.	Pollutant Management
<b>A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Pollutant Management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
<b>Aspect A2: Use of Resources</b>		
<b>General Disclosure A2</b>	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Energy Conservation and Consumption Reduction  Environment and Natural Resources
<b>A2.1</b>	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Conservation and Consumption Reduction
<b>A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Energy Conservation and Consumption Reduction
<b>A2.3</b>	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Conservation and Consumption Reduction
<b>A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Energy Conservation and Consumption Reduction
<b>A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Energy Conservation and Consumption Reduction



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects,	Description	Chapter
<b>General Disclosures and KPIs</b>		
<b>Aspect A3: The Environment and Natural Resources</b>		
<b>General Disclosure A3</b>	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and Natural Resources
<b>A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources
<b>Aspect A4: Climate Change</b>		
<b>General Disclosure A4</b>	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Response to Climate Change
<b>A4.1</b>	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Response to Climate Change

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
<b>B. Social</b>		
<b>Employment and Labour Practices</b>		
<b>Aspect B1: Employment</b>		
<b>General Disclosure B1</b>	<p>General Disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Talent Sustainability Talent Employment
<b>B1.1</b>	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Talent Employment
<b>B1.2</b>	Employee turnover rate by gender, age group and geographical region.	Talent Employment
<b>Aspect B2: Health and Safety</b>		
<b>General Disclosure B2</b>	<p>General Disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	Employee Safety
<b>B2.1</b>	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employee Safety
<b>B2.2</b>	Lost days due to work injury.	Employee Safety
<b>B2.3</b>	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employee Safety



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
<b>Aspect B3: Development and Training</b>		
<b>General Disclosure B3</b>	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Employee Safety Employee Development
<b>B3.1</b>	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Development
<b>B3.2</b>	The average training hours completed per employee by gender and employee category.	Employee Development
<b>Aspect B4: Labour Standards</b>		
<b>General Disclosure B4</b>	General Disclosure Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact  on the issuer relating to preventing child and forced labour.	Talent Employment
<b>B4.1</b>	Description of measures to review employment practices to avoid child and forced labour.	Talent Employment
<b>B4.2</b>	Description of steps taken to eliminate such practices when discovered.	Talent Employment

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
<b>Aspect B5: Supply Chain Management</b>		
<b>General Disclosure B5</b>	General Disclosure Policies on managing environmental and social risks of the supply chain.	Coordinated Development
<b>B5.1</b>	Number of suppliers by geographical region.	Coordinated Development
<b>B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Coordinated Development
<b>B5.3</b>	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Coordinated Development
<b>B5.4</b>	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Coordinated Development



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
<b>Aspect B6: Product Responsibility</b> <b>General Disclosure B6</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Management
<b>B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Management
<b>B6.2</b>	Number of products and service-related complaints received and how they are dealt with.	Product Management
<b>B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	Product Management
<b>B6.4</b>	Description of quality assurance process and recall procedures.	Product Management
<b>B6.5</b>	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
<b>Aspect B7: Anticorruption</b>		
<b>General Disclosure B7</b>	<p>General Disclosure Information on:</p> <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to bribery, extortion, fraud and money laundering.</p>	Honesty and Integrity
<b>B7.1</b>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Honesty and Integrity
<b>B7.2</b>	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Honesty and Integrity
<b>B7.3</b>	Description of anti-corruption training provided to directors and staff.	Honesty and Integrity
<b>Aspect B8: Community Investment</b>		
<b>General Disclosure B8</b>	<p>General Disclosure</p> <p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p>	Public Welfare
<b>B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Public Welfare
<b>B8.2</b>	Resources contributed (e.g. money or time) to the focus area.	Public Welfare



# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**To the Shareholders of Green Future Food Hydrocolloid Marine Science Company Limited**  
(incorporated in the Cayman Islands with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of Green Future Food Hydrocolloid Marine Science Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 101 to 183, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

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



羅兵咸永道

**To the Shareholders of Green Future Food Hydrocolloid Marine Science Company Limited**  
(incorporated in the Cayman Islands with limited liability)

**Independence**

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

**KEY AUDIT MATTERS**

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

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition – sales of goods
- Assessment of goodwill impairment

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>1.Revenue recognition — sales of goods</b></p> <p><i>Refer to notes 2.22 and 5 to the consolidated financial statements</i></p> <p>The Group's revenue from sales of goods for the year ended 31 December 2022 amounted to HK\$ 1,643.8 million.</p> <p>Revenue from the sales of goods is recognised when control of the goods has been transferred to the customer, which is usually at the date when the Group has delivered the products to the customer and the customer has accepted the products.</p> <p>We focused on this area due to the significance of the revenue amount and the large volume of sales transactions generated from numerous kinds of products sold to customers at different locations including The People's Republic of China and overseas.</p>	<p>We understood, evaluated and tested on a sample basis, management's key controls over revenue recognition in respect of the Group's sales transactions, from approval of customer orders, all the way to settlement of trade receivables.</p> <p>We conducted testing of sales transactions on a sample basis by examining the relevant supporting documents including customers' contracts and orders, sales invoices, goods delivery notes, customs declaration documents for export sales and goods receipt evidence for domestic sales. In addition, we circularised confirmations on a sample basis on trade receivable balances as at the balance sheet date together with the confirmations of the sales transactions with selected customers during the year. Furthermore, we tested sales transactions that took place before and after the balance sheet date to assess whether the transactions were recognised in the appropriate reporting period based on the supporting documents obtained.</p> <p>Based on the work performed, we found the sales transactions tested were supported by the evidences obtained.</p>



## INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

(incorporated in the Cayman Islands with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>2. Assessment of goodwill impairment</b></p> <p><i>Refer to notes 2.9, 4(d) and 16 to the consolidated financial statements</i></p> <p>As at 31 December 2022, the Group had goodwill of HKD 52,391,000 which were derived from the acquisition of Fujian Province Lvqi Food Colloid Company Ltd. in November 2012 and the acquisition of PT Hongxin Algae International in April 2021.</p> <p>In assessing the recoverable amounts of the Group's cash generating units ("CGUs") that include goodwill, management engaged external valuation expert to assist in determining the value-in-use calculation of the CGUs, being the present value of the future cash flows expected to be derived from the CGUs. Such calculation involved significant judgements and estimates about the future results of the relevant businesses, including: annual revenue growth rates, gross profit margins, long term annual growth rate and discount rates. No impairment on goodwill was made after management's assessment.</p> <p>We focused our audit effort in this area because of the significance of the goodwill amount, the high degree of uncertainties associated with estimating the future operating performance of the CGUs and the complexity and subjectivity of management estimates involved in determining the valuations, including the appropriateness of the significant assumptions adopted.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the management's internal control and assessment process of the impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the management estimates involved in determining the valuations, including the appropriateness of the significant assumptions adopted.</li> <li>• Assessed the competency, objectivity and independence of the external valuer engaged by management.</li> <li>• Obtained management's assessment on goodwill impairment and engaged our internal valuation experts to assess the appropriateness of the method adopted by management to perform goodwill impairment assessment and the discount rates used by management.</li> <li>• Assessed the reasonableness of the key assumptions used in the value-in-use calculation with the involvement of our internal valuation experts.</li> <li>• Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the recoverable amount.</li> <li>• Checked the mathematical accuracy of the calculations of the goodwill impairment assessment.</li> </ul> <p>We found that management's judgements in connection with the impairment assessment of goodwill arising from the acquisition was supported by the evidence we gathered.</p>

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**To the Shareholders of Green Future Food Hydrocolloid Marine Science Company Limited**  
 (incorporated in the Cayman Islands with limited liability)

**OTHER INFORMATION**

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

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

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

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

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

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

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

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



## INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

(incorporated in the Cayman Islands with limited liability)

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

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

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

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

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Green Future Food Hydrocolloid Marine Science Company Limited  
(incorporated in the Cayman Islands with limited liability)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 30 March 2023



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	Year ended 31 December	
		2022 HK\$'000	2021 HK\$'000
Revenue	5	<b>1,643,818</b>	1,163,146
Cost of sales	8	<b>(1,196,336)</b>	(892,714)
<b>Gross profit</b>		<b>447,482</b>	270,432
Other income	6	<b>12,975</b>	8,237
Other losses – net	7	<b>(865)</b>	(2,075)
Net impairment losses on financial assets	21	<b>(443)</b>	(3,515)
Impairment of non-financial assets	15	—	(3,592)
Selling and distribution expenses	8	<b>(16,069)</b>	(16,667)
Administrative expenses	8	<b>(106,154)</b>	(92,762)
<b>Operating profit</b>		<b>336,926</b>	160,058
Finance income	10	<b>150</b>	194
Finance costs	10	<b>(32,301)</b>	(22,625)
<b>Finance costs – net</b>	10	<b>(32,151)</b>	(22,431)
<b>Profit before income tax</b>		<b>304,775</b>	137,627
Income tax expense	11	<b>(71,852)</b>	(33,700)
<b>Profit for the year</b>		<b>232,923</b>	103,927
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>232,133</b>	103,622
Non-controlling interests		<b>790</b>	305
		<b>232,923</b>	103,927
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic earnings per share (HK\$)	12	<b>0.282</b>	0.127
Diluted earnings per share (HK\$)	12	<b>0.275</b>	0.123

The notes on pages 107 to 183 are an integral part of the consolidated financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

The notes on pages 107 to 183 are an integral part of the consolidated financial statements.



## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2022

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

	Note	As at 31 December	
		2022 HK\$'000	2021 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights	14	61,428	68,415
Property, plant and equipment	15	449,376	504,139
Intangible assets	16	75,979	88,507
Prepayments for non-current assets	17	1,704	2,339
Deferred income tax assets	30	13,456	10,461
		<b>601,943</b>	673,861
<b>Current assets</b>			
Inventories	20	1,014,451	687,456
Trade and other receivables	21	233,225	198,872
Financial assets at fair value through profit or loss	19	—	5,529
Restricted cash	22	1,194	—
Cash and bank balances	22	42,175	133,832
		<b>1,291,045</b>	1,025,689
<b>Total assets</b>		<b>1,892,988</b>	1,699,550
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	23	8,253	8,208
Other reserves	25	262,727	368,018
Treasury shares	26	(12,582)	(12,582)
Retained earnings		686,802	478,333
		<b>945,200</b>	841,977
<b>Non-controlling interests</b>		<b>8,803</b>	19,889
<b>Total equity</b>		<b>954,003</b>	861,866

**CONSOLIDATED BALANCE SHEET**

AS AT 31 DECEMBER 2022

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

	Note	As at 31 December	
		2022 HK\$'000	2021 HK\$'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank borrowings	28	<b>99,200</b>	94,224
Lease liabilities	28	<b>3,191</b>	5,790
Deferred income	29	<b>22,249</b>	28,160
Deferred income tax liabilities	30	<b>5,021</b>	6,270
		<b>129,661</b>	134,444
<b>Current liabilities</b>			
Trade and other payables	27	<b>232,660</b>	178,448
Bank borrowings	28	<b>549,949</b>	500,153
Lease liabilities	28	<b>1,796</b>	2,312
Current income tax liabilities		<b>24,919</b>	22,327
		<b>809,324</b>	703,240
<b>Total liabilities</b>		<b>938,985</b>	837,684
<b>Total equity and liabilities</b>		<b>1,892,988</b>	1,699,550

The notes on pages 107 to 183 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 101 to 106 were approved by the board of directors of the Company on 30 March 2023 and were signed on its behalf by:

**CHAN Kam Chung**  
*Director*

**CHAN Shui Yip**  
*Director*



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	Equity attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Other reserves	Treasury shares	Retained earnings	Total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>Balance at 1 January 2022</b>		<b>8,208</b>	<b>368,018</b>	<b>(12,582)</b>	<b>478,333</b>	<b>841,977</b>	<b>19,889</b>	<b>861,866</b>
<b>Comprehensive income</b>								
Profit for the year		—	—	—	232,133	232,133	790	232,923
Other comprehensive income/(loss)								
– Currency translation differences		—	(93,829)	—	—	(93,829)	—	(93,829)
<b>Total comprehensive income</b>		<b>—</b>	<b>(93,829)</b>	<b>—</b>	<b>232,133</b>	<b>138,304</b>	<b>790</b>	<b>139,094</b>
<b>Transactions with owners</b>								
Dividend paid	13	—	(36,574)	—	—	(36,574)	—	(36,574)
Equity-settled share-based payment	24	—	3,294	—	—	3,294	—	3,294
Shares issued due to options exercised during the period	23	45	—	—	—	45	—	45
Disposal of a subsidiary		—	—	—	—	—	(11,876)	(11,876)
Transaction with non-controlling interests		—	(1,846)	—	—	(1,846)	—	(1,846)
Profit appropriation to statutory reserves		—	23,664	—	(23,664)	—	—	—
<b>Total transactions with owners</b>		<b>45</b>	<b>(11,462)</b>	<b>—</b>	<b>(23,664)</b>	<b>(35,081)</b>	<b>(11,876)</b>	<b>(46,957)</b>
<b>Balance at 31 December 2022</b>		<b>8,253</b>	<b>262,727</b>	<b>(12,582)</b>	<b>686,802</b>	<b>945,200</b>	<b>8,803</b>	<b>954,003</b>
<b>Balance at 1 January 2021</b>		<b>8,164</b>	<b>363,831</b>	<b>(12,297)</b>	<b>386,552</b>	<b>746,250</b>	<b>7,855</b>	<b>754,105</b>
<b>Comprehensive income</b>								
Profit for the year		—	—	—	103,622	103,622	305	103,927
Other comprehensive income/(loss)								
– Currency translation differences		—	25,723	—	—	25,723	345	26,068
<b>Total comprehensive income</b>		<b>—</b>	<b>25,723</b>	<b>—</b>	<b>103,622</b>	<b>129,345</b>	<b>650</b>	<b>129,995</b>
<b>Transactions with owners</b>								
Dividend paid	13	—	(32,340)	—	—	(32,340)	—	(32,340)
Capital contribution		—	(3,943)	—	—	(3,943)	3,943	—
Equity-settled share-based payment	24	—	2,878	—	—	2,878	—	2,878
Shares issued due to options exercised during the period	23	44	—	—	—	44	—	44
Acquisition of new subsidiaries	32	—	—	—	—	—	7,512	7,512
Transaction with non-controlling interests	32	—	28	—	—	28	(71)	(43)
Profit appropriation to statutory reserves		—	11,841	—	(11,841)	—	—	—
Buy-back of shares	26	—	—	(285)	—	(285)	—	(285)
<b>Total transactions with owners</b>		<b>44</b>	<b>(21,536)</b>	<b>(285)</b>	<b>(11,841)</b>	<b>(33,618)</b>	<b>11,384</b>	<b>(22,234)</b>
<b>Balance at 31 December 2021</b>		<b>8,208</b>	<b>368,018</b>	<b>(12,582)</b>	<b>478,333</b>	<b>841,977</b>	<b>19,889</b>	<b>861,866</b>

The notes on pages 107 to 183 are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	Year ended 31 December	
		2022 HK\$'000	2021 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	31	36,260	85,904
Income tax paid		(68,447)	(24,791)
Net cash (used)/generated from operating activities		(32,187)	61,113
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	32	—	(58,143)
Disposals of a subsidiary		(7,064)	—
Purchases of property, plant and equipment		(50,330)	(77,115)
Purchases of financial assets at fair value through profit or loss		(18,059)	(21,722)
Purchases of intangible assets		(266)	(411)
Proceeds from sale of financial assets at fair value through profit or loss		23,447	19,979
Interest received		150	194
Proceeds from disposal of property, plant and equipment		524	52
Net cash used in investing activities		(51,598)	(137,166)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,027,014	933,312
Repayments of borrowings		(960,168)	(840,596)
Dividend paid	13	(36,574)	(32,340)
Interest paid		(30,011)	(23,293)
Settlements of lease liabilities		(2,280)	(2,343)
Buy-back of shares	26	—	(285)
Transaction with non-controlling interest		(1,846)	(43)
Restricted cash pledged for notes payable and letter of credit		(4,648)	—
Collection of restricted cash		3,454	65,000
Proceeds from exercise of share options		45	44
Net cash (used)/generated from financing activities		(5,014)	99,456
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(88,799)</b>	<b>23,403</b>
Cash and cash equivalents at beginning of year		133,832	106,842
Effect of foreign exchange rates changes		(2,858)	3,587
<b>Cash and cash equivalents at end of year</b>	22	<b>42,175</b>	<b>133,832</b>

The notes on pages 107 to 183 are an integral part of the consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

## 1 GENERAL INFORMATION OF THE GROUP

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

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are in the business of manufacturing and 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.

### 2.1 Basis of preparation

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

##### 2.1.1 Changes in accounting policies

- (i) 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

- (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	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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Principles of consolidation

##### (i) *Subsidiaries*

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

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

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

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

##### (ii) *Changes in ownership interests*

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 Business combinations

##### (i) *Business combinations under common control*

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

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

##### (ii) *Business combinations not under common control*

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 Business combinations (Continued)

##### (ii) *Business combinations not under common control (Continued)*

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

#### 2.4 Separate financial statements

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.5 Segment reporting

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

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

#### 2.6 Foreign currency translation

##### (i) *Functional and presentation currency*

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

##### (ii) *Transactions and balances*

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.6 Foreign currency translation (Continued)

##### (iii) Group companies

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

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

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

#### 2.7 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such right are treated as right-of-use assets (note 2.24) and recorded as land use rights, which are amortised over the lease periods of 30 to 50 years using the straight-line method. The land use rights are stated at historical cost less accumulated amortisation and impairment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.8 Property, plant and equipment

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

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

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

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

The right-of-use assets (note 2.24), other than land use rights are presented under property, plant and equipment. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.9 Intangible assets

##### (i) Goodwill

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

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

Impairment testing of goodwill is described in note 2.10.

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

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

##### (iii) Sea use rights

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.9 Intangible assets (Continued)

##### (iv) Discharge rights

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

##### (v) Amortisation methods and periods

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

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

##### (vi) Research and development expenditure

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.10 Impairment of non-financial assets

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

#### 2.11 Financial assets

##### (i) Classification

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

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

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

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

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

##### (ii) Recognition and derecognition

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.11 Financial assets (Continued)

##### (iii) Measurement

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

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

##### *Debt instruments*

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.11 Financial assets (Continued)

##### (iv) *Offsetting financial instruments*

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

##### (v) *Impairment of financial assets*

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

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

#### 2.12 Inventories

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

#### 2.13 Trade receivables

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

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

#### 2.14 Cash and cash equivalents

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.15 Share capital

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

#### 2.16 Treasury shares

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

#### 2.17 Trade and other payables

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

#### 2.18 Borrowings

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.19 Borrowing costs

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

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

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

#### 2.20 Current and deferred income tax

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

##### *Current income tax*

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

##### *Deferred income tax*

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

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

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

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.20 Current and deferred income tax (Continued)

##### *Deferred income tax (Continued)*

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

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

#### 2.21 Employee benefits

##### *(i) Short-term obligations*

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

##### *(ii) Post-employment obligations*

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

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

##### *(iii) Share-based compensation*

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

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

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



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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.22 Revenue recognition

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

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

#### 2.23 Interest income

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

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

#### 2.24 Leases

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

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

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.24 Leases (Continued)

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

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

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

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

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

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

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

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



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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.25 Government grants

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

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

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

#### 2.26 Dividend distribution

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

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

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

##### (a) Market risk

###### (i) Foreign exchange risk

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

At 31 December 2022, if USD had weakened/strengthened by 10% against the RMB with all other variables held constant, post-tax profit for the year would have been HK\$ 2,292,000 lower/higher (2021: HK\$ 3,666,000 lower/higher) mainly as a result of foreign exchange losses/gains on translation of USD denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

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FOR THE YEAR ENDED 31 DECEMBER 2022

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### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (a) Market risk (Continued)

##### (ii) Cash flow and fair value interest rate risk

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

During the year ended 31 December 2022, if interest rate on borrowings had been higher by 100 basis points of current interest rate, with other variables held constant, post-tax profit for the year would have been approximately HK\$ 1,063,000 lower (2021: HK\$ 1,080,000 lower).

##### (b) Credit risk

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

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

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

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

The assessment of credit risks of trade and other receivables is set out in Note 21.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Liquidity risk

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

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

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>At 31 December 2022</b>					
Bank borrowings	549,949	79,414	19,786	—	649,149
Interest payable on borrowings	22,314	4,528	1,191	—	28,033
Lease liabilities	2,030	1,458	1,980	—	5,468
Trade and other payables (excluding non-financial liabilities)	191,747	—	—	—	191,747
	<b>766,040</b>	<b>85,400</b>	<b>22,957</b>	<b>—</b>	<b>874,397</b>
<b>At 31 December 2021</b>					
Bank borrowings	500,153	30,247	63,977	—	594,377
Interest payable on borrowings	14,971	5,130	2,545	—	22,646
Lease liabilities	2,714	2,629	3,011	511	8,865
Trade and other payables (excluding non-financial liabilities)	151,292	—	—	—	151,292
	<b>669,130</b>	<b>38,006</b>	<b>69,533</b>	<b>511</b>	<b>777,180</b>

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FOR THE YEAR ENDED 31 DECEMBER 2022

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### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Capital management

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

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

The gearing ratio as at 31 December 2022 was as follows:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Total of bank borrowings and lease liabilities (note 28)	654,136	602,479
Amount due to a related party (note 27)	1,478	—
Amount due to a third party (note 27)	—	22,016
Less: Cash and cash equivalents (note 22)	(42,175)	(133,832)
Restricted cash (note 22)	(1,194)	—
Financial assets at fair value through profit or loss (note 19)	—	(5,529)
Net debt	612,245	485,134
Equity	954,003	861,866
Total capital	1,566,248	1,347,000
<b>Gearing ratio (Net debt/Total capital)</b>	<b>39%</b>	36%



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FOR THE YEAR ENDED 31 DECEMBER 2022

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### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation

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

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

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

### 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

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

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### 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

#### (b) Impairment of trade and other receivables

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

#### (c) Net realisable value of inventories

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

#### (d) Estimated impairment of goodwill with indefinite useful life

The Group tests annually whether goodwill with indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. For details of the key assumptions and input used, see note 16 below.

#### (e) Income taxes

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 5 REVENUE AND SEGMENT INFORMATION

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

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

#### (a) Segment information

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

	Year ended 31 December 2022					
	Sales of					
	Sales of agar-agar	Sales of carrageenan	Sales of konjac products	Sales of blended products	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue recognised at a point-in time:</b>						
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	117,172	286,413	5,953	36,782	1,162	447,482

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### 5 REVENUE AND SEGMENT INFORMATION (Continued)

#### (a) Segment information (Continued)

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

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

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



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### 5 REVENUE AND SEGMENT INFORMATION (Continued)

#### (a) Segment information (Continued)

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

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	(22,625)
Profit before income tax	137,627
Income tax expense	(33,700)
Profit for the year	103,927

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

	2022 HK\$'000	2021 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	1,643,818	1,163,146

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### 5 REVENUE AND SEGMENT INFORMATION (Continued)

#### (a) Segment information (Continued)

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

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

#### (b) Liabilities related to contracts with customers

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

	2022 HK\$'000	2021 HK\$'000
Contract liabilities (note 27)	25,516	12,440

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

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

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.



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### 6 OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Government grants		
– Received and recognised during the year	8,419	4,184
– Recognised from deferred income (note 29)	3,667	3,792
Others	889	261
	<b>12,975</b>	8,237

### 7 OTHER LOSSES – NET

	2022 HK\$'000	2021 HK\$'000
Net foreign exchange gains/(losses) from operating activities	966	(1,023)
Net gain on disposals of subsidiaries (i)	153	—
Gains on disposal of financial assets at fair value through profit or loss (note 19)	132	114
Donation expenditure	(1,643)	—
Net losses on disposal of property, plant and equipment and patents	(354)	(1,131)
Others	(119)	(35)
	<b>(865)</b>	(2,075)

- (i) 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.

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### 8 EXPENSES BY NATURE

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

	2022 HK\$'000	2021 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 (note 9)	128,297	119,214
Amortisation of land use rights (note 14)	1,395	1,484
Depreciation of property, plant and equipment (note 15)	48,597	43,408
Amortisation of intangible assets (notes 16)	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 (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	1,318,559	1,002,143

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

	2022 HK\$'000	2021 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
	19,333	15,216

- (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).



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### 9 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2022 HK\$'000	2021 HK\$'000
Salaries, wages and bonuses	112,107	104,341
Pension, housing fund, medical insurance and other social insurance	12,505	11,557
Equity-settled share-based payment expenses (note 24)	3,294	2,878
Others	391	438
Total employee benefit expenses	128,297	119,214

#### Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 include two directors (2021: two), whose emoluments are disclosed in the note 35. Details of the remunerations of the remaining three (2021: three) individuals during the year were as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and bonus	3,836	3,845
Pension, housing fund, medical insurance and other benefits	48	49
Equity settled share-based payment expenses	2,230	2,467
	6,114	6,361

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

#### Five highest paid individuals (Continued)

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

	2022	2021
HK\$ 1,000,000 - HK\$ 2,000,000	1	2
HK\$ 2,000,000 - HK\$ 3,000,000	2	1
	3	3

### 10 FINANCE COSTS - NET

	2022 HK\$'000	2021 HK\$'000
<b>Finance income</b>		
Interest income on bank deposits	150	194
<b>Finance costs</b>		
Interest and finance charges on bank borrowings	(30,011)	(23,840)
Finance charges on lease liabilities	(954)	(334)
Net foreign exchange losses on financing activities	(2,428)	(1,664)
	(33,393)	(25,838)
Amounts capitalised in qualifying assets (note 15)	1,092	3,213
	(32,301)	(22,625)
<b>Finance costs - net</b>	<b>(32,151)</b>	<b>(22,431)</b>

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the interest rate applicable to the Group's borrowings for construction in process during the year ended 31 December 2022 of 5.17% (2021: 5.39%).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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### 11 INCOME TAX EXPENSE

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

	2022 HK\$'000	2021 HK\$'000
Current income tax	76,047	32,744
Deferred income tax (note 30)	(4,195)	956
Income tax expense	71,852	33,700

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% (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%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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### 11 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.

#### (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\$513,433,000) 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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### 11 INCOME TAX EXPENSE (Continued)

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:

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

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 for deferred income tax assets will expire as follows:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 12 EARNINGS PER SHARE

#### (a) Basic and diluted earnings per share

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

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares in issue during the financial period and excluding ordinary shares purchased by the Group and held as treasury shares (note 26).

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

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 13 DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Paid final dividend of HK 2.5 cents (2021: 2.5 cents) per ordinary share	<b>20,319</b>	20,215
Paid interim dividend of HK 2.0 cents (2021: 1.5 cents) per ordinary share	<b>16,255</b>	12,125
Total	<b>36,574</b>	32,340

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.

	2022 HK\$'000	2021 HK\$'000
Proposed final dividend of HK 3.0 cents (2021: HK 2.5 cents) per ordinary share	<b>24,758</b>	20,521

A final dividend in respect of the year ended 31 December 2022 of HK 3.0 cents (2021: HK 2.5 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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### 14 LAND USE RIGHTS

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

	2022 HK\$'000	2021 HK\$'000
At 1 January	68,415	62,470
Acquisition of subsidiaries (Note 32)	—	5,818
Amortisation	(1,395)	(1,484)
Currency translation differences	(5,592)	1,611
At 31 December	61,428	68,415

The Group's land use rights in the PRC are situated in Quanzhou and Zhangzhou in Fujian Province and Shiyan in Hubei Province, and are held under lease terms of 30 to 50 years.

The Group's land lots in Indonesia are situated in Klatakan Regency of Situbondo Province of East Java, and will expire up to year 2042.

As at 31 December 2022, land use rights of the Group with a total net book value of HK\$ 27,201,000 (2021: HK\$30,439,000) were pledged to secure borrowings of the Group as disclosed in notes 28.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 15 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Right-of-use assets	Production machineries	Factory devices and equipment	Vehicles, office furniture and fixtures	Construction in progress	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2022</b>								
Cost	390,787	13,201	273,045	31,566	13,725	17,860	1,688	741,872
Accumulated depreciation	(85,976)	(5,482)	(111,070)	(22,157)	(9,137)	—	(265)	(234,087)
Accumulated impairment loss	(1,339)	—	(2,307)	—	—	—	—	(3,646)
<b>Net book amount</b>	<b>303,472</b>	<b>7,719</b>	<b>159,668</b>	<b>9,409</b>	<b>4,588</b>	<b>17,860</b>	<b>1,423</b>	<b>504,139</b>
<b>Year ended 31 December 2022</b>								
Opening net book amount	303,472	7,719	159,668	9,409	4,588	17,860	1,423	504,139
Currency translation differences	(25,679)	(3,96)	(13,421)	(660)	86	(480)	(372)	(40,922)
Additions	69	—	4,099	763	1,822	30,852	792	38,397
Transfers upon completion	13,609	—	20,005	705	62	(34,381)	—	—
Disposals	—	(677)	(682)	(269)	(1,176)	—	(837)	(3,641)
Depreciation charge (Note 8)	(17,851)	(2,012)	(24,932)	(2,626)	(1,077)	—	(99)	(48,597)
<b>Closing net book amount</b>	<b>273,620</b>	<b>4,634</b>	<b>144,737</b>	<b>7,322</b>	<b>4,305</b>	<b>13,851</b>	<b>907</b>	<b>449,376</b>
<b>At 31 December 2022</b>								
Cost	371,045	10,250	271,743	29,962	13,149	13,851	1,235	711,235
Accumulated depreciation	(96,200)	(5,616)	(124,894)	(22,640)	(8,844)	—	(328)	(258,522)
Accumulated impairment loss	(1,225)	—	(2,112)	—	—	—	—	(3,337)
<b>Net book amount</b>	<b>273,620</b>	<b>4,634</b>	<b>144,737</b>	<b>7,322</b>	<b>4,305</b>	<b>13,851</b>	<b>907</b>	<b>449,376</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK\$'000	Right-of-use assets HK\$'000	Production machineries HK\$'000	Factory devices and equipment HK\$'000	Vehicles, office furniture and fixtures HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
<b>At 1 January 2021</b>								
Cost	276,182	14,947	220,836	29,029	9,840	46,056	1,275	598,165
Accumulated depreciation	(67,204)	(6,097)	(84,328)	(19,152)	(7,959)	—	(381)	(185,121)
<b>Net book amount</b>	<b>208,978</b>	<b>8,850</b>	<b>136,508</b>	<b>9,877</b>	<b>1,881</b>	<b>46,056</b>	<b>894</b>	<b>413,044</b>
<b>Year ended 31 December 2021</b>								
Opening net book amount	208,978	8,850	136,508	9,877	1,881	46,056	894	413,044
Currency translation differences	7,369	160	4,748	121	93	177	130	12,798
Acquisition of subsidiary (Note 32)	13,383	—	13,410	299	558	879	—	28,529
Additions	36,913	867	1,260	875	2,938	54,186	657	97,696
Transfers upon completion	53,497	—	29,154	787	—	(83,438)	—	—
Disposals	—	—	(894)	(31)	(3)	—	—	(928)
Depreciation charge (Note 8)	(15,349)	(2,158)	(22,245)	(2,519)	(879)	—	(258)	(43,408)
Impairment loss	(1,319)	—	(2,273)	—	—	—	—	(3,592)
<b>Closing net book amount</b>	<b>303,472</b>	<b>7,719</b>	<b>159,668</b>	<b>9,409</b>	<b>4,588</b>	<b>17,860</b>	<b>1,423</b>	<b>504,139</b>
<b>At 31 December 2021</b>								
Cost	390,787	13,201	273,045	31,566	13,725	17,860	1,688	741,872
Accumulated depreciation	(85,976)	(5,482)	(111,070)	(22,157)	(9,137)	—	(265)	(234,087)
Accumulated impairment loss	(1,339)	—	(2,307)	—	—	—	—	(3,646)
<b>Net book amount</b>	<b>303,472</b>	<b>7,719</b>	<b>159,668</b>	<b>9,409</b>	<b>4,588</b>	<b>17,860</b>	<b>1,423</b>	<b>504,139</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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### 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (i) As at 31 December 2022, property, plant and machinery of the Group, including those held under leases (note 28), with a total net book value of HK\$ 76,349,000 (2021: HK\$ 50,088,000), were pledged as security for borrowings of the Group as disclosed in notes 28.
- (ii) During the year, the amount of depreciation expense charged to cost of sales, selling and distribution expenses and administrative expenses were as follows:

	2022 HK\$'000	2021 HK\$'000
Depreciation of property, plant and equipment (including right-of-use assets)		
– Cost of sales	40,195	35,414
– Selling and distribution expenses	9	22
– Administrative expenses	8,393	7,972
	<b>48,597</b>	43,408

- (iii) During the year ended 31 December 2022, the Group capitalised interest on borrowings amounting to approximately HK\$ 1,092,000 (2021: HK\$ 3,213,000) on qualifying assets (note 10). Borrowing costs were capitalised at the weighted average rate of 5.17% (2021: 5.39%) per annum for the year ended 31 December 2022.
- (iv) During the year ended 31 December 2021, the Group recognized impairment loss of HK\$ 3,592,000 from certain property, plant and equipment since the assets' carrying amount exceeds its recoverable amount (note 2.10). No impairment was recognised for year 2022.

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## 16 INTANGIBLE ASSETS

	Goodwill HK\$'000	Trademarks and licences HK\$'000	Patents HK\$'000	Relationship with customers HK\$'000	Sea use rights HK\$'000	Discharge rights HK\$'000	Technology HK\$'000	Total HK\$'000
<b>At 1 January 2022</b>								
Cost	54,826	2,742	12,583	15,706	—	18,323	17,373	121,553
Accumulated amortisation	—	(1,268)	(8,156)	(8,191)	—	(14,659)	(772)	(33,046)
<b>Net book amount</b>	<b>54,826</b>	<b>1,474</b>	<b>4,427</b>	<b>7,515</b>	<b>—</b>	<b>3,664</b>	<b>16,601</b>	<b>88,507</b>
<b>Year ended 31 December 2022</b>								
Opening net book amount	54,826	1,474	4,427	7,515	—	3,664	16,601	88,507
Currency translation differences	(2,435)	71	(1,182)	(1,332)	—	(173)	—	(5,051)
Additions	—	25	210	—	—	—	—	235
Amortisation charge (note 8)	—	(296)	(1,600)	(1,167)	—	(3,491)	(1,158)	(7,712)
<b>Closing net book amount</b>	<b>52,391</b>	<b>1,274</b>	<b>1,855</b>	<b>5,016</b>	<b>—</b>	<b>—</b>	<b>15,443</b>	<b>75,979</b>
<b>At 31 December 2022</b>								
Cost	52,391	2,734	11,517	14,374	—	16,770	17,373	115,159
Accumulated amortisation	—	(1,460)	(9,662)	(9,358)	—	(16,770)	(1,930)	(39,180)
<b>Net book amount</b>	<b>52,391</b>	<b>1,274</b>	<b>1,855</b>	<b>5,016</b>	<b>—</b>	<b>—</b>	<b>15,443</b>	<b>75,979</b>
<b>At 1 January 2021</b>								
Cost	27,907	1,546	12,759	15,258	440	17,801	—	75,711
Accumulated amortisation	—	(913)	(6,463)	(6,984)	(399)	(10,680)	—	(25,439)
<b>Net book amount</b>	<b>27,907</b>	<b>633</b>	<b>6,296</b>	<b>8,274</b>	<b>41</b>	<b>7,121</b>	<b>—</b>	<b>50,272</b>
<b>Year ended 31 December 2021</b>								
Opening net book amount	27,907	633	6,296	8,274	41	7,121	—	50,272
Currency translation differences	820	31	344	448	—	153	—	1,796
Additions	—	1,063	—	—	—	—	—	1,063
Acquisition of subsidiaries (note 32)	26,099	45	—	—	—	—	17,373	43,517
Amortisation charge (note 8)	—	(298)	(1,770)	(1,207)	(41)	(3,610)	(772)	(7,698)
Disposal	—	—	(443)	—	—	—	—	(443)
<b>Closing net book amount</b>	<b>54,826</b>	<b>1,474</b>	<b>4,427</b>	<b>7,515</b>	<b>—</b>	<b>3,664</b>	<b>16,601</b>	<b>88,507</b>
<b>At 31 December 2021</b>								
Cost	54,826	2,742	12,583	15,706	—	18,323	17,373	121,553
Accumulated amortisation	—	(1,268)	(8,156)	(8,191)	—	(14,659)	(772)	(33,046)
<b>Net book amount</b>	<b>54,826</b>	<b>1,474</b>	<b>4,427</b>	<b>7,515</b>	<b>—</b>	<b>3,664</b>	<b>16,601</b>	<b>88,507</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 16 INTANGIBLE ASSETS (Continued)

During the year ended 31 December 2022, the amounts of amortisation expenses charged to cost of sales and administrative expenses were as follows:

	2022 HK\$'000	2021 HK\$'000
Amortisation of intangible assets		
– Cost of sales	4,902	5,228
– Administrative expenses	2,810	2,470
	<b>7,712</b>	7,698

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

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

#### (b) Impairment test for goodwill

Goodwill was derived from the acquisition of Lvqi (Fujian) in the PRC in November 2012 and PT Hongxin Algae International (“PT Hongxin”) in Indonesia in April 2021. The Company has performed an impairment review of the carrying amount of goodwill as at 31 December 2022 and concluded that no provision for impairment of goodwill is required.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 16 INTANGIBLE ASSETS (Continued)

## (b) Impairment test for goodwill (Continued)

*i. Goodwill from the acquisition of Lvqi (Fujian)*

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

	2022	2021
Revenue annual growth rate		
– average of the forecast period	<b>3.9%</b>	3.5%
Average gross profit margins	<b>25.3%</b>	28.0%
Annual average capex expenditure (RMB'M)	<b>0.6</b>	0.6
Long term annual growth rate	<b>2.3%</b>	2.5%
Pre-tax discount rate	<b>15.0%</b>	14.5%

*ii. Goodwill from the acquisition of PT Hongxin*

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

	2022
Revenue annual growth rate	
– average of the forecast period	<b>32.3%</b>
Average gross profit margins	<b>23.1%</b>
Annual average capex expenditure (HKD'M)	<b>4.1</b>
Long term annual growth rate	<b>3.0%</b>
Pre-tax discount rate	<b>31.6%</b>



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### 17 PREPAYMENTS FOR NON-CURRENT ASSETS

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

### 18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2022 HK\$'000	2021 HK\$'000
(i) Financial assets at amortised cost		
Trade and other receivables (excluding prepayments, deductible value-added tax and export tax rebate receivable) (note 21)	<b>174,477</b>	152,742
Cash and bank balances (note 22)	<b>43,369</b>	133,832
	<b>217,846</b>	286,574
(ii) Financial assets at at fair value through profit or loss (note 19)	—	5,529
(iii) Financial liabilities at amortised cost		
Bank borrowings (note 28(a))	<b>649,149</b>	594,377
Trade and other payables (excluding non-financial liabilities) (note 27)	<b>191,747</b>	151,292
Lease liabilities (note 28(b))	<b>4,987</b>	8,102
	<b>845,883</b>	753,771

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**19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2022 HK\$'000	2021 HK\$'000
<b>Current assets</b>		
Financial assets at fair value through profit or loss		
– Debt investment, bank financial products	—	5,529

Movements are analysed as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	5,529	3,540
Additions	18,059	21,722
Disposals	(23,447)	(19,979)
Gains on disposal (note 7)	132	114
Currency translation differences	(273)	132
As at the end of year	—	5,529



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### 20 INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Raw materials	150,363	203,801
Finished goods	864,088	483,655
	<b>1,014,451</b>	687,456

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

During the year ended 31 December 2022, the cost of inventories recognised as expense and included in 'cost of sales', 'selling and distribution expenses' and 'administrative expenses' amounted to HK\$ 1,025,778,000 (2021: HK\$ 742,709,000).

### 21 TRADE AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	174,599	149,865
Loss: allowance provision	(4,662)	(4,274)
	<b>169,937</b>	145,591
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	4,540	7,151
	<b>63,288</b>	53,281
Total	<b>233,225</b>	198,872

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### 21 TRADE AND OTHER RECEIVABLES (Continued)

#### (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:

	2022 HK\$'000	2021 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	4,778	6,537
	<b>174,599</b>	149,865

#### (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.



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### 21 TRADE AND OTHER RECEIVABLES (Continued)

#### (ii) Impairment of trade receivables (Continued)

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

	Within		7-9 months	10-12	Over	Over	Total
	3 months	4-6 months					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31 December 2022</b>							
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
<b>At 31 December 2021</b>							
Expected loss rate	0.09%	0.38%	6.52%	11.95%	14.82%	100.00%	—
Gross carrying amount	126,569	6,375	7,162	3,222	3,968	2,569	149,865
Loss allowance provision	114	24	467	385	588	2,569	4,147
Individually impaired receivables							127
Total allowance							4,274

Impairment losses are recognised in profit or loss within net impairment losses on financial assets. Receivables for which an impairment allowance 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.

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**21 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:

	2022 HK\$'000	2021 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	(55)	5
At 31 December	4,662	4,274

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

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



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### 21 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:

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

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**22 CASH AND BANK BALANCES**

	2022 HK\$'000	2021 HK\$'000
Cash and cash equivalents		
– Cash on hand	233	293
– Cash in banks	41,942	133,539
	<b>42,175</b>	133,832
Restricted cash - cash in banks	1,194	—
Total of cash and bank balances	<b>43,369</b>	133,832

The restricted cash are deposits held at bank pledged for issue of letter of credit of the Group.

The cash and cash equivalents are denominated in the following currencies. The restricted cash are denominated in HK\$.

	2022 HK\$'000	2021 HK\$'000
RMB	22,129	68,517
USD	19,981	61,830
HK\$	1,130	1,902
IDR	129	1,583
	<b>43,369</b>	133,832



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### 23 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
<b>Authorised:</b>		
At 1 January 2021 till 31 December 2022	50,000,000,000	500,000
<b>Issued:</b>		
At 1 January 2021	816,392,000	8,164
Shares issued upon exercise of share options	4,432,000	44
At 31 December 2021	820,824,000	8,208
Shares issued upon exercise of share options	4,432,000	45
At 31 December 2022	825,256,000	8,253

#### Authorised share capital

The authorised share capital of the Company is HK\$ 500,000,000 divided into 50,000,000,000 shares of HK\$ 0.01 par value.

#### Issued share capital

On 3 June 2021, the Company issued a total of 4,432,000 ordinary shares of HK\$ 0.01 par value at HK\$ 0.01 each to three employees of the Group who were grant share options pursuant to the pre-IPO share options scheme (Note 24).

On 6 June 2022, the Company issued a total of 4,432,000 ordinary shares of HK\$ 0.01 par value at HK\$ 0.01 each to three employees of the Group who were grant share options pursuant to the pre-IPO share options scheme (Note 24).

### 24 EQUITY-SETTLED SHARE-BASED PAYMENT

The share-based compensation expenses charged to the consolidated statement of profit or loss during the year ended 31 December 2022 are as follows:

	2022 HK\$'000	2021 HK\$'000
Share option scheme (a)	2,127	2,878
Share award scheme (b)	1,167	—
	<b>3,294</b>	2,878

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### 24 EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

#### (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 three employees, a former non-controlling shareholder of a subsidiary and a personal consultant to the directors of the Company. For the share 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:

	2022	2021
As at 1 January	13,296,000	17,728,000
Exercised	(4,432,000)	(4,432,000)
As at 31 December	8,864,000	13,296,000

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

	Date of grant	Number of share options outstanding		Vesting period and maximum % of exercisable share options	Exercise period	Exercise price
		2022	2021			
Options granted to three employees	9 August 2018	8,864,000	13,296,000	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 31 December 2022, the remaining unamortised fair value of share options transferred to the three employees amounted to approximately HK\$2,001,000 which will be charged to the consolidated statement of profit or loss in the future.



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### 24 EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

#### (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 treasury shares 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.

	Date of grant	Number of awarded shares outstanding		Vesting period and maximum % of exercisable share options	Exercise period	Exercise price
		2022	2021			
Awarded shares granted to three employees	5 December 2022	4,300,000		— 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 31 December 2022, the remaining unamortised fair value of awarded shares transferred to the three employees amounted to approximately HK\$13,374,000 which will be charged to the consolidated statement of profit or loss in the future.

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## 25 OTHER RESERVES

	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Currency translation differences HK\$'000	Total HK\$'000
<b>At 1 January 2022</b>	<b>237,760</b>	<b>(39,509)</b>	<b>63,310</b>	<b>59,345</b>	<b>47,112</b>	<b>368,018</b>
Currency translation differences	—	—	—	—	(93,829)	(93,829)
Dividend paid (note 13)	(36,574)	—	—	—	—	(36,574)
Capital contribution	—	—	—	—	—	—
Transaction with non-controlling interests	—	—	(1,846)	—	—	(1,846)
Equity-settled share-based payment (note 24)	—	—	3,294	—	—	3,294
Profit appropriation to statutory reserves	—	—	—	23,664	—	23,664
<b>At 31 December 2022</b>	<b>201,186</b>	<b>(39,509)</b>	<b>64,758</b>	<b>83,009</b>	<b>(46,717)</b>	<b>262,727</b>
<b>At 1 January 2021</b>	270,100	(39,509)	64,347	47,504	21,389	363,831
Currency translation differences	—	—	—	—	25,723	25,723
Dividend paid (note 13)	(32,340)	—	—	—	—	(32,340)
Capital contribution	—	—	(3,943)	—	—	(3,943)
Transaction with non-controlling interests	—	—	28	—	—	28
Equity-settled share-based payment (note 24)	—	—	2,878	—	—	2,878
Profit appropriation to statutory reserves	—	—	—	11,841	—	11,841
<b>At 31 December 2021</b>	<b>237,760</b>	<b>(39,509)</b>	<b>63,310</b>	<b>59,345</b>	<b>47,112</b>	<b>368,018</b>

**Statutory reserves**

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

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



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### 26 TREASURY SHARES

	2022		2021	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Treasury shares	<b>12,490,000</b>	<b>12,582</b>	12,490,000	12,582

The movements are as follows:

	Number of shares	HK\$'000
At 1 January 2021	12,240,000	12,297
Buy-back of shares	250,000	285
At 31 December 2021 and 2022	12,490,000	12,582

The Group bought back of a total of 250,000 of the Company's shares during 2021, and the total consideration paid to buy back these shares was HKD 285,000, which has been deducted from equity attributable to the owners of the Company.

### 27 TRADE AND OTHER PAYABLES

	2022	2021
	HK\$'000	HK\$'000
Trade payables	<b>154,218</b>	95,979
Contract liabilities - advance receipts from customers (note 5(b))	<b>25,516</b>	12,440
Payables for property, plant and equipment	<b>10,367</b>	23,750
Employee benefit payables	<b>9,804</b>	9,632
Other taxes payable	<b>5,593</b>	5,084
Amount due to a related party (note 34)	<b>1,478</b>	—
Amount due to a third party	—	22,016
Others	<b>25,684</b>	9,547
	<b>232,660</b>	178,448

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### 27 TRADE AND OTHER PAYABLES (Continued)

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:

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

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:

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



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### 28 BANK BORROWINGS AND LEASE LIABILITIES

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings (a)						
– secured	112,353	62,588	174,941	97,100	94,224	191,324
– unsecured	437,596	36,612	474,208	403,053	—	403,053
	549,949	99,200	649,149	500,153	94,224	594,377
Lease liabilities (b)						
– unsecured	1,796	3,191	4,987	2,312	5,790	8,102
Total borrowings	551,745	102,391	654,136	502,465	100,014	602,479
Total secured borrowings	112,353	62,588	174,941	97,100	94,224	191,324
Total unsecured borrowings	439,392	39,803	479,195	405,365	5,790	411,155
Total borrowings	551,745	102,391	654,136	502,465	100,014	602,479

#### (a) Bank borrowings

The secured bank borrowings of the Group as at 31 December 2022 were secured by the pledge of the Group's land use rights and buildings as follows, and supported by guarantees from Mr. Chan Kam Chung, the director of the Company to the extent of HKD 81,247,000 as at 31 December 2022:

	2022	2021
	HK\$'000	HK\$'000
Land use rights (note 14)	28,664	30,439
Buildings (note 15)	76,349	50,088
Total assets pledged as security	105,013	80,527

The unsecured bank borrowings of the Group were supported by guarantees from Mr. Chan Kam Chung to the extent of HKD 130,497,000 as at 31 December 2022.

For the year ended 31 December 2022, the weighted average effective interest rate on bank borrowings was 4.59% (2021: 4.44%) per annum.

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**28 BANK BORROWINGS AND LEASE LIABILITIES (Continued)****(b) Lease liabilities**

Lease liabilities are related to buildings of the Group.

	2022 HK\$'000	2021 HK\$'000
Minimum lease payments:		
Within one year	2,030	2,714
Later than 1 year and no later than 5 years	3,438	5,640
Over 5 years	—	511
	<b>5,468</b>	8,865
Future finance charges	<b>(481)</b>	(763)
Total lease liabilities	<b>4,987</b>	8,102
Payable:		
Within one year	1,796	2,312
Over one year	3,191	5,790
Total lease liabilities	<b>4,987</b>	8,102

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

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

**(ii) Risk exposures**

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



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### 28 BANK BORROWINGS AND LEASE LIABILITIES (Continued)

#### (c) Other disclosures (Continued)

##### (iii) Repayment periods

At 31 December 2022, the Group's bank borrowings and lease liabilities were repayable as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 year	551,745	502,465
Between 1 and 2 years	82,605	32,606
Between 2 and 5 years	19,786	66,910
Over 5 years	—	498
	<b>654,136</b>	602,479

##### (iv) Denomination currency

The carrying amounts of the Group's Bank borrowings and lease liabilities were denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
USD	180,644	144,000
RMB	402,288	381,716
HK\$	71,204	76,763
	<b>654,136</b>	602,479

##### (v) Undrawn borrowing facilities

The Group had the following undrawn borrowing facilities as at 31 December 2022:

	2022 HK\$'000	2021 HK\$'000
Bank borrowings, at floating rates		
– Expiring within one year	58,009	80,247

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**29 DEFERRED INCOME**

	2022 HK\$'000	2021 HK\$'000
Deferred income on government grants	<b>22,249</b>	28,160

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

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

	2022 HK\$'000	2021 HK\$'000
At 1 January	<b>28,160</b>	31,096
Additions	—	—
Released to other income (note 6)	<b>(3,667)</b>	(3,792)
Currency translation differences	<b>(2,244)</b>	856
At 31 December	<b>22,249</b>	28,160



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### 30 DEFERRED INCOME TAX

	2022 HK\$'000	2021 HK\$'000
Deferred income tax assets	13,456	10,461
Deferred income tax liabilities	(5,021)	(6,270)
	<b>8,435</b>	4,191

#### (a) Deferred income tax assets

	2022 HK\$'000	2021 HK\$'000
The balance comprises temporary differences attributable to:		
Deferred income (note 29)	4,395	5,553
Unrealised profit of intra-group sales	7,623	3,160
Provision of loss allowance (note 21)	1,157	1,523
Accrued employee benefits	210	151
Provision of PPE	71	74
Total deferred income tax assets	13,456	10,461
Set-off of deferred tax income liabilities pursuant to set-off provisions	—	—
Net deferred income tax assets	13,456	10,461

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## 30 DEFERRED INCOME TAX (Continued)

## (a) Deferred income tax assets (Continued)

The movements in deferred income tax assets are as follows:

	Deferred income HK\$'000	Unrealised profit HK\$'000	Tax losses HK\$'000	Provision of loss allowance HK\$'000	Accrued employee benefits HK\$'000	Provision of PPE HK\$'000	Total HK\$'000
At 1 January 2022	5,553	3,160	—	1,523	151	74	10,461
Credited/(charged) to the statement of profit or loss	(714)	4,422	—	(282)	75	—	3,501
Currency translation differences	(444)	41	—	(84)	(16)	(3)	(506)
At 31 December 2022	4,395	7,623	—	1,157	210	71	13,456
At 1 January 2021	6,123	2,262	2,067	1,131	163	—	11,746
Credited/(charged) to the statement of profit or loss	(739)	898	(2,096)	363	(17)	(7)	(1,598)
Currency translation differences	169	—	29	29	5	—	232
Acquisition of subsidiaries	—	—	—	—	—	81	81
At 31 December 2021	5,553	3,160	—	1,523	151	74	10,461

## (b) Deferred income tax liabilities

	2022 HK\$'000	2021 HK\$'000
The balance comprises temporary differences attributable to:		
Intangible assets	(3,511)	(4,636)
Property, plant and equipment	(822)	(931)
Land use rights	(688)	(703)
Total deferred income tax liabilities	(5,021)	(6,270)
Set-off of deferred tax income assets pursuant to set-off provisions	—	—
Net deferred income tax liabilities	(5,021)	(6,270)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 30 DEFERRED INCOME TAX (Continued)

#### (b) Deferred income tax liabilities (Continued)

The movements in deferred income tax liabilities are as follows:

	Land use rights HK\$'000	Property, plant and equipment HK\$'000	Intangible Assets HK\$'000	Total HK\$'000
At 1 January 2022	(703)	(931)	(4,636)	(6,270)
Credited to the statement of profit or loss	2	74	618	694
Currency translation differences	13	35	507	555
At 31 December 2022	(688)	(822)	(3,511)	(5,021)
At 1 January 2021	(73)	(171)	(1,559)	(1,803)
Credited to the statement of profit or loss	25	43	574	642
Currency translation differences	(5)	(22)	(177)	(204)
Acquisition of subsidiaries	(650)	(781)	(3,474)	(4,905)
At 31 December 2021	(703)	(931)	(4,636)	(6,270)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

## 31 CASH FLOW INFORMATION

## (a) Cash generated from operations

	2022 HK\$'000	2021 HK\$'000
Profit before income tax	<b>304,775</b>	137,627
Adjustments for		
– Amortisation of land use rights (note 14)	<b>1,395</b>	1,484
– Depreciation of property, plant and equipment (note 15)	<b>48,597</b>	43,408
– Amortisation of intangible assets (note 16)	<b>7,712</b>	7,698
– Impairment loss of property, plant and equipment (note 15)	—	3,592
– Provision of loss allowance (note 21)	<b>443</b>	3,515
– Equity-settled share-based payment expenses (note 24)	<b>3,294</b>	2,878
– Gain on disposal of a subsidiary (note 7)	<b>(153)</b>	—
– Finance costs – net	<b>21,185</b>	19,440
– Amortisation of deferred income (note 6)	<b>(3,667)</b>	(3,792)
– Foreign exchange gains/(losses)	<b>2,859</b>	(3,400)
– Losses on disposal of property, plant and equipment and patents (note 7)	<b>354</b>	1,131
– Gains on disposal of financial assets at fair value through profit or loss (note 7)	<b>(132)</b>	(114)
Changes in working capital:		
– Inventories	<b>(406,398)</b>	(156,893)
– Trade and other receivables	<b>(51,214)</b>	2,797
– Trade and other payables	<b>107,210</b>	26,533
Cash generated from operations	<b>36,260</b>	85,904



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 31 CASH FLOW INFORMATION (Continued)

#### (b) Total debt reconciliation

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

	2022 HK\$'000	2021 HK\$'000
<b>Net debt</b>		
Bank borrowings – repayable within one year	544,927	500,153
Bank borrowings – repayable after one year	104,222	94,224
Lease liabilities – repayable within one year	1,796	2,312
Lease liabilities – repayable after one year	3,191	5,790
Amount due to a third party	—	22,016
Total debt	654,136	624,495
Cash and bank balances	(42,175)	(133,832)
Financial assets at fair value through profit or loss	—	(5,529)
Net debt	611,961	485,134
Gross debt – fixed interest rates	353,514	333,630
Gross debt – variable interest rates	300,622	268,849
Amounts due to a third party	—	22,016
Total debt	654,136	624,495
Cash and bank balances	(42,175)	(133,832)
Financial assets at fair value through profit or loss	—	(5,529)
Net debt	611,961	485,134

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

## 31 CASH FLOW INFORMATION (Continued)

## (b) Total debt reconciliation (Continued)

*Liabilities from financing activities*

	Bank borrowings due within 1 year HK\$'000	Bank borrowings due after 1 year HK\$'000	Lease liabilities due within 1 year HK\$'000	Lease liabilities due after 1 year HK\$'000	Amount due to a third party HK\$'000	Total HK\$'000
Total debt as at 1 January 2022	500,153	94,224	2,312	5,790	22,016	624,495
Cash flows - principal	28,981	59,881	(2,280)	—	(22,016)	(64,566)
Cash flows - interest	—	—	—	—	—	—
Foreign exchange adjustments	(26,808)	(7,282)	(23)	(304)	—	(34,417)
Other non-cash movements	42,601	(42,601)	1,787	(2,295)	—	(508)
Total debt as at 31 December 2022	544,927	104,222	1,796	3,191	—	654,136
Total debt as at 1 January 2021	461,541	28,398	1,961	7,037	23,764	522,701
Cash flows - principal	24,541	69,923	(2,343)	—	(1,748)	90,373
Cash flows - interest	—	—	—	—	—	—
Foreign exchange adjustments	8,167	1,807	35	133	—	10,142
Other non-cash movements	5,904	(5,904)	2,659	(1,380)	—	1,279
Total debt as at 31 December 2021	500,153	94,224	2,312	5,790	22,016	624,495



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 32 BUSINESS COMBINATION

- i On 26 March 2021, a subsidiary of the Company, Green Fresh (H.K) International Co., Limited, entered into an agreement with a third party to acquire 82% of the equity interest in Hung Tai Shun International Trading Limited, which holds 99.83% ownership of PT Hongxin Algae International. PT Hongxin Algae International is in the business of manufacturing of carrageenan in Indonesia and owns a production plant there. The total purchase consideration was HK\$60,000,000, payable in cash, and the identifiable net assets acquired was HK\$35,722,000. The transaction was completed on 15 April 2021.

Details of the purchase consideration, the identifiable net assets acquired and the resultant goodwill are as follows:

	HK\$'000
Purchase consideration:	
Cash paid	60,000

Acquisition-related costs amounting to HK\$845,000 were excluded from the purchase consideration and were recognised as expenses during the year ended 31 December 2021.

- ii The identifiable assets and liabilities recognised at the date of acquisition are as follows:

	Fair value HK\$'000
Cash and cash equivalents	1,857
Inventories	2,485
Trade and other receivables	2,603
Land use rights (note 14)	5,818
Intangible assets (note 16)	17,418
Property, plant and equipment (note 15)	28,529
Deferred income tax assets	81
Current income tax liabilities	(2,226)
Deferred income tax liabilities	(4,905)
Trade and other payables	(10,247)
Total identifiable net assets at fair value	41,413
Less: Non-controlling interest	(7,512)
Fair value of identifiable net assets acquired	33,901

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 32 BUSINESS COMBINATION (Continued)

iii Goodwill arising on acquisition:

	HK\$'000
Purchase consideration	60,000
Less: Fair value of identifiable net assets acquired	(33,901)
Goodwill arising on acquisition	26,099

The goodwill arose in the acquisition of Hung Tai Shun International Trading Limited and its subsidiary because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the revenue growth, future market development and preferential policy of Hung Tai Shun International Trading Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

iv Net cash outflow during the year on the acquisition:

	HK\$'000
Consideration paid in cash	60,000
Less: cash and cash equivalent balances acquired	(1,857)
Net outflow of cash – investing activities	58,143

### 33 COMMITMENTS

#### Capital commitments

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

	2022 HK\$'000	2021 HK\$'000
Contracted but not recognised as liabilities:		
Property, plant and equipment	10,827	10,916



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 34 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.

Except for those disclosed elsewhere in the financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year, and significant balances arising from related party transactions as at the end of the reporting period.

#### (a) Transactions with related parties

	2022 HK\$'000	2021 HK\$'000
(i) Settlement of payable to related parties		
– Mr. Guo Dongxu	—	21,593
(ii) Key management compensation		
Salaries and bonus	9,543	9,001
Other benefits	187	182
Share-based payment expenses	2,534	2,878
	<b>12,264</b>	12,061

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

#### (b) Balances with related parties

	2022 HK\$'000	2021 HK\$'000
Amount due to a related party (note 27)		
– Mr. Cai Ming Huang, the minority shareholder of a subsidiary	1,478	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

## 35 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director of the Company paid/payable by the Group for the year ended 31 December 2022 is set out as follows:

Name of directors	Fees	Salaries	Bonus	Other	Total
	HK\$'000	HK\$'000	HK\$'000	benefits HK\$'000	HK\$'000
Year ended 31 December 2022					
Chairman:					
Mr. Chan Kam Chung	—	1,000	—	18	1,018
Executive directors:					
Mr. Chan Shui Yip	—	1,006	—	18	1,024
Mr. Guo Dongxu	—	959	—	29	988
Mr. She Xiaoying	—	176	—	—	176
Non-executive directors:					
Mr. Hu Guohua	—	180	—	—	180
Mr. Ho Kwai Ching, Mark	—	180	—	—	180
Mr. Ng Man Kung	—	180	—	—	180
Mr. Guo Songsen	—	431	—	15	446
	—	4,112	—	80	4,192
Year ended 31 December 2021					
Chairman:					
Mr. Chan Kam Chung	—	1,000	—	18	1,018
Executive directors:					
Mr. Chan Shui Yip	—	867	—	18	885
Mr. Guo Dongxu	—	863	—	15	878
Mr. She Xiaoying	—	182	—	7	189
Non-executive directors:					
Mr. Hu Guohua	—	180	—	—	180
Mr. Ho Kwai Ching, Mark	—	180	—	—	180
Mr. Ng Man Kung	—	180	—	—	180
Mr. Guo Songsen	—	233	—	3	236
	—	3,685	—	61	3,746



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 35 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

Other than the remunerations disclosed above, there were no retirement benefits, termination benefits paid or payable to any director during the year or at any time during the year (2021: nil).

During the year, the Company provided no consideration to third parties for making available director's services (2021: nil).

There were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors as at 31 December 2022 or at any time during the year (2021: nil).

Except for those disclosed in note 34, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2022 or at any time during the year (2021: nil).

### 36 SUBSIDIARIES

The principal subsidiaries of the Group as at 31 December 2022 are as follows:

Company name	Principal country/ place of operation and date of incorporation	Issued/ registered capital	Effective interest held		Principal activities
			2022	2021	
<b>Directly held:</b>					
Green Source Limited 綠源有限公司	BVI, 20 July 2015	USD 1	100%	100%	Investment holding
Keen Field Limited 啟泰有限公司	BVI, 22 July 2015	USD 1	100%	100%	Investment holding
Wealth Creation Limited 恒宇有限公司	BVI, 22 July 2015	USD 1	100%	100%	Investment holding
Green Tactics Limited 綠韜有限公司	BVI, 17 August 2020	USD 10,000	100%	100%	Investment holding
<b>Indirectly held:</b>					
<b>Hong Kong incorporated:</b>					
Greenwich (China) Technology Development Limited 格林(中國)科技發展有限公司	Hong Kong, 3 September 2007	HK\$ 10,000	100%	100%	Investment holding and trading company
Green Fresh (H.K) International Co., Limited. 綠新(香港)國際有限公司	Hong Kong, 19 June 2013	HK\$ 10,000	100%	100%	Investment holding
Lubao Technology Development Limited 綠寶科技發展有限公司	Hong Kong, 11 August 2015	HK\$ 1	100%	100%	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

## 36 SUBSIDIARIES (Continued)

Company name	Principal country/ place of operation and date of incorporation	Issued/ registered capital	Effective interest held		Principal activities
			2022	2021	
Hung Tai Shun International Trading Limited 鴻泰順國際貿易有限公司	Hong Kong, 16 September 2015	HK\$ 1	82%	82%	Investment holding
Green Brilliant Limited 綠晟有限公司	Hong Kong, 28 November 2019	HK\$ 10,000	100%	100%	Investment holding
Green Vision International Limited 綠泓國際有限公司	Hong Kong, 21 September 2020	HK\$ 10,000	100%	100%	Investment holding
<b>PRC incorporated:</b>					
Lvbao (Quanzhou) Biochemistry Company Ltd. 綠寶(泉州)生化有限公司	PRC, 14 May 1999	HK\$26,880,000	100%	100%	Manufacturing and sales of carrageenan and blended products
Green Fresh (Fujian) Foodstuff Co., Ltd. 綠新(福建)食品有限公司	PRC 8 November 2007	USD 25,380,000	100%	100%	Manufacturing and sales of carrageenan, agar-agar and blended products
Fujian Province Lvqi Food Colloid Company Ltd. 福建省綠麒食品膠體有限公司	PRC, 18 March 2009	RMB 50,000,000	100%	100%	Manufacturing and sales of agar-agar and blended products
Longhai City Donghaiwan Seaweed Breeding Comprehensive Development Company Limited 龍海市東海灣海藻養殖綜合開發 有限公司	PRC, 16 July 2012	RMB 10,000,000	100%	100%	Manufacturing and sales of seaweed



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 36 SUBSIDIARIES (Continued)

Company name	Principal country/ place of operation and date of incorporation	Issued/ registered capital	Effective interest held		Principal activities
			2022	2021	
Shiyanghaiyi Konjac Products Company Ltd. 十堰海乙魔芋製品有限公司	PRC, 7 September 2012	RMB 20,000,000	100%	100%	Manufacturing and sales of konjac products
Lvqi (Xiamen) Marine Biotechnology Company Ltd. 綠麒(廈門)海洋生物科技有限公司	PRC, 4 June 2013	RMB 5,000,000	100%	100%	Research and development center
Lvqi Trading (Shanghai) Company Ltd. (note 39) 綠麒商貿(上海)有限公司	PRC, 9 February 2018	RMB 10,000,000	100%	100%	Trading company
Xiamen Sanji Technology 廈門三冀科技有限公司	PRC, 26 August 2021	RMB 10,000,000	100%	100%	Technical Research; manufacture and sales of specialized chemical products and bio-based materials
<b>Indonesia incorporated:</b>					
PT Hongxin Algae International	Indonesia, 14 September 2012	IDR 45,172,000,000	82.03%	82.03%	Manufacture and sales of semi-refined Carrageenan Products
PT. Greenfresh Biotechnology Indonesia	Indonesia, 12 August 2016	USD 1,200,000	100%	100%	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

## 37 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

## (a) Balance sheet of the Company

	Note	As at 31 December	
		2022 HK\$'000	2021 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries		134,474	131,588
<b>Current assets</b>			
Amounts due from subsidiaries		159,284	159,284
Other receivables		795	435
Cash and bank balances		11,061	19,514
		171,140	179,233
<b>Total assets</b>		<b>305,614</b>	<b>310,821</b>
<b>Equity</b>			
Share capital	23	8,253	8,208
Other reserves		270,916	304,196
Treasury shares		(12,582)	(12,582)
Accumulated losses		(76,251)	(69,990)
<b>Total equity</b>		<b>190,336</b>	<b>229,832</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank borrowings		15,295	—
<b>Current liabilities</b>			
Bank borrowings		34,649	54,609
Amounts due to subsidiaries		65,215	26,187
Other payables		119	193
		99,983	80,989
<b>Total liabilities</b>		<b>115,278</b>	<b>80,989</b>
<b>Total equity and liabilities</b>		<b>305,614</b>	<b>310,821</b>

The balance sheet of the Company was approved by the board of directors of the Company on 30 March 2023 and was signed on its behalf by:

CHAN Kam Chung  
Director

CHAN Shui Yip  
Director



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

### 37 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

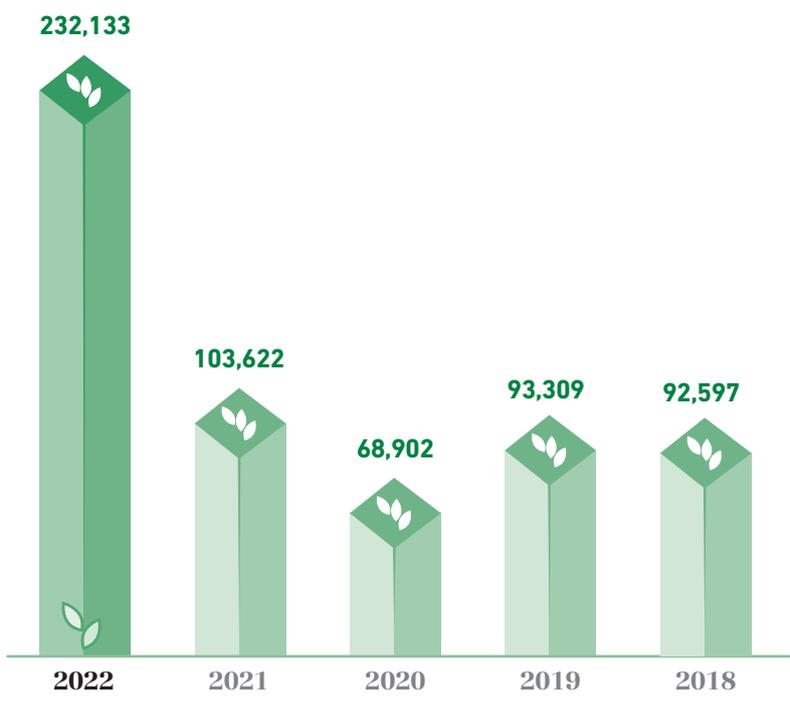
#### (b) Reserve movements of the Company

	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Total HK\$'000	Accumulated losses HK\$'000
<b>At 1 January 2022</b>	<b>122,221</b>	<b>115,539</b>	<b>66,436</b>	<b>304,196</b>	<b>(69,990)</b>
Dividend paid	(36,574)	—	—	(36,574)	—
Equity-settled share-based payment	—	—	3,294	3,294	—
Losses for the year	—	—	—	—	(6,261)
<b>At 31 December 2022</b>	<b>85,647</b>	<b>115,539</b>	<b>69,730</b>	<b>270,916</b>	<b>(76,251)</b>
<b>At 1 January 2021</b>	154,561	115,539	63,558	333,658	(63,589)
Dividend paid	(32,340)	—	—	(32,340)	—
Equity-settled share-based payment	—	—	2,878	2,878	—
Losses for the year	—	—	—	—	(6,401)
<b>At 31 December 2021</b>	<b>122,221</b>	<b>115,539</b>	<b>66,436</b>	<b>304,196</b>	<b>(69,990)</b>

# FIVE YEARS FINANCIAL SUMMARY

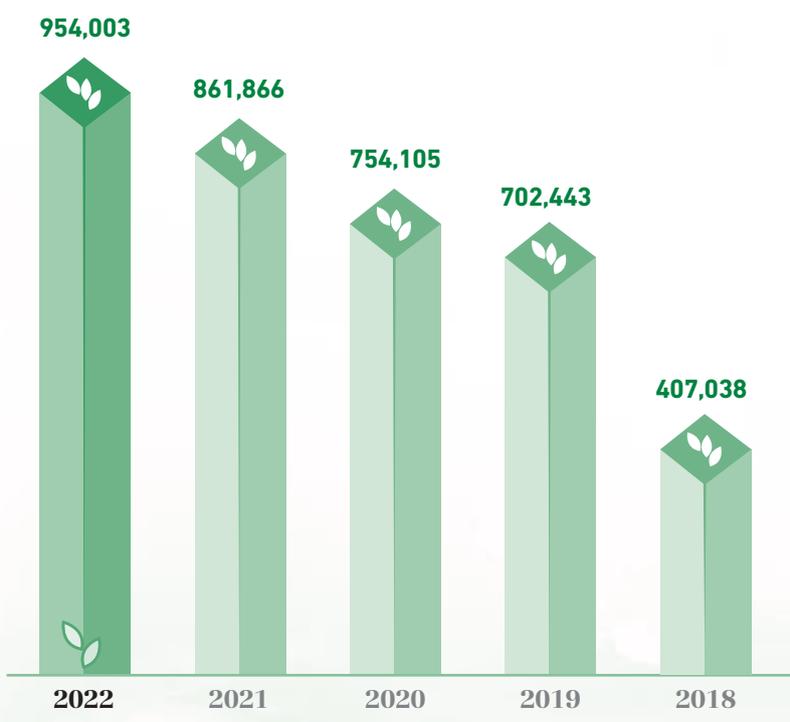
## RESULTS (YEAR ENDED 31 DECEMBER)

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



## NET ASSETS (AS AT 31 DECEMBER)

Net assets (HK\$'000)





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. CHAN Kam Chung  
*(Chairman and Chief Executive Officer)*  
Mr. GUO Dongxu (Vice Chairman and Vice President)  
Mr. CHAN Shui Yip (Vice Chairman and Vice President)  
Mr. SHE Xiaoying

#### Non-executive Director

Mr. GUO Songsen

#### Independent non-executive Directors

Mr. HO Kwai Ching, Mark  
Mr. NG Man Kung  
Mr. HU Guohua

### COMPANY SECRETARY

Mr. SO Chi Man

### AUTHORISED REPRESENTATIVES

Mr. CHAN Kam Chung  
Mr. SO Chi Man

### AUDIT COMMITTEE

Mr. HO Kwai Ching, Mark *(Chairman)*  
Mr. NG Man Kung  
Mr. HU Guohua

### REMUNERATION COMMITTEE

Mr. NG Man Kung *(Chairman)*  
Mr. HO Kwai Ching, Mark  
Mr. CHAN Kam Chung

### NOMINATION COMMITTEE

Mr. CHAN Kam Chung *(Chairman)*  
Mr. HO Kwai Ching, Mark  
Mr. NG Man Kung

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
22/F Prince's Building  
Central  
Hong Kong

### LEGAL ADVISER

Squire Patton Boggs

### PRINCIPAL BANKERS

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

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

**CORPORATE INFORMATION****REGISTERED OFFICE**

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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**

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

**HONG KONG BRANCH SHARE REGISTRAR**

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Hong Kong

**COMPANY'S WEBSITE**

<http://www.greenfreshfood.com>

**STOCK CODE**

01084