GREEN FUTURE FOOD HYDROCOLLOID MARINE SCIENCE COMPANY LIMITED

綠新親水膠體海洋科技有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code: 01084

ANNUAL REPORT 2023

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, pet foods and the raising trend of flavored tea beverages. Additionally, along with the development of functional applications, our products are widely used in beauty and household products such as 100% bio-degradable face masks and air fresheners, as well as plastics-alternative wrapping and soil film. 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, the Group is the largest manufacturer of agar-agar products and refined and semi-refined carrageenan products globally in 2020 and 2021, according to a report prepared by Frost & Sullivan in June 2022. 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 2023, 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 (2022: 7,265 tons) of agar-agar products, 10,355 tons (2022: 10,355 tons) of carrageenan products, 1,500 tons (2022: 1,500 tons) of konjac gum products, 3,300 tons (2022: 3,300 tons) of blended products; the annual design production capacity of Shiyanhaiyi Production Base: 660 tons (2022: 660 tons) of konjac gum products; the annual design production capacity of PT Hongxin Production Base in Indonesia: 4,300 tons (2022: 4,300 tons) of carrageenan products; the annual design production capacity of Xiamen Sanji Production Base: 10 tons (2022: 10 tons) of Agarose Microspheres products. The total design production capacity was 27,390 tons (2022: 27,390 tons).

As of 31 December 2023, the number of product technical development personnel is 80 (2022: 63).

OUR PHILOSOPHY

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

KEY MILESTONES FOR THE DEVELOPMENT OF THE GROUP

1999: Lvbao (Quanzhou) Biochemistry Company Ltd. was incorporated, started producing carrageenan products in 2001, and produced blended products as well thereafter.

2007: Green Fresh (Fujian) Foodstuff Co., Ltd. was incorporated, mainly engaged in the manufacturing of carrageenan products.

2012: 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.

2023: The Group commenced the research & development and pre-production of 100% bio-degradable algae membrane for the use in cosmetic fascial mask and plastics-alternative wrapping and soil film through the setting-up of “Xiamen Blue Ocean Algae Membrane Technologies Co. Ltd.” in July 2023.

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:

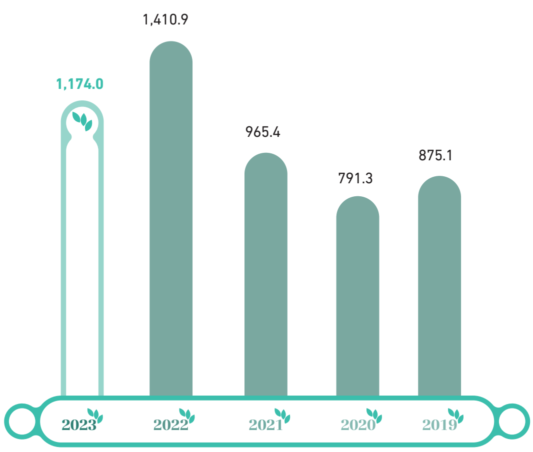
Green Fresh (Fujian) Foodstuff Co., Ltd. was named as a participating enterprise in the "Postdoctoral Programme" organised by the Ministry of Human Resources and Social Security of the PRC.

2021:

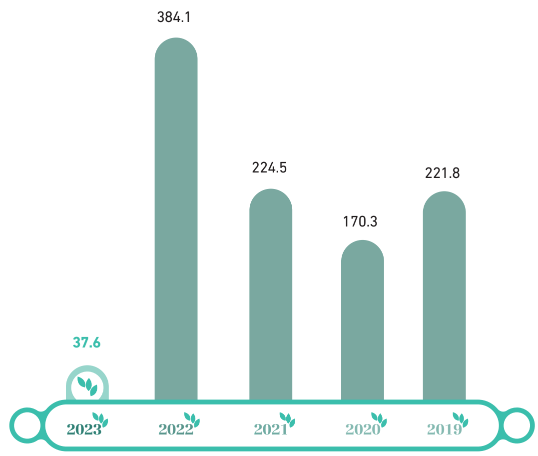
Green Fresh (Fujian) Foodstuff Co., Ltd. was awarded the "Key Leading Enterprise in the Industrialised Agricultural Sector of the Fujian Province" by the municipal government of Zhangzhou, Fujian.

FINANCIAL HIGHLIGHTS

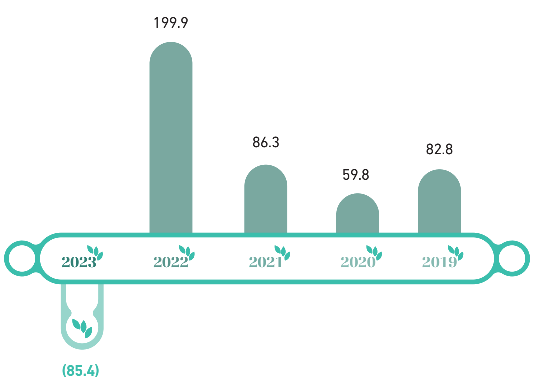
Revenue (RMB' million) (Restated)



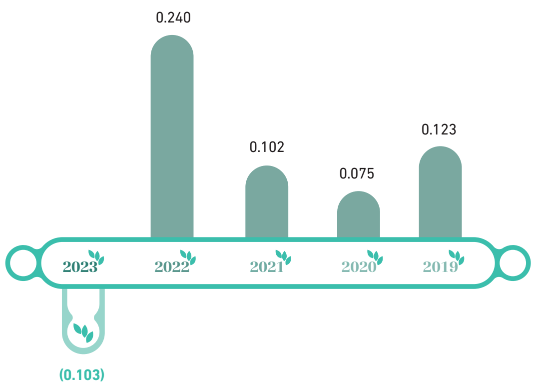
Gross Profit (RMB' million) (Restated)



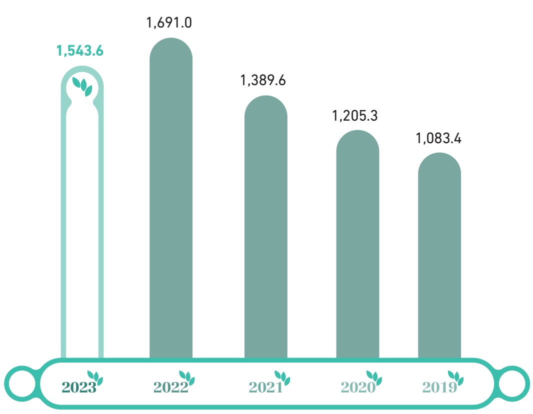
(Loss)/Profit for the year (RMB' million) (Restated)



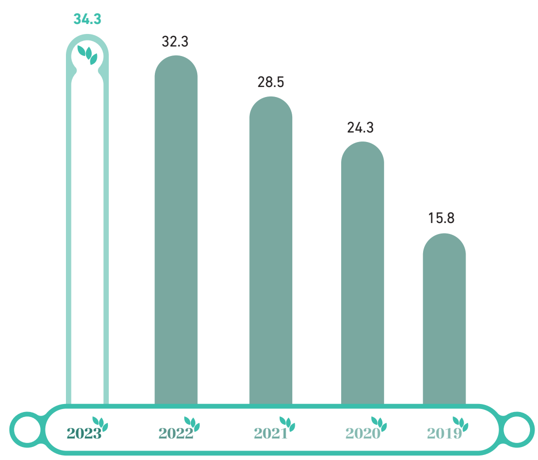
Diluted (Loss)/Earnings Per Share (RMB) (Restated)



Total Assets (RMB' million) (Restated)



Net Debt to Total Assets Ratio (%) (Restated)



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 2023 (the "FY2023").

LONG-TERM BUSINESS STRATEGY

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

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

BUSINESS OVERVIEW FOR 2023

During the FY2023, the Group was adversely affected by the exceptional decreases in the level of demand from the overseas customers, which resulted in significant decreases in the selling prices of carrageenan products throughout the year. This effect was exaggerated by the high costs of sales of the carrageenan products, which included the cost of seaweeds purchased at relatively high prices in the previous years, and the significant amount of provision for inventory of carrageenan products made against their net realisable value with reference to the current market prices. As a result, in the FY2023, the Group experienced a drastic decrease in the amount of gross profit and the corresponding gross profit margin. Furthermore, the continuous increases in the interest rates in bank borrowings denominated in the United Stated dollars ("USD") and Hong Kong dollars ("HKD") also increase the financial burden of the Group. The Group therefore recorded net loss on an annual basis during the FY2023.

During the FY2023, the amount of the Group's total revenue was RMB1,174.0 million, representing a decrease of 16.8%, as compared to RMB1,410.9 million for the year ended 31 December 2022 (the "FY2022"). The decrease in the amount of revenue was mainly attributable to the decreases in the level of demand from the overseas customers due to the reduction in the safe stock levels and the economic slow-down in Europe during the FY2023. As stated in the Company's annual report for the FY2022, the inflationary pressure of the natural resources drove up and accelerated the demand for food and food additives (including the hydrocolloid products) on a global dimension. However, as the price of carrageenan products increased sharply throughout the FY2022, the cost of maintaining a high level of stock of carrageenan products constituted a financial burden to the customers. They then began to reduce the safe stock levels in the FY2023. The decreases in the level of demand resulted in the corresponding decreases in the average selling prices and the export sales volume of the carrageenan products of the Group, which contributed approximately 60% of the amount of the Group's total turnover in the FY2023.

Apart from the decreases in the amount of the Group's turnover, the decrease in the gross profit margin of the Group for the FY2023 was also caused by the high costs of sales of the carrageenan products, which included the cost of seaweeds purchased at relatively high prices in the previous years and the provision for inventory of the carrageenan products amounted to RMB142.4 million (FY2022: Nil). Correspondingly, the Group's gross profit margin decreased by 24.0 percentage points to 3.2% during the FY2023.

The Group incurred a net loss of RMB85.4 million for the FY2023, as compared to the reported profit of RMB199.9 million for the FY2022, primarily due to the drastic decrease in the amount of the Group's gross profit by RMB346.5 million to RMB37.6 million. The decrease in the net profit of the Group in the FY2023 as compared to that of gross profit, was further affected by the decreases in other income, increases in selling and distribution expenses, administrative expenses and finance costs for the FY2023 of RMB6.6 million, RMB4.0 million, RMB6.2 million and RMB13.2 million, respectively, which were partly offset by the decrease in the income tax expense paid and payable by the Group of RMB89.1 million.

The Directors believe that the low demand for hydrocolloid products is an exceptional phenomenon and that the business of the Group is expected to be improved in the foreseeable future when the Group's customers re-commencing their purchase of finished products from the Group to maintain the normal levels of safety stock and the gradual recovery of the economic performance of the European countries. Excluding the impact of the non-cash nature of the provision for inventory of carrageenan products of RMB142.4 million, the Group as a matter of fact would have remained profitable on cash basis during the FY2023 amidst the challenging global business environment. The Directors believe that the performance of the Group highlights the strategic advantages, competitiveness and resilience of the Group.

2023 FINAL DIVIDEND

The Board does not recommend any final dividend to be paid to the shareholders for the FY2023 in order to provide additional financial resources for the business of the Group (FY2022: HK3.0 cents per share).

SUBSEQUENT EVENT

There was no significant event affecting the Group which occurred after 31 December 2023 and up to the date of this annual report.

PROSPECTS

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 the business scale as industry leader, technical expertise built on the continuous pursuit of excellence, as well as product innovativeness as the core values founded inside every member of the Group.

Hydrocolloid is an essential ingredient to be used in not only a wide array of traditional categories of processed foods, which is all-along a stable and sizable sector on a worldwide dimension, but also many consumer and industrial products riding on the upraising trend of product novelty and environmental friendliness such as flavored tea beverages, bio-degradable cosmetics and plastic-alternative products envisaged a vast development potential in the applications of hydrocolloid in the future. The Directors expect that the global demand for the hydrocolloid products would be very promising in the long-run.

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, 27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the FY2023, the Group was adversely affected by the exceptional decreases in the level of demand from the overseas customers, which resulted in significant decreases in the selling prices of carrageenan products throughout the year. This effect was exaggerated by the high costs of sales of the carrageenan products, which included the cost of seaweeds purchased at relatively high prices in the previous years, and the significant amount of provision for inventory of carrageenan products made against their net realisable value with reference to the current market prices. As a result, in the FY2023, the Group experienced a drastic decrease in the amount of gross profit and the corresponding gross profit margin. Furthermore, the continuous increases in the interest rates in bank borrowings denominated in the USD and HKD also increase the financial burden of the Group. The Group therefore recorded net loss on an annual basis during the FY2023.

During the FY2023, the amount of the Group's total revenue was RMB1,174.0 million, representing a decrease of 16.8%, as compared to RMB1,410.9 million for the FY2022. The decrease in the amount of revenue was mainly attributable to the decreases in the level of demand from the overseas customers due to the reduction in the safe stock levels and the economic slow-down in Europe during the FY2023. As stated in the Company's annual report for the FY2022, the inflationary pressure of the natural resources drove up and accelerated the demand for food and food additives (including the hydrocolloid products) on a global dimension. However, as the price of carrageenan products increased sharply throughout the FY2022, the cost of maintaining a high level of stock of carrageenan products constituted a financial burden to the customers. They then began to reduce the safe stock levels in the FY2023. The decreases in the level of demand resulted in the corresponding decreases in the average selling prices and the export sales volume of the carrageenan products of the Group, which contributed approximately 60% of the amount of the Group's total turnover in the FY2023.

Apart from the decreases in the amount of the Group's turnover, the decrease in the gross profit margin of the Group for the FY2023 was also caused by the high costs of sales of the carrageenan products, which included the cost of seaweeds purchased at relatively high prices in the previous years and the provision for inventory of the carrageenan products amounted to RMB142.4 million (FY2022: Nil). Correspondingly, the Group's gross profit margin decreased by 24.0 percentage points to 3.2% during the FY2023.

The Group incurred a net loss of RMB85.4 million for the FY2023, as compared to the reported profit of RMB199.9 million for the FY2022, primarily due to the drastic decrease in the amount of the Group's gross profit by RMB346.5 million to RMB37.6 million. The decrease in the net profit of the Group in the FY2023 as compared to that of gross profit, was further affected by the decreases in other income, increases in selling and distribution expenses, administrative expenses and finance costs for the FY2023 of RMB6.6 million, RMB4.0 million, RMB6.2 million and RMB13.2 million, respectively, which were partly offset by the decrease in the income tax expense paid and payable by the Group of RMB89.1 million.

During the FY2023, the sales value in the PRC and the overseas markets accounted for approximately 50.7% and 49.3% of the Group's total sales value, respectively (FY2022: 41.3% and 58.7%). Sales value in the PRC market amounted to RMB595.2 million, increased by RMB12.3 million or 2.1%. Sales value in the overseas market amounted to RMB578.8 million, decreased by RMB249.2 million or 30.1%, of which sales to the European countries decreased by RMB179.1 million or 38.0% to RMB291.6 million. The decrease was caused by the decrease in the level of demand from the overseas customers due to the reduction in the safe stock levels and the economic slow-down in Europe during the FY2023.

The Directors believe that the low demand for hydrocolloid products is an exceptional phenomenon and that the business of the Group is expected to be improved in the foreseeable future when the Group's customers re-commencing their purchase of finished products from the Group to maintain the normal levels of safety stock and the gradual recovery of the economic performance of the European countries. Excluding the impact of the non-cash nature of the provision for inventory of carrageenan products of RMB142.4 million, the Group as a matter of fact would have remained profitable on cash basis during the FY2023 amidst the challenging global business environment. The Directors believe that the performance of the Group highlights the strategic advantages, competitiveness and resilience of the Group.

BUSINESS PROSPECTS

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 the business scale as industry leader, technical expertise built on the continuous pursuit of excellence, as well as product innovativeness as the core values founded inside every member of the Group.

Hydrocolloid is an essential ingredient to be used in not only a wide array of traditional categories of processed foods, which is all-along a stable and sizable sector on a worldwide dimension, but also many consumer and industrial products riding on the upraising trend of product novelty and environmental friendliness such as flavored tea beverages, bio-degradable cosmetics and plastic-alternative products envisaged a vast development potential in the applications of hydrocolloid in the future. The Directors expect that the global demand for the hydrocolloid products would be very promising in the long-run.

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 it to differentiate further from its competitors in meeting the changing needs of customers. Through the 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 and food wrapping membrane made of 100% bio-degradable materials were further developed during the year. The Directors expect that the diversity in the end products and the applications will be key areas for the Group's expansion in the future.

Complementary strategies for product and market

The sales volume and sales revenue of agar-agar products and carrageenan products, contributing to 82.2% and 85.8% in the FY2023 (FY2022: 86.8% and 89.7%) of the Group's total sales volume and the amount of total sales revenue for the FY2023, representing a decrease of 4.6 percentage points and 3.9 percentage points, respectively, as compared to the FY2022. The sales volume and sales revenue of konjac products, as a percentage to total sales volume and sales revenue, recorded a mild increase of 0.27 percentage point and 0.35 percentage point, respectively for the FY2023, as compared to the FY2022. On the same basis, the sales volume and sales revenue of blended products demonstrated an encouraging growth trend and recorded an increase of 5.1 and 4.0 percentage points, respectively, for the FY2023, as compared to the FY2022. In this regard, as blended products are more custom-made products which carry relatively higher sales and profit potential, the stepping up of sales volume signifies an enhanced market acceptance of the Group's high-end solutions supported by the advancement of product technology. Benefitting from the diversification and complementarity of its colloid products, the Group is able to adjust its product development strategy to match the changes in market demand of end products, thereby maintaining a solid and high-yielding revenue base over time.

Diversification of production facilities

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 only partial use of PT Hongxin's production capacity in light of the temporary decrease in demand from the customer side. However, given the cost advantages of as well as potential tax efficiency gained on sales originating from Indonesia, the Directors shall push forward the expansion of PT Hongxin's production capacity in the foreseeable future and maximise output from the Group at the same time promote its scale advantages in the long run.

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

FINANCIAL REVIEW

Revenue

For the FY2023, the Group's total revenue was RMB1,174.0 million, representing a decrease of 16.8%, as compared to RMB1,410.9 million of the FY2022. Sales revenue of carrageenan, agar-agar and konjac decreased by 24.9%, 7.2% and 8.0%, respectively; while sale revenue of blended products increased by 33.0%, as compared to the FY2022.

The decrease in revenue was mainly attributed to the decrease in demand from the overseas customers due to the reduction in the safe stock levels coupled with the economic slow-down in most European countries during the FY2023. As stated in the Company's annual report for the FY2022, the inflationary pressure of natural resources drove up and accelerated the demand for food and food additives included hydrocolloid products on a global dimension. However, as the price of carrageenan products increased sharply throughout the FY2022, the cost of maintaining a high stock level constituted a financial burden to customers and thus they began to reduce the safe stock levels in the FY2023. The decrease in demand led to the decrease in the selling price of the Group's carrageenan products, which constituted approximately 60% of the Group's total turnover in the FY2023 and a decrease in the export sales volume of carrageenan and agar-agar products by a total of 20.7%, as compared to the FY2022, was also noted for the year. On the other hand, the decrease in sales revenue of konjac was mainly due to the decrease of selling price caused by a short-term slack of demand, while the encouraging increase in sales revenue of blended products was mainly due to the increase in sales volume attributed to the enhanced market acceptance of the Group's high-end solutions supported by the advancement of product technology.

Cost of Sales

For the FY2023, the overall cost of sales of the Group was RMB1,136.4 million, representing an increase of 10.7%, as compared to RMB1,026.8 million of the FY2022. The 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 overall raw material cost amidst the slight drop of total sales volume for the FY2023, was mainly attributed to (i) the inclusion of seaweeds purchased at relatively high prices during the FY2022; (ii) substantial increase in the sales volume of blended products for the FY2023 which consisted of various mixtures of home-made and purchased materials that added up to a higher cost; and (iii) the tremendous effect of inventory provision of RMB142.4 million made against the net realisable value of carrageenan products estimated based on the current market price level. On the other hand, direct labor cost remained fairly stable while manufacturing cost decreased corresponding to the decrease in sales volume of carrageenan and agar-agar, products that consume more energy in their production process, for the FY2023.

Gross Profit and Gross Profit Margin

For the FY2023, gross profit (on basis that the provision for inventory is excluded) amounted to RMB180.0 million and the gross profit margin was 15.3%, representing a decrease of 53.1% and 11.9 percentage points, as compared to RMB384.1 million and 27.2%, respectively, for the FY2022. On the other hand, gross profit (on basis that the provision for inventory is included) amounted to RMB37.6 million and the gross profit margin was 3.2%, representing a decrease of 90.2% and 24.0 percentage points, as compared to RMB384.1 million and 27.2%, respectively, for the FY2022.

The significant decrease in the Group's overall gross profit and gross profit margin was mainly due to the significant decrease in the selling price of the Group's carrageenan products caused by the decrease in demand from the overseas customers. The total export sales volume of carrageenan and agar-agar products in aggregate decreased by 20.7% during the FY2023, as compared to the FY2022. Apart from the decrease in sales revenue, the significant decrease in gross profit margin was caused also by the increase in the unit cost of sales consisted of seaweeds purchased at relatively high prices during the FY2022 and the tremendous effect of inventory provision of RMB142.4 million made against the net realisable value of carrageenan products estimated based on the current market price level.

Selling and Distribution Expenses

For the FY2023, selling and distribution expenses of the Group were RMB17.8 million, representing an increase of RMB4.0 million or 29.0%, as compared to RMB13.8 million for the FY2022. The increase was primarily attributable to the increase in the number of sales personnels as well as increase in domestic and overseas travelling and convention expenses during the year arising from the Group's escalated efforts in business promotions.

Administrative Expenses

For the FY2023, administrative expenses of the Group were RMB97.3 million, representing an increase of RMB6.2 million or 6.8%, as compared to RMB91.1 million for the FY2022. The increase was mainly attributable to the general salary increment as well as the additional expenses charged on the vesting of share award to certain staff during the year. Further, the increase was partly offset by the decrease in electricity expenses made possible by the use of low-cost electricity generated from the solar energy panels constructed by the Group.

Finance Costs - Net

For the FY2023, net finance costs of the Group were RMB40.5 million, representing an increase of RMB12.9 million or 46.7%, as compared to RMB27.6 million for the FY2022. The increase in net finance costs was mainly due to the persisting increase in loan interest rate charged on HKD and USD loans.

Income Tax Expenses

For the FY2023, income tax expenses of the Group were a credit balance of RMB27.4 million, representing a decrease of RMB89.1 million or 144.4%, as compared to income tax expenses of RMB61.7 million for the FY2022. The significant decrease was mainly due to the corresponding decrease in taxable profit for the year of approximately 143.2%, and the effect of deferred tax credit created in respect of the provision for inventory made during the FY2023:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000 (Restated)
Current income tax	**8,761**	65,639
Deferred income tax	**(36,208)**	(3,969)
Income tax expense	**(27,447)**	61,670

(Loss)/Profit Attributable to Owners of the Company

For the FY2023, loss attributable to owners of the Company were RMB85.3 million, representing a decrease of RMB284.5 million or 142.8%, as compared to the profit attributable to owners of the Company of RMB199.2 million for the FY2022. Main reasons for the decrease in profit attributable to owners of the Company resemble those caused the decrease in net profit for the year as explained in above.

Liquidity and Financial Resources

As of 31 December 2023, the Group's cash and bank balances amounted to RMB84.3 million (2022: RMB38.7 million), representing an increase of RMB45.6 million or 117.8%, as compared to the FY2022. The financial ratios of the Group as of 31 December 2023 were as follows:

	As of 31 December 2023	As of 31 December 2022 (Restated)
Current ratio	**1.43**	1.60
Gearing ratio[1]	**41.2%**	39.1%

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 2023, the Group's net current assets were RMB299.6 million, representing a decrease of RMB130.7 million or 30.4% from RMB430.3 million as of 31 December 2022, primarily due to the decrease in inventories and trade and other receivables of RMB121.2 million and RMB81.0 million, respectively, and the increase in short-term bank borrowings of RMB40.7 million, as of 31 December 2023, partly offset by the decrease of trade and other payables and current income tax liabilities of RMB46.6 million and RMB19.5 million, respectively, and the increase in cash and bank balances of RMB45.6 million, as of 31 December 2023.

Borrowings

As of 31 December 2023, the total bank borrowings of the Group amounted to RMB599.1 million, of which RMB532.0 million shall be repaid within one year and RMB67.1 million shall be repaid after one year. The carrying amounts of bank borrowings were denominated in HKD, USD, Indonesian Rupiahs ("IDR") and Renminbi ("RMB").

The Group did not use any financial instruments for hedging purposes and did not have any net foreign currency investments hedged against existing borrowings and/or other hedging instruments. As of 31 December 2023, the weighted average interest rate on bank borrowings was 5.73% per annum (31 December 2022: 4.59%).

Interest Rate Risk

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

Pledge of Assets

As of 31 December 2023, the Group's bank borrowings were secured by the pledge of the Group's land use rights and buildings with a carrying value of RMB92.4 million (31 December 2022: RMB93.8 million), and supported by guarantees from Mr. Chan Kam Chung, the director of the Company to the extent of RMB119,949,000 as of 31 December 2023 (31 December 2022: RMB116,573,000).

Capital Expenditures

The capital expenditures primarily comprise cash expenditures for plant, equipment and land-use-rights. The capital expenditures for the years ended 31 December 2023 and 2022 were RMB11.8 million and RMB43.4 million, respectively.

Commitments

The Group's capital commitments in respect of those that have been contracted for as of 31 December 2023 and 2022 amounted to RMB29.6 million and RMB9.7 million, respectively.

Lease Liabilities

Lease liabilities are related to buildings of the Group.

	2023 RMB'000	2022 RMB'000 (Restated)
Minimum lease payments:		
Less than 1 year	**1,396**	1,813
Over 1 year and less than 5 years	**1,768**	3,072
	3,164	4,885
Future finance charges	**(314)**	(430)
Total lease liabilities	**2,850**	4,455

Subsequent Event

There was no significant event affecting the Group which occurred after 31 December 2023 and up to the date of this annual report.

Contingent Liabilities

The Group did not have any material contingent liabilities as of 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND 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 is expected to be continued in 2024.

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

CHANGE IN THE PRESENTATION CURRENCY

The Group has changed its presentation currency from HKD to RMB for the preparation of the Group's consolidated financial statements since 1 January 2023. Having considered the principal activities of the Group such as production and sales are mainly conducted in the PRC and the functional currency of subsidiaries with operation in the PRC are denominated in RMB, the Directors consider that the change would result in a more appropriate presentation of the Group's transactions in the financial statements.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATIONS 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 RMB and USD with limited foreign exchange risk exposure in the latter. Besides, as the conversion of RMB 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 RMB-denominated assets. The Group will closely monitor foreign exchange exposure and will consider hedging should the need arises. During the FY2023, the Group did not use any financial instrument for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2023, the Group had 1,184 full-time employees, of whom 999 were based in Mainland China and 185 were based in Hong Kong and other countries and territories. The total staff costs, including the emoluments of the Directors, amounted to RMB117.9 million for the FY2023 (2022: RMB110.1 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.

DIRECTORS' PROFILE

Executive Directors

Mr. CHAN Kam Chung (陳金淙先生) (formerly known as 陳金鐘), aged 53, 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 the Group, Mr. CHAN was a director and deputy general manager of Guangda (Fujian) Foodstuff Co., Ltd. (光大(福建)食品有限公司) from the period of 1998 to 2001.

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

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 56, is the executive Director, Vice Chairman, and Vice President of the Group. Mr. GUO oversees the project development, quality control, and external business affairs of the Group. 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 in the Group 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 26 years of experience in seaweed processing and corporate management.

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

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

Mr. CHAN Shui Yip (陳垂燁先生) (formerly known as CHAN Kam Ku (陳金鼓)), aged 62, 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 13 years' experience in business management and more than 18 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 the Group in March 1999.

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

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

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

Mr. SHE Xiaoying (佘小迎先生), aged 62, is the executive Director. Mr. SHE oversees the sales of our hydrocolloid products. Mr. SHE has more than 13 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 the Group 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.

Independent non-executive Directors

Mr. Ho Kwai Ching Mark (何貴清先生), aged 62, is the independent non-executive Director. He is also the chairman of the audit committee and a member of the nomination commitee 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.

Mr. NG Man Kung (吳文拱先生), aged 72, 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.

DIRECTORS' PROFILE

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 Renco Holdings Group Limited (stock code: 2323) from March 2016 to March 2022, a company listed on the Stock Exchange.

Mr. HU Guohua (胡國華先生), aged 50, 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, Anhui JinHe Industrial Co. Ltd (SHE: 002597), a company listed on the Shenzhen Stock Exchange and Touyun Biotech Group Limited (stock code: 1332), 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 2023.

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 34 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 2023 is set forth in the "Chairman's Statement", and "Management Discussion and Analysis" on pages 6 to 8 and pages 9 to 17 respectively of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 and the Group's consolidated balance sheet as at 31 December 2023 are set forth in the consolidated financial statements on pages 107 to 110 of this annual report.

The Board does not recommend any final dividend to be paid to the shareholders for the FY2023 in order to provide additional financial resources for the business of the Group (FY2022: HK3.0 cents per share).

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 2023 are set forth in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 December 2023, the Company's reserves available for distribution amounted to RMB57.4 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 2023, the Group's top five largest customers accounted for 24.9% (2022: 34.0%) of the Group's revenue and the single largest customer accounted for 6.7%. (2022: 9.0%) of the Group's revenue. The Group's top five suppliers accounted for 62.1% (2022: 65.5%) of the Group's total purchase and the single largest supplier accounted for 19.7% (2022: 17.8%) 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 2023, 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

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 (Resigned on 17 July 2023)

Independent non-executive Directors
Mr. Ho Kwai Ching, Mark
Mr. Ng Man Kung
Mr. Hu Guohua

In accordance with the Article 84 of the articles of association of the Company (the "**Articles of Association**"), Mr. CHAN Shui Yip, Mr. She Xiaoying and Mr. Ho Kwai Ching, Mark shall retire from office as Directors. All of them are being eligible, offer themselves for re-election at the forthcoming AGM.

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 annual report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set forth 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).

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 23 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 2023:

						Number of share options				
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	As of 1 January 2023	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	As of 31 December 2023
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	8,864,000	–	(4,432,000)(1)	–	4,432,000
Other participants	9 August 2018	HK$0.01	17 April 2020 to 16 April 2025	100% from 17 April 2020	N/A	–	–	–	–	–
Total						8,864,000	–	(4,432,000)	–	4,432,000

Note:

(1) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$1.00.

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 2023, 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 as of 1 January 2023 and 31 December 2023.

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

1. Purpose:	The purpose of the Post-IPO Share Option Scheme is to enable our Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group and to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (a) motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; (b) attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group; and/or (c) for such purposes as the Board may approve from time to time.
2. Participants:	(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group; (b) a director or proposed director (including independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and (g) an associate of any of the persons referred to in paragraphs (a) to (c) above.
3. Total number of shares available for issue under the Post-IPO Share Option Scheme together with the percentage of the issued shares that it represents as of the date of this annual report:	A maximum of 80,000,000 shares to be allotted and issued, representing 9.64% of the issued shares of the Company as of the date of this annual report.
4. Maximum entitlement of each participant:	No option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period exceeds 1% of the shares in issue from time to time.

5. Option period:	The Board shall be entitled at any time within 10 years from the date of adopting the Post-IPO Share Option Scheme to offer the grant of an option to any eligible participant as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may determine. There is no minimum period for which an option must be held before it can be exercised.
6. Amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:	The amount payable on acceptance of an Option is HK$1.0. An offer of an option must be accepted by the relevant eligible participant, being a date not later than 30 days after the offer date.
7. Basis of determining the exercise price	The subscription price of a share in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a share; (b) the closing price of a share in the Stock Exchange's daily quotation sheet on the date of grant; and (c) the average closing price of a share as stated in the Stock Exchange's daily quotations sheets for the five business days (as defined in the Listing Rules) immediately preceding the date of grant.
8. Remaining life:	10 years from the date on which it becomes unconditional.

c) Share Award Scheme

The Company adopted the share award scheme (the "**Share Award Scheme**") on 10 July 2020 for recognising and rewarding the contribution of the Selected Participants to the business growth of the Group. The Share Award Scheme also provides incentive to the selected participants to continue their contribution to the future business development of the Group. The Share Award Scheme includes (a) the rules relating to Share Award Scheme and (b) a trust deed, pursuant to which an independent trust company has been appointed as the trustee (the "**Trustee**") of the Share Award Scheme. Pursuant to the Share Award Scheme, the Company would provide the Trustee with certain funds for on-market purchase by the Trustee of certain Shares or subscription for certain Shares from the Company at par value, which will be used to establish a shares pool for the benefit of the selected participants. All shares comprising the shares pool under the Share Award Scheme have been and will be purchased by the Trustee and will be held by the Trustee for the benefit of the selected participants until vesting. Further details of the Share Award Scheme are set forth in note 23 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 2023:

			Number of awarded shares					
Category/ name of grantee	Date of grant	Vesting period	As of 1 January 2023	Granted during the year	Vested during the year	Lapsed/ Cancelled during the year	As of 31 December 2023	Fair value for each of the awarded shares[4] HK$
SHI Shuangquan	5 December 2022 [2]	20% each year starting from 1 April 2023	2,000,000	–	(400,000)[3]	–	1,600,000	3.38
SO Chi Man [1]	5 December 2022 [2]	20% each year starting from 1 April 2023	1,500,000	–	(300,000)[3]	–	1,200,000	3.38
LIN Kuncheng	5 December 2022 [2]	20% each year starting from 1 April 2023	800,000	–	(160,000)[3]	–	640,000	3.38
			4,300,000	–	(860,000)	–	3,440,000	

Notes:

1. Mr. SO Chi Man is one of the five highest paid employees of the Group. Further information on the five highest paid employees of the Group is set forth in note 9 to the consolidated financial statements.

2. The closing price of the shares immediately before the date of grant was HK$3.54.

3. All the awarded shares have been granted to the selected participants for nil consideration and the weighted average closing price of the shares immediately before the dates on which the awarded shares were vested was HK$1.24.

4. The total amounts of the fair value of the awarded shares at the date of grant are amortised over the vesting period of five years and recorded in "employee benefit expenses" in the consolidated statement of profit or loss.

5. During the year ended 31 December 2023, 544,000 shares have been purchased on-market by the Trustee as part of the shares pool under the Share Award Scheme, and the total consideration paid for the purchased shares was approximately HK$482,000.00 which was funded by the Company's internal resources.

The number of shares held by the Trustee under the Share Award Scheme available for grant under the Share Award Scheme were 8,190,000 and 8,734,000 as of 1 January 2023 and 31 December 2023, respectively.

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

1 Purpose:	The purposes of the Share Award Scheme is, through as award of shares, to: (a) recognise and reward the contribution of certain eligible person(s) for the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (b) to attract suitable personnel for further development of the Group.
2 Participants:	"Eligible Person(s)" means any person belonging to the following classes of persons: (i) any employee of the Group; (ii) any executive director or non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any invested entity; (iii) any customer of the Group or any invested entity; (iv) any supplier of goods or services to any member of the Group or any invested entity; (v) any person or entity that provides research, development or other technological support to the Group or any invested entity; (vi) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; (vii) any person or entity which has contributed to the Group or its business; and (viii) any other person selected by the Board at its sole discretion.

3	Total number of shares available for award under the Share Award Scheme together with the percentage of the issued shares that it represents as at the date of this annual report:	A maximum of 8,734,000 shares available for award under the Share Award Scheme, representing 1.05% of the issued shares of the Company as of the date of this annual report.
4	Maximum entitlement of each selected participant:	Not applicable, but the Board has decided that no more than 1.0% of the issued share capital of the Company could be grated to each selected participant.
5	Amount, if any, payable on application or acceptance of the awarded shares and the period within which payments or calls must or may be made or loans for such purposes must be repaid:	All awarded shares have been granted to the grantees for nil purchase price. The awarded shares shall be deemed to be irrevocably accepted by the selected participant unless he/she shall within five (5) business days after receipt of notice of award notify the Company in writing that he/she would decline to accept such awarded shares.
6	Basis of determining the purchase price of shares awarded:	All awarded shares have been granted to the grantees for nil purchase price. The Trustee may purchase the shares on the Stock Exchange at the prevailing market price. If the Trustee effects any purchase off-market, the price for such purchase will not be higher than the lower of the following: (i) the closing market price on the date of such purchase and (ii) the average closing market price for the five preceding trading days on which the shares were traded on the Stock Exchange.
7	Remaining life:	The Share Award Scheme shall be valid and effective for a term of 10 years commenced from 10 July 2020.

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 2023, 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 to be (a) 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); (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") at set forth in Appendix C3 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[5]	Approximate percentage of shareholding[6]
Mr. CHAN Kam Chung	Interest in a controlled corporation[1]	161,700,000	19.49%
	Interest under the Concert Party Agreement[2]	588,000,000	70.87%
Mr. CHAN Shui Yip	Interest in a controlled corporation[3]	161,700,000	19.49%
	Interest under the Concert Party Agreement[2]	588,000,000	70.87%
Mr. GUO Dongxu	Interest in a controlled corporation[4]	66,150,000	7.97%
	Interest under the Concert Party Agreement[2]	588,000,000	70.87%

Notes:

(1) Mr. CHAN Kam Chung held all issued share in COS Kreation Investment Development Company Limited ("**COS Kreation**"). Therefore, Mr. CHAN Kam Chung is deemed to be interested in all shares held by COS Kreation for the purpose of the SFO. Mr. CHAN Kam Chung is the sole director of COS Kreation.

(2) All shareholders are controlling shareholders and concert parties by virtue of the Concert Party Agreement, a summary of which is set forth in the section headed "Controlling Shareholders and Substantial Shareholders — Summary of terms of the Concert Party Agreement" in the Prospectus of the Company dated 30 September 2019.

(3) Mr. CHAN Shui Yip held all issued share in Epoch Investment Development Co., Limited ("**Epoch**"). Therefore, Mr. CHAN Shui Yip is deemed to be interested in all shares held by Epoch for the purpose of the SFO. Mr. CHAN Shui Yip is the sole director of Epoch.

(4) Mr. GUO Dongxu held all issued share in Strong Achievement (BVI) Investment Company Limited ("**Strong Achievement**"). Therefore, Mr. GUO Dongxu is deemed to be interested in all shares held by Strong Achievement for the purpose of the SFO. Mr. GUO Dongxu is the sole director of Strong Achievement.

(5) All the interests disclosed represent long position in the shares and underlying shares.

(6) As of 31 December 2023, the total number of issued shares of the Company was 829,688,000.

(ii) Interests in associated corporations

Name of Directors	Name of associated corporations	Nature of interest and capacity	Number of shares of associated corporation	Percentage of shareholding
Mr. CHAN Kam Chung	COS Kreation	Beneficial owner	One	100%
Mr. CHAN Shui Yip	Epoch	Beneficial owner	One	100%
Mr. GUO Dongxu	Strong Achievement	Beneficial owner	One	100%

Save as disclosed above, as of 31 December 2023, none of the directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); (b) entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 31 December 2023, the person or corporations (not being a Director or chief executive of the Company) who had an interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Shareholders	Nature of interest and capacity	Number of shares held(5)	Approximate percentage of shareholding(6)
COS Kreation	Beneficial owner	161,700,000	19.49%
Epoch	Beneficial owner	161,700,000	19.49%
Strong Achievement	Beneficial owner	66,150,000	7.97%
Green Forest	Beneficial owner	92,603,571	11.16%
Mr. GUO Songsen	Interest in a controlled corporation(2)	92,603,571	11.16%
	Personal Interest	866,000	0.10%
	Interest under the Concert Party Agreement(1)	588,000,000	70.87%
Winning Path	Beneficial owner	66,150,000	7.97%
Mr. GUO Yuansuo	Interest in a controlled corporation(3)	66,150,000	7.97%
	Interest under the Concert Party Agreement(1)	588,000,000	70.87%
East Prosperity	Beneficial owner	39,696,429	4.78%
Mr. GUO Donghuang	Interest in a controlled corporation(4)	39,696,429	4.78%
	Interest under the Concert Party Agreement(1)	588,000,000	70.87%

Notes:

1. All shareholders are controlling shareholders and concerted parties by virtue of the Concert Party Agreement, a summary of which is set forth in the section headed "Controlling Shareholders and Substantial Shareholders — Summary of terms of the Concert Party Agreement" in the Prospectus of the Company dated 30 September 2019.

2. Mr. 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.

3. 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.

4. Mr. GUO Donghuang held all issued shares in East Prosperity (BVI) Investment Company Limited ("**East Prospertiy**"). 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.

5. All the interests disclosed represent long position in the shares and underlying shares.

6. As of 31 December 2023, the total number of issued shares of the Company was 829,688,000.

Save as disclosed above, as of 31 December 2023, the Directors were not aware of any other person or corporation having an interests or short positions in the shares and underlying shares of the Company as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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 2023, 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 ended 31 December 2023, 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 the Controlling Shareholders, the Directors and their respective associates has interest in any business, apart from the business operated by members of the 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 forth 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 2023 (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 2023.

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 2023.

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 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 ended 31 December 2023.

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 2023.

SIGNIFICANT INVESTMENTS

There was no significant investment during the year ended 31 December 2023.

CONNECTED TRANSACTION

During the year ended 31 December 2023, 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.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

There were no material acquisitions or disposals of subsidiaries during the year ended 31 December 2023.

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 of the date of this annual report.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no changes in information of the Directors subsequent to the date of the 2023 interim report of the Company.

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 ended 31 December 2023 amounted to RMB20,000 (2022: RMB1.08 million).

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, 4 June 2023 to Friday, 7 June 2024, 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, 3 June 2024.

EVENTS AFTER THE REPORTING PERIOD

There was no significant events affecting the Group which occurred after 31 December 2023 and up to the date of this annual report.

AUDIT COMMITTEE

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 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 has adopted the terms of reference which are in line with the applicable code provisions in the Corporate Governance Code. The Audit Committee has reviewed the Group's annual results and consolidated audited financial statements for the year ended 31 December 2023.

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, 27 March 2024

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 C1 to the Listing Rules. During the year ended 31 December 2023, 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 annual 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 2023, 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.

BOARD OF DIRECTORS

Composition of the Board

As of the date of this annual report, the Board consists of seven Directors comprising four executive Directors and three 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 (Resigned on 17 July 2023)

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 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 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 of the date of this annual report, the Company is of the opinion that all the INEDs are independent in accordance with Rule 3.13 of the Listing Rules.

Directors' Appointment and Re-election

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

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

As such, Mr. CHAN Shui Yip, Mr. She Xiaoying and Mr. Ho Kwai Ching, Mark shall retire from office as Directors in accordance with the Article 84 of the Articles of Association. All of them are being eligible, offer themselves for re-election at the forthcoming AGM.

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 years, 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 INEDs has signed an appointment letter with the Company for a term of three years, 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.

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 the chairman and chief executive officer of the Group. Mr. Chan is responsible for formulating the Group's overall strategic planning and business strategies and implementing major development policies and initiatives for the business development of the Group as a whole. Mr. Chan's vision and leadership have played a pivotal role in the Group's success and achievements to date, and therefore the Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The Company's long-serving and outstanding senior management team and the Board, which comprise experienced and high-caliber individuals, provide a check on balance of power and authority. The Board comprises four executive Directors (including Mr. Chan) 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 2023, the Board reviewed the implementation and effectiveness of the Mechanism and the results were satisfactory.

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	7
	Female	0
Age	41-60	3
	Over 60	4
Place of residences	China	2
	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 2023, among the 1,184 employees (including senior management) of the Group, the percentages of male employees and female employees are 64.6% and 35.4% (2022: 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 2023 are set forth in the section headed "Environmental, Social and Governance Report" in this annual report.

Board Meetings

The Board shall hold Board meetings regularly, at least four 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 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 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 2023 is set forth below:

	Number of meetings attended/Number of meetings held				
Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive Directors:					
Mr. Chan Kam Chung *(Chairman and Chief Executive Officer)*	4/4	N/A	2/2	1/1	1/1
Mr. Guo Dongxu *(Vice Chairman and Vice President)*	4/4	N/A	N/A	N/A	1/1
Mr. Chan Shui Yip *(Vice Chairman and Vice President)*	4/4	N/A	N/A	N/A	1/1
Mr. She Xiaoying	4/4	N/A	N/A	N/A	1/1
Non-executive Director:					
Mr. Guo Songsen (Resigned on 17 July 2023)	3/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Ho Kwai Ching, Mark	4/4	2/2	2/2	1/1	1/1
Mr. Ng Man Kung	4/4	2/2	2/2	1/1	1/1
Mr. Hu Guohua	4/4	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 has already served.

Directors' Continuous Professional Development

Every newly appointed Director is ensured to have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The Directors are continually updated with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

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. All Directors confirmed that they have complied with the code provision C.1.4 of the CG Code on Directors' training. A summary of their records of continuous development training during the year ended 31 December 2023 is as follows:

Name of Directors	Attending trainings/ briefings/seminars/ conference	Reading regulatory updates relevant to corporate governance
Executive Directors:		
Mr. Chan Kam Chung *(Chairman and Chief Executive Officer)*	V	V
Mr. Guo Dongxu *(Vice Chairman and Vice President)*	V	V
Mr. Chan Shui Yip *(Vice Chairman and Vice President)*	V	V
Mr. She Xiaoying	V	V
Non-executive Director:		
Mr. Guo Songsen (Resigned on 17 July 2023)	V	V
Independent Non-executive Directors:		
Mr. Ho Kwai Ching, Mark	V	V
Mr. Ng Man Kung	V	V
Mr. Hu Guohua	V	V

Directors' Insurance

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

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 2023:

(a) Reviewed the consolidated financial statements of the Group for the year ended 31 December 2022 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 2023, 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.

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 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 2023 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.

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 2023, 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.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the year ended 31 December 2023 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 2023 by remuneration band is as follows:

Remuneration Band in HK$	Number of individuals
HK$1,000,000 - HK$2,000,000	2
HK$2,000,001 - HK$3,000,000	1
HK$3,000,001 - HK$4,000,000	1
HK$4,000,001 - HK$5,000,000	1

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 2023, 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 RMB'000
Annual audit services of the Company's auditor	2,250
Non-audit services of the Company's auditor for their assistance in connection with the Company's ESG reporting and annual results announcement	220
Statutory audit services of subsidiaries' auditors	254

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by the Directors. All Directors are aware of the requirements under the Model Code. During year ended 31 December 2023, one of the former non-executive Directors, Mr. GUO Songsen ("**Mr. GUO**"), was engaged in Share dealings during the period from 25 February 2022 to 22 February 2023. Mr. GUO did not inform any member of the Board and the company secretary of the Company of his dealings in the Shares. The Directors and the company secretary were informed of the Share dealing transactions on 4 July 2023.

Pursuant to Rule A.3(a) of the Model Code, a director must not deal in any securities of the listed issuer on any day on which its financial results are published and during the period of 60 days (the "**Blackout Period**") immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results. Pursuant to Rule B.8 of the Model Code, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement.

On 30 March 2022, the Company published its annual results announcement for the year ended 31 December 2021 and accordingly, the Blackout Period (the "**2022 Blackout Period**") commenced from 29 January 2022 and ended on 30 March 2022. On 30 March 2023, the Company also published its annual results announcement for the year ended 31 December 2022 and accordingly, the Blackout Period (the "**2023 Blackout Period**") commenced from 29 January 2023 and ended on 30 March 2023.

Mr. GUO purchased 546,000 Shares for a total consideration of HK$740,160 and disposed of 2,000 Shares for a total consideration of HK$2,720 during the 2022 Blackout Period (the "**2022 Share Transactions**"). During the 2023 Blackout Period, Mr. GUO purchased 316,000 Shares for a total consideration of HK$430,060 and disposed of 180,000 Shares for a total consideration of HK$328,180 (the "**2023 Share Transactions**"). In addition to the 2022 Share Transactions and 2023 Share Transactions, Mr. GUO was also involved in various dealings in Shares outside the 2022 Blackout Period and the 2023 Blackout Period with no compliance with Rules A.3(a) and B.8 of the Model Code. Mr. GUO resigned as a non-executive Director on 17 July 2023; and the Directors understand that Mr. GUO has updated all the disclosure of interest filings on 20 July 2023.

In order to avoid similar incidents from happening in the future, the Company has engaged the Company's legal advisor and other course providers to provide adequate trainings on the relevant statutory and regulatory to all Directors reiterating on the importance of complying with the Listing Rules, the Model Code and the SFO in dealings in the Shares in February 2024. The Directors have also engaged independent internal control consultant to implement other stringent requirements for the purpose ensuring that no Director would be involved in any dealings in the Shares in contravention of the Listing Rules, the Model Code and the SFO.

Saved as disclosed above, having made specific enquiries to the Directors, the Directors confirmed that they had complied with the required standard of dealings as set forth in the Model Code throughout year ended 31 December 2023.

COMPANY SECRETARY

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company releases its announcements, financial data and other relevant data on its website www.greenfreshfood.com, which serves as a channel facilitating effective communication. Shareholders may send any inquiry in writing to the Company's principal place of business in Hong Kong. The Company will properly handle all inquiries in due course. The 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, Any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may convene a physical meeting at only one location, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Putting Forward Enquiries to the Board

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

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

CONSTITUTIONAL DOCUMENTS

During the year, the Company has made changes to its Articles of Association to be in line with the latest legal and regulatory requirements, including the applicable laws of the Cayman Islands, the amendments made to Appendix A1 to the Listing Rules which took effect on 1 January 2022 and provide flexibility to the Company in relation to the conduct of general meetings. The adoption of the amended and restated articles of association of the Company had obtained shareholders' approval at the annual general meeting held on 2 June 2023. For details, please refer to the announcement of the Company dated 20 April 2023 and the circular of the Company dated 27 April 2023.

The amended and restated memorandum and articles of association of the Company are available on the websites of the Company and the Stock Exchange.

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 annual 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 2023 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, and the production plan 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 2023 to 31 December 2023 ("the Reporting Period"). Compared with the ESG Report released in the Annual Report 2022, 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 C2 *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.

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

- ✓ Developing ESG management approaches, strategies and goals;
- ✓ Regularly reviewing the performance of the Group on ESG related targets;
- ✓ Evaluating, prioritizing, and managing material ESG-related issues and their risks to the Group's business;
- ✓ Reviewing and approving the Group's annual ESG Report.

Senior Management

- ✓ Arranging work of ESG working group based on the ESG management approach and strategy established by the Board;
- ✓ Implementing ESG risk management and internal control systems, and reporting the main ESG trends, ESG-related risks and opportunities to the ESG Committee;
- ✓ Regularly reporting the progress of the group's ESG work and the achievement of ESG-related targets to the Board;
- ✓ Reporting the annual ESG Report to the Board.

ESG Working Group

- ✓ Composed of the head of each department;
- ✓ Implementing the ESG strategy and policy of the Board;
- ✓ Carrying out specific ESG work according to the arrangements of the senior management;
- ✓ Preparing annual ESG Report;
- ✓ Reporting to the senior management on the progress of ESG work and annual ESG Report.

Stakeholder Engagement

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

Stakeholders	Expectations and needs	Communication channels
Government and regulators	• Compliance with laws • Pay tax according to law • Support local development	• Daily communication • Monitoring and assessment • Government and enterprise cooperation • Work meeting
Shareholders	• Return on investment • Investor relations • Corporate governance • Risk management and control	• General meeting of shareholders • Annual reports, interim reports and announcements • Activities promoting investor relations • Company website
Customers	• High-quality products • Satisfactory services	• Quality management and control • Service hotline • E-mail address • Customer Satisfaction Questionnaire
Employees	• Compensation and benefits • Healthy and safe working environment • Fair opportunity for promotion and development	• Recruitment in accordance with the laws • Training and exchange • Staff care and welfare activities • Drills related to health and safety
Suppliers	• Fulfillment of promises • Win-win development • Equal, open and fair procurement	• Regular review • Interview and negotiation • Daily business communication • Open tendering and bidding
Communities	• Promotion of local employment • Promotion of community harmony • Enhancement of public benefit awareness	• Community activities • Charitable activities • Cooperation in community projects
Environment	• Environment protection • Improvement of energy efficiency • Response to climate change	• Pay attention to environment protection • Energy conservation and emission reduction • Identify risks and opportunities

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:

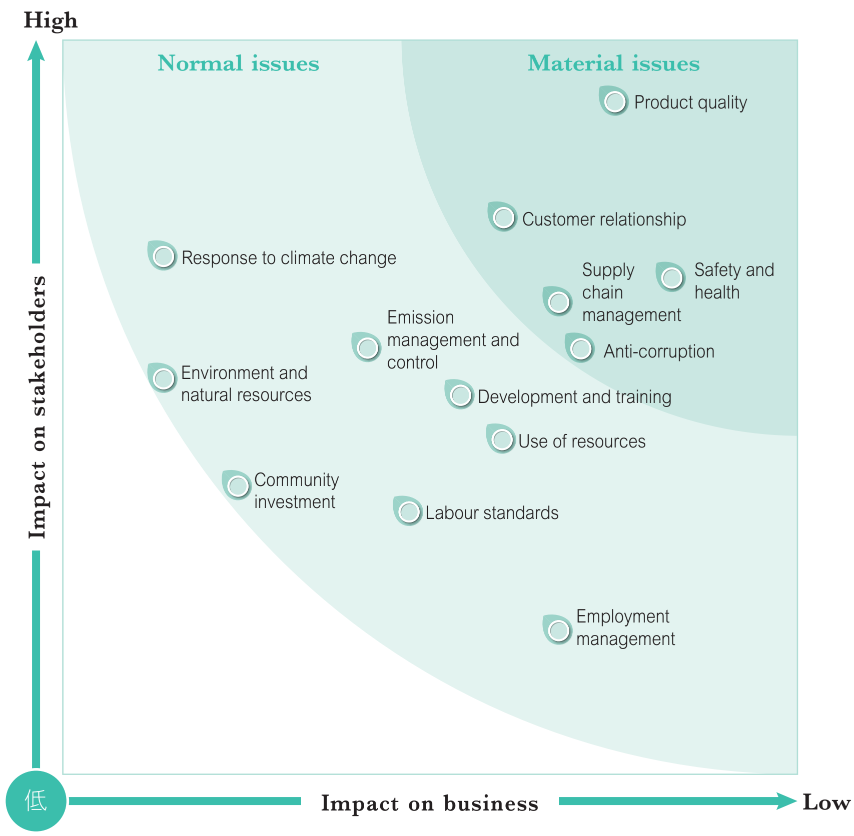
✓ Identification of ESG issues: Identified the ESG issues relevant to the Group based on the requirements of the ESG Reporting Guide, our business operation, industry status, and the concerns of internal and external stakeholders;

✓ 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 2023, 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



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., and 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 2023, 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 2023	Product quality in 2023	Results in 2023
Pass rate for finished products: 100%	100%	Achieved
Inspection rate for finished products: 100%	100%	Achieved
Significant (>RMB 100,000) 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,* and 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.

Accreditation certificate: General Requirements for the Competence of Testing and Calibration Laboratories ISO/IEC 17025:2017

ISO 22000:2018 Food Safety Management System Certificate

BRCGS Global Standard for Food Safety Issue 9 Certificate

In 2023, we took a range of quality improvement measures, aiming to provide customers with better and safer products.

- We strengthened training and assessment, organized quality training on relevant topics every month, and conducted monthly knowledge testing and assessment for laboratory technicians, so as to improve the professional knowledge and laboratory management ability of the laboratory technician team;
- The Central Laboratory of the Group successfully passed the regulatory review conducted by the China National Accreditation Service for Conformity Assessment.
- We strengthened cooperation with customers in product quality, including visiting customers for product testing and benchmarking, assisting customers to improve the accuracy of product testing, assisting customer R&D personnel to establish product acceptance standards, etc., thus enhanced customer trust and satisfaction with our product quality;
- We actively carried out the upgrading and optimization of workshop equipment, gradually replaced the old equipment, ensured the instrument brand and model consistence, and reduced errors in viscosity detection, thus improved the inspection accuracy;
- We actively promoted the visual management of quality control plans and standard operating procedures (SOPs), ensured that quality control plans and SOPs in the product manufacturing process are publicly displayed on the walls of the workshop, and kept the quality watchborads of the workshop up to date to promote process transparency and strict compliance with quality standards;

- We strengthened the inspection and management of production tools, conducted daily inspections to ensure the integrity of the number and the apparence of tools and equipment, numbered and organized all production tools following the standard of "workshop number + post" and properly stored and kept the tools, thus promoted the smooth production process and improving work quality;
- We further established the product foreign object prevention and control plan, quickly formulated and formed standards around topics such as the physical isolation of floor powder, coarse powder, and micro powder from products, and inspection and replacement of screens, etc., so as to improve the management of the production site;
- We organized key laboratory personnel to visit Xiamen SGS testing laboratory for on-site exchange and learning, and invited experts from SGS testing laboratory to conduct professional exchanges on sulfur dioxide testing in the Group, thus strengthened the interaction and knowledge sharing with external excellent partners.

➢ **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.

Raw materials	✓	Establish and implement raw material quality control system;
	✓	Each batch of raw materials delivered to the production plants is sampled for physical and chemical attributes such as appearance, hygienic standard and chemical composition;
	✓	Strictly control the storage conditions of raw materials, including storage temperature, ventilation and humidity;
	✓	Each production facility adopts designated hygiene and safety standards, which are followed by all employees in the production process.
Semi-finished products and finished products	✓	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;
	✓	The testing content includes product safety, legality, integrity and quality, etc.;
	✓	If a product fails to meet the requirements after inspection, it shall be controlled in accordance with the *Procedures for Controlling Nonconforming Products*.

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

Key laboratory personnel visited Xiamen SGS laboratory for on-site exchange and learning

In order to improve the quality and food safety management capabilities, the Group arranged for key laboratory personnel to visit Xiamen SGS laboratory to learn international advanced laboratory management technology and food safety testing methods and to improve the ability and quality of the Group's internal auditors and the accuracy and effectiveness of product testing. This visit and exchange not only enhanced the professional skills and operation level of employees, but also gave them a deeper understanding of industry standards and the awareness of the importance of food safety, which in turn helped to improve the quality and safety of the Group's products and the Group's internal management and operation capabilities.

Key laboratory personnel visited Xiamen SGS laboratory for on-site exchange and learning

In 2023, we formulated a number of new product quality standards and product internal control standards, such as the *Specification for the Acceptance of Raw and Auxiliary Materials for Compound Food Additives* and the *Specification for the Acceptance of Raw and Auxiliary Materials for Solid Beverages*, and revised and updated a number of quality standards and internal control standards, including the *Internal Control Standards for Konjac Flour*, to ensure that the quality and safety of raw materials and products always meet the latest relevant testing standards and requirements, and further strengthen the quality monitoring and management during product testing.

In 2023, 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 October and November 2023, we conducted two process drills 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 2023, the Group newly formulated the *Regulations on the Management of Process Technology* and the *Regulations on the Management of the Hydrocolloid R&D Technical Team* to strengthen the overall management of the R&D center for new project research, new product development and process optimization. With further consolidated technological achievements of the Group and effectively integrated technical resources of each base, the Group's technological advantages can be fully played out to enhance the Group's product R&D level and market competitiveness. Continuously 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.


知识产权合规管理体系认证证书

证书号码：165IP210160R1M

兹证明

绿新（福建）食品有限公司

统一社会信用代码：913506816668771755

注册地址：龙海市紫泥镇安山工业园

经营地址：福建省漳州市龙海区紫泥镇安山工业园

知识产权合规管理体系符合标准：

GB/T29490-2023

通过认证的范围如下：

资质范围内琼脂、卡拉胶、复配食品添加剂的生产、销售的知识产权管理

注：认证注册范围不包括未获得有效的国家规定的相关行政许可、资质许可的产品/服务范围

初次发证日期：2021 年 02 月 10 日　本次发证日期：2024 年 03 月 21 日　有效期至：2027 年 02 月 09 日

本证书有效期三年，证书有效性通过年度监督确认保持。证书有效信息可登陆国家认证认可监督委员会官方网站 www.cnca.gov.cn 或中知（北京）认证有限公司官方网站查询。

签发：

中知认证

中知（北京）认证有限公司

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http://www.zzbjrz.com

Intellectual Property Management System Certificate

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. In 2023, we newly revised the Regulations on Patent Application, Project Application and Scientific Progress Award, encouraged our employees to actively participate in technological innovation and project application, and further stipulated the amount of rewards and the bonus distribution system for award-winning individuals or teams, which helped to encourage innovation and enhance the core competitiveness of the Group. 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.

➢ **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.

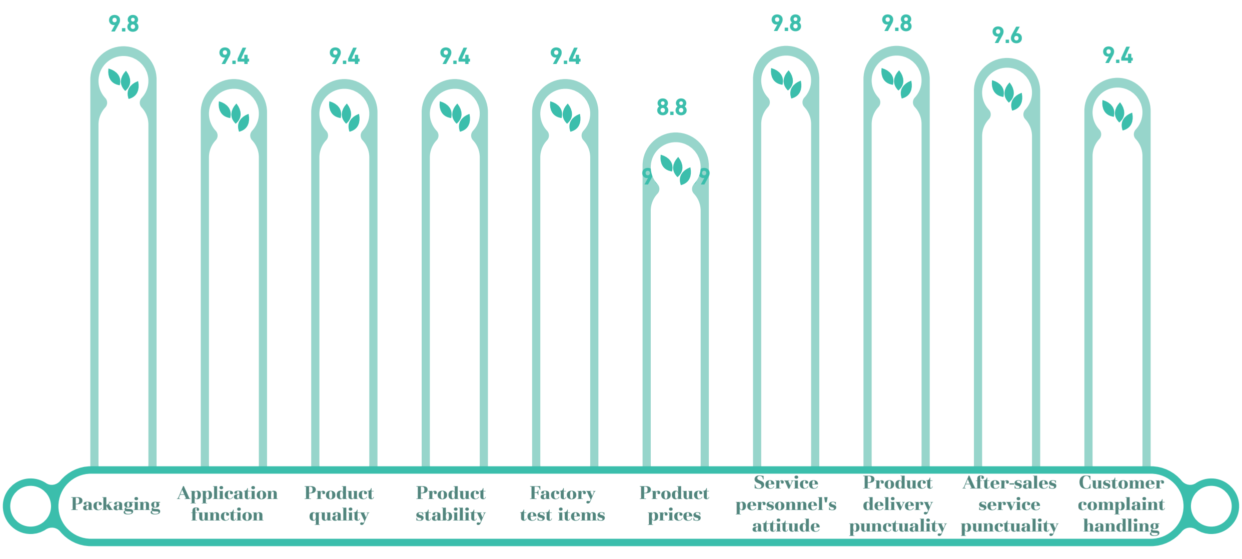
Enhanced Services

Satisfaction questionnaire constitution

➢ **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 who should take corresponding remedial measures and properly handle the customers' complaints. The Group conducts annual statistics on the customers' complaints, learns from experience, puts forward improvement plans, so as to constantly improves the quality and level of customer service. In 2023, 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. By conducting customer satisfaction surveys, collecting and counting the results of the questionnaires, we continue to explore opportunities to improve the quality of our products and services with respect to product application functions, delivery punctuality, prices and other aspects, and remedial measures were actively taken to steadily improve our customer satisfaction rate.

During the Reporting Period, the overall customer satisfaction scored 9.4 (out of 10) with good product recognition. The Group received a total of 6 customer complaints, and achieved a 100% customer complaint handling rate.



Customer Satisfaction Surveys Result

Notes:

1. More than satisfied (scored ≥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.

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, 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 April 2023, 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 with rapid and effective responses from all departments in case of any quality problems.

During the Reporting Period, the Group had no products that need to be recalled due to 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.

The Group maintained active exploration and practice in the field of information security to continuously strengthen its comprehensive competitiveness and accountability in information security. In 2023, we successfully improved the efficiency and security of internal information management by setting up Active Directory (AD) file servers in different departments of the Group, which not only achieved efficient management of internal documents, but also ensured the orderly flow and secure isolation of information among different departments and subsidiaries through the precise division of permissions. We adopt centralized permission management to effectively prevent risks such as information leakage, unauthorized access and data loss, and ensure the security of the Group's core assets. In the future, we will continue to deepen our exploration and practice in the field of information security, continuously improve our information security protection capabilities, and contribute to building a safer, more efficient and more sustainable information environment for the Group.

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 and auxiliary 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.

In 2023, 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 Procurement Centre organizes Research & Development Centre and Quality Centre to form an evaluation team to evaluate suppliers in two ways: off-site evaluation and on-site evaluation and suppliers of productive and non-productive items are evaluated. For selecting new suppliers, the Quality Center and R&D Center will conduct qualification reviews on alternative suppliers, including requiring them to submit third-party test reports of products, factory test reports of current batches of products, product implementation standards, etc., and require potential suppliers to send samples for inspection and pass the on-machine test, and only after passing the test can they be registered as qualified suppliers. Furthermore, 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 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 90), Level B (scored 70 to 90), Level C (scored 60 to 69) and Level D (scored below 59). If a supplier is rated A, we will consider increasing its quarterly supply share as appropriate, and give priority for working with the Group when developing new products or materials; 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 for exchange at the suppliers' warehouses and office premises from time to time to strengthen our communication and cooperation with suppliers, so as to improve the professional knowledge of our internal employees in purchasing. In 2023, the Procurement Centre organised employees and Quality Center representatives to visit and study the supplier warehouses of cartons, wooden pallets, packaging and other categories.

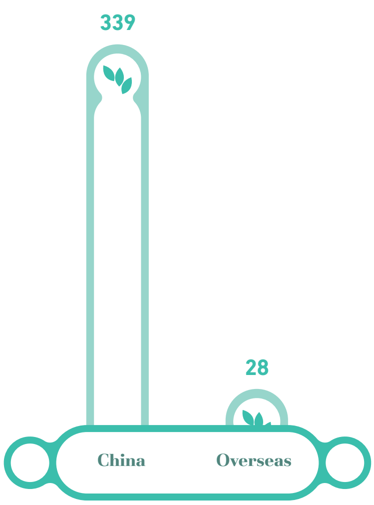
In March 2023, members of the Group's Procurement Center and Quality Center representatives visited a wooden pallet supplier on site, inspected its raw materials and production process, and discussed with the technical staff there about how to assess high-quality and high-standard products, laying the foundation for future quality cooperation requirements.

In April 2023, members of the Group's Procurement Center and representatives of the Quality Center visited the warehouse of a carton supplier and inspected its production and testing equipment, on-site control, and warehousing logistics, etc., to understand their entire process of making cartons from raw materials to finished products.

In May 2023, members of the Group's Procurement Center and representatives of the Quality Center visited the raw material warehouse of a packaging supplier to inspect the quality of its products and enhance their professional knowledge in daily work at the same time.

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 367 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 upholding a positive social energy.

In 2023, the Group has organised a range of public welfare activities in supporting education, caring for the next generation and the elderly, and contributing to local cultural and sports undertakings, with donations to the local community, to actively fulfill its social responsibilities

Campus visit and donation to celebrate Children's Day

On the occasion of Children's Day (June 1) in 2023, Lvbao (Quanzhou) visited Maofeng Central Primary School in Yonghe Town, Jinjiang City, and donated RMB 5,000 to improve the school's facilities and educational resources, which reflects Lvbao (Quanzhou)'s emphasis and investment in education and the belief in actively giving back to the society.

Donation to the elderly in the community

In July 2023, Lvbao (Quanzhou) donated RMB 10,000 to the Maoting Village Senior Citizens Association of Yonghe Town, Jinjiang City, for the repair of culverts in the community and the improvement of community infrastructure, which demonstrated the care and respect for the elders in the local community of Lvbao (Quanzhou).

Donation to help the development of local cultural and sports undertakings

In July 2023, Lvbao (Quanzhou) donated RMB 5,000 to Zhujiang Sports and Culture Development Co., Ltd. in Jinjiang City to support local sports events and enhance community sports culture, aiming to encourage more residents to participate in sports activities, improve physical fitness, and promote the sense of community.

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 2023, 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:

✓ Greenfresh (Fujian) began to implement the workshop energy monitoring project in January 2023, through the installation of smart meters, steam flow meters, electromagnetic flow meters, data storage systems and other equipment for real-time monitoring of water, electricity, gas and other energy consumption, to achieve the use of intelligent technology, information technology and digital means of accurate managing energy use and energy-saving effect, which can significantly reduce the energy consumption of the workshop and energy costs, contributing to the goal of energy conservation and emission reduction;

Greenfresh (Fujian) Energy Management System

✓ Greenfresh (Fujian) has actively promoted the use of clean energy. In 2023, the 1.346MW distributed photovoltaic power generation project at the base officially passed the trial operation acceptance, with a total of 2,448 photovoltaic panels installed and an annual power generation capacity of about 1,514,100 kWh, which can effectively reduce Scope 2 carbon emissions.



(Fujian) distributed photovoltaic power generation project

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 2023, 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 equipment 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 have been put 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 a healthy work and life style of "Green Office, Low Carbon Life", and are committed to reducing greenhouse gas emissions and resource consumption during the working process, driving all employees to create an atmosphere of energy saving and consumption reduction. For the use of air conditioner, we abide by the *Management Regulations on Use of Office Air Conditioners*, which stipulates that the setting temperature for air conditioners in public working space shall not be lower than 26℃ and air conditioners should be turned off 15 minutes before going off work. In terms of the use and management of office equipment, the Group requires employees to check office equipment such as computers, printers, photocopiers before leaving work to ensure that they are turned of or in power-saving mode, so as to reduce the power and standby energy consumption. Employees should also keep the habit of turning off the lights when leaving the office, so no lights are just on idly. Besides, the Group also encourages employees to commute by bus, bicycle or carpooling, and go on business travels in an environmentally friendly way, to reduce energy consumption and greenhouse gas emissions. In terms of office supplies, Greenfresh (Fujian) has set up a paper recycling station, and continued to use Office Automation (OA) system to reduce paper, promoting paperless office throughout the Group.

For the use of packaging materials, we have a preference for procurement of recyclable packaging materials and signed 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 a rebate accounting for 10% of the cost of packaging materials, thereby increasing the utilisation rate of packaging materials and reducing the amount used. In 2023, 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, achieving further reduction of packaging material consumption.

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

KPIs		2023	2022	2021
Energy	Total direct energy consumption (MWh)	**101,600.30**	126,551.75	124,514.74
	Total indirect energy consumption (MWh)	**54,660.68**	86,739.33	48,346.30
	Total energy consumption (MWh)	**156,260.98**	213,291.08	172,861.04
	Energy consumption intensity (MWh/tonne output)	**11.54**	15.53	12.07
Water	Total water consumption (tonne)	**4,783,009.00**	2,772,271.00	2,861,127.00
	Water consumption intensity (tonne/tonne output)	**353.37**	201.86	199.86
Packaging materials	Total packaging materials (tonne)	**186.06**	183.88	182.74
	Packaging materials intensity (tonne/tonne output)	**0.0137**	0.0134	0.0128

Note:

1. The total energy consumption are presented by MWh (kWh in 000's), and the conversion factors are derived from the Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions from Food, Tobacco and Wine, Beverage and Refined Tea Enterprises (Trial) issued by the National Development and Reform Commission;

2. The consumption of coal, electricity and water comes from the corresponding bills;

3. During the Reporting Period, the Group had increased surface water withdrawal and self-made pure water. The updating of customer requirements for product specifications, quality standards and product processing led to an increase in total water consumption and intensity.

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 Ground 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 2023, in accordance with the *Measures for the Administration of Pollutant Discharge Permits*, Greenfresh (Fujian), Lvqi (Fujian), Lvbao (Quanzhou) and Shiyan Haiyi obtained discharge permits, and were required to control the air, water, noise and solid waste discharged within the permitted limits.


排污许可证

Greenfresh (Fujian) Discharge Permit


排污许可证

Lvqi (Fujian) Discharge Permit


排污许可证

Lvbao (Quanzhou) Discharge Permit


排污许可证

Shiyan Haiyi Discharge Permit

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 fulfilling the requirements of GT/T24001-2016/ISO 14001: 2015, and obtained the third-party certification. In 2023, we have completed our current year targets in waste gas, wastewater, and hazardous waste.


CQM
China Quality Mark
环境管理体系认证证书
福建省绿麒食品胶体有限公司
GB/T 24001-2016/ISO 14001:2015
方圆标志认证集团

CQM
China Quality Mark
环境管理体系认证证书
绿新（福建）食品有限公司
GB/T 24001-2016/ISO 14001:2015
方圆标志认证集团

Environment Management System Certificate

Discharge targets in 2023	Discharge in 2023	Results in 2023
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 online 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 obtain the inspection report and the periodic comparison report, in order to ensure compliant emissions.

In 2023, 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, and introduce denitrification process technology, which is expected to reduce flue gas nitrogen oxide emissions by up to 50%; 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 and residue; in addition, when the environmental and atmospheric emergency warning is on, we will reduce the load on the boiler and reduce the operation of part of the production line in the workshop to meet the government's emission reduction requirements.

- ***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 online 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 2023, the Group continued to strengthen its third-party monitoring of wastewater discharges. For example, Lvqi (Fujian) and Greenfresh (Fujian) monitored the wastewater on a quarterly basis, and Lvbao (Quanzhou) 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 actively carried out the work of wastewater reuse, reduced wastewater by recycling and reusing water from steam condensate, plate-and-frame filter press, and water discharged in line with standards in the first and the second pond, the recycling rate of wastewater in each workshop reaching more than 35%.

- ***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. According to the Directory of National Hazardous Wastes and other relevant laws, regulations and standards, we formulated Hazardous Waste Management Plan and Hazardous Goods Management Regulation to manage 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.

For non-hazardous waste, we reduced the amount generated at the source, and appropriately dispose or recycle different non-hazardous waste in the final treatment to reduce emissions. We have formulated relevant standards for the treatment and testing of non-hazardous waste, such as the moisture detection and evaluation of the treated seaweed residue, and the EHS Department conducts sampling and compares the results of the moisture to check if it meets the standard of controlling more than 95% of the moisture in the solid waste. In this way, we reduce the waste discharge with improved efficiency of waste treatment.

Reduction at the source	✓	Recycling of packaging materials and used work clothes as equipment wipes;
	✓	Double-sided use of office papers, and recycling of shredded papers;
	✓	Purchasing recyclable pads, paper woven bags and wrapping straps in an unified way to reduce wastes generated from storage and transportation;
	✓	The raw material is filtered through a rolling screen device to filter the sediment before use to reduce the amount of seaweed residue produced.
Terminal treatment	✓	Selling the waste papers and scrap metals to recyclers for reuse;
	✓	Collecting household wastes together before handing over to the environmental sanitation department for clearing, transporting out and disposal;
	✓	Recycling all collected wastes as much as possible;
	✓	Contacting a qualified third party via canteen contractor to store and ferment the kitchen wastes so as to decompose the wastes into sanitary and odorless humus;
	✓	Providing the farmers with the crushed organic wastes, such as raw seaweed residue (gracilaria residue, eucheuma residue, etc.), which can be used as organic fertiliser for their vegetable and fruit tree planting bases;
	✓	We have brought in and overhauled equipment to limit moisture content in solid waste to 60% and bring down solid waste discharge by 20%.

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

KPIs		2023	2022	2021
Wastewater	Wastewater discharge (tonnes)	**6,015,099.00**	6,776,566.00	6,173,773.00
	Chemical Oxygen Demand (COD) (tonnes)	**651.35**	735.22	578.24
	Ammonia nitrogen (tonnes)	**6.56**	12.02	14.64
Exhaust gas	Smoke (tonnes)	**5.89**	6.05	6.23
	Sulphur dioxide (tonnes)	**6.34**	12.81	19.06
	Nitrogen oxides (tonnes)	**37.08**	49.86	56.25
Hazardous wastes	Total hazardous wastes produced (tonnes)	**2.43**	2.83	0.97
	Hazardous wastes intensity (tonnes/tonne output)	**0.00018**	0.00021	0.00007
Non-hazardous wastes	Total non-hazardous wastes produced (tonnes)	**35,891.59**	63,692.18	47,183.10
	Non-hazardous wastes intensity (tonnes/tonne output)	**2.65**	4.64	3.30

Note:

1. Data on emissions is derived from the online 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 Group's wastewater and COD emissions decreased due to the decrease in pollution concentration after the Group's production and use of pure water;
5. During the Reporting Period, Lvqi (Fujian) did not use coal-fired boilers throughout the year, and Greenfresh (Fujian) newly invested in denitrification equipment, resulting in a significant decrease in nitrogen oxide and sulphur dioxide emissions, and a decrease in total exhaust gas emissions.

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 peak 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:

	KPIs	2023	2022	2021
Greenhouse gases	Scope 1: Direct emissions (tCO_2e)	**23,017.48**	38,174.74	38,113.50
	Scope 2: Energy indirect emission (tCO_2e)	**46,244.10**	49,234.93	33,804.22
	Total emissions (tCO_2e)	**69,261.58**	87,409.67	71,917.72
	Emission intensity (tCO_2e/tonne output)	**5.12**	6.36	5.02

Note:

1. During the Reporting Period, Lvqi (Fujian) adopted centralized gas supply and did not use boilers, resulting in a significant reduction in the consumption of bituminous coal, and Greenfresh (Fujian) invested in denitrification equipment, which in turn led to a decrease in direct greenhouse gas emissions and overall greenhouse gas emission intensity.

In 2023, 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 rescue drills to lower the 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 2023, the Group conducts third-party monitoring for noise at boundary on a quarterly basis to bring the 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.

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

In 2023, 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.

Training on ecological conservation and environmental protection in 2023

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 targets of production safety.

Work safety targets in 2023	Work safety in 2023	Results in 2023
100% completion rate of the timely rectification plan for safety incidents	100%	Achieved
100% completion rate of safety training	100%	Achieved
0 incidence rate of serious safety accidents	0	Achieved
Notice on non-compliance from environmental protection authorities: 0	0	Achieved
Monthly safety inspection and feedback rate: 100%	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, 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.

Safety education	✓	Implement three-level safety education for new employees based on the *Management Policy on Safety Education*;
	✓	Provide professional safety education for special operation personnel, designate mentors for apprentice, and require operating certificates for independent operation;
	✓	Carry out secondary safety education for personnel who change their job type.
Electrical safety	✓	Ensure electricity safety through electrical technical data management, safe operation of electrical equipment and electrical equipment safety inspection based on the Management Policy on Electricity Work Safety.
	✓	Based on the Regulations on Emergency Management of Water and Power Outages, make emergency plans for emergencies in order to restore power supply safely, quickly, and orderly in the event of power outages.
Investigation and rectification of hidden dangers	✓	Conduct factory-level inspection, employee self-inspection, seasonal inspection and professional inspection based on the Management Policy on Investigation and Rectification of Hidden Dangers. If hidden danger was found, rectification would be carried out within a definite period, and relevant persons in charge would be punished as appropriate.
Hazardous chemicals safety	✓	Conduct safety management of hazardous chemicals based on the Management Policy on Hazardous Chemicals, including;
	✓	Storing inflammables and explosives in designated safe places;
	✓	Regularly checking storage and transportation facilities and equipment with inflammable and explosive materials;
	✓	Designing grades of fire and explosion prevention in hazardous areas;
	✓	Maintaining and managing fire facilities.
Fire safety	✓	Conduct fire inspections, maintenance on safety evacuation facilities and fire equipment, fire control room duty, fire hazards rectification, and fire safety education and training based on the *Management Policy on Fire Safety*.
Operational safety in limited space	✓	Designate the head of operations and supervisors of operations and equip them with safety facilities for hazardous operation in limited spaces, provide personal labour protection appliance that meet national or industry standards, etc., based on the *Management Policy on Operational Safety in Limited Space.*
Work-at-height safety	✓	Conduct training, approval and various protective measures for work-at-height based on the *Management Policy on Work-at-Height Safety.*
Outsourcing project safety	✓	Sign the *Outsourcing Project Safety Agreement* 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.
Hazardous work safety	✓	Stipulate the responsibilities and procedures of dangerous operations such as fire operation, operation at height, high-voltage circuit construction, and lifting operation based on the *Supplementary Provisions on the Management of Hazardous Operations.*

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 2023, 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 use and labor protective equipment. The Group strictly controlled the four dangerous operations (fire operation, operation at height, operation under limited space, and operation involving hazardous chemicals) and the management of outsourcing approval process to prevent major and extra serious work-related injuries and protect the safety of employees 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, involved more production employees in the performance assessment, and improved work safety performance indicators to discover and solve hidden safety hazards and enhance the safey of work environment. In addition, we posted identification of risk sources for the departments of Storage and Transportation, Production, Technical, Human Administration and other departments, and developed 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. During the period of high safety risks such as the resumption of work and production after the Chinese New Year's holiday, the Group deployed notices of strengthened safety-related work to further prevent the occurrence of potential safety accidents.

In 2023, we participated in the special campaign of "Smooth Green Life Channel" for industrial and trade enterprises in Zhangzhou City, Fujian Province, constantly improving the safety management system, effectively implementing the safety production responsibility system, eliminating the hidden dangers of major accidents, and ensuring the safety of every employee and the Group's property.

In 2023, we launched the Greenfresh Group's Work Safety Month, carried out a series of activities related to safety production and organized results evaluation, aiming to enable a firm employee awareness of "safety first, prevention first, and keeping comprehensive management". In this way, we further safeguarded the bottom line of safety, and overall improved the safety production management level of the Group.

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

1. Promotion of work safety: All production bases hang safety production slogans in important and visible production areas, and use LED display screens for scrolling broadcasts 24 hours a day to vigorously promote safety production, relevant policies and regulations, and fire protection and occupational health knowledge, so all employees can fully understand the importance of safety production.

2. Safety education and accident warning: each base organised employees to participate in activities including safety education and training, and viewing educational video, and carried out knowledge competitions to further spread safety knowledge and improve safety skills.

3. Emergency drill: each base carried out safety drills, such as emergency drills for limited space operation accidents, hazardous chemical leakage accidents, and fire extinguishing and evacuation, etc.,which comprehensively improved employees' rescue and emergency response capabilities so as to prevent problems before they occur.

4. Hidden danger investigation and other activities for clarifying the responsible entity: each base took the lead in organizing the investigation and rectification of potential safety hazards, such as taking the lead in organising the investigation and rectification of major hidden accidents at the base, implemented the responsibility management of all employees about safety production, and carried out the investigation and rectification for outsourced project construction, etc., further strengthened and standardized on-site safety management.

Promotion of Work Safety Month in 2023

2023 Fire Fighting and Evacuation Drill

2023 Emergency Drill for
Hazardous Chemical Spill Accidents

Deployment of
Safety Production Activities in 2023

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

❖ ***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 posted up the occupational hazards billboard at conspicuous places to remind and inform employees of the hazards. In addition, the Group organised annual physical examination for employees, and provided them with the analysis report of physical examination results issued by the hospital while archiving employees' health surveillance files, safeguarding their health. In 2023, Lvqi (Fujian) passed the third-party occupational health assessment and further 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 a reasonable work and rest schedule for employees, and arrangement 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 no arrangement of high-noise operations for employees with hearing disorders.

Employees wearing earmuffs

HONESTY AND INTEGRITY

Reporting mailbox: Flat A, 16th Floor, 169 Electric Road, North Point, Hong Kong
Reporting email: freemanso@greenfreshfood.com
Reporting hotline: 852-3543 0708
Reporting WeChat: 18020698363/18020668663

Staff reporting channels

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. In 2023, we newly formulated the *Integrity Management Regulations* to further strengthen the integrity culture of the Group's centres and subsidiaries, so as to maintain a clean and honest workforce and to safeguard the healthy development of the Group. 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. The Audit Department of the Group regularly assesses employees' understanding of the integrity rules and regulations, continuously strengthens and improves employees' awareness of anti-corruption, and prevents the occurrence of misconduct.

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 WeChat, mailbox, email, hotline, and internal mailbox. The Group Secretary is responsible for receiving fraud reports and planning fraud investigation and writing reports. 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.

Internal mailbox for complaints

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 bribery, setting forth both parties' responsibilities for reporting, investigating and penalising bribery, 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 hotline or email. The violators will be punished if the reported situation is attested.

In December 2023, 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 *Integrity Management Regulations,* 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 in the on-site communication and exchanges in order to enhance all employees' awareness of integrity and self-discipline, and to ensure the standardisation of business operations.

Anti-corruption promotion and training in 2023

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

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 a systematic mechanism of training at middle and senior management level and outdoor field 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 external development training for middle and senior management, orientation training for new employees, professional skills training, management training and vocational training. We also established and nurtured an in-house lecturer team to conduct internal trainer selection, training, certification and management to maximise the sharing of knowledge, skills and best practices. In 2023, we engaged 2 external trainers in special training for employees at the supervisor and manager level. In this year, we have innovated the training courses for middle and senior management. Build upon the previous year's "Partners in Leadership" series of courses, we launched a series of courses on "Effective Innovation", Integrating the actual situation of the Group and upholding "The Concept of Innovation Efficiency", this course series aims to facilitate each center and each base to achieve the challenge-level goals, so as to improve the efficiency and execution of the Group and to cultivate innovative talents and build a high-level talent pool for the Group. At the same time, we organise outdoor development and outdoor training activities for middle and senior management through co-operation with unions, relocating the training to training rooms in the surrounding scenic areas and conducting the training in a relaxing and enjoyable environment, so that the participants can better receive the knowledge in a relaxing mood, and develop a sense of initiative, collaboration, responsibility and innovation.

In 2023, 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 encourage employees to actively participate in the Group'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, giving 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 have integrated trainings into daily work on an ongoing basis, which provides a strong sense of timeliness and relevance.

In 2023, 797 employees participated in 159 training sessions held by Green Future Cottage. As of the end of the Reporting Period, 34 trainees were certified as internal trainers.

Training for middle and senior management level employees by the Green Future Cottage in 2023

Training by the branch of the Green Future Cottage in 2023

Live training courses in 2023

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 bellow:

Type		Percentage of employeestrained	Average training hours completed per employee
By gender	Male	64.6%	14.4
	Female	35.4%	13.7
By employee category	Senior management	2.5%	50.5
	Middle management	14.9%	34.0
	Junior employees	82.6%	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 2023, the Group based on the *Employee Manual*, regulated employees' management rules and regulations to protect employee' rights and interests.

- **Recruitment, dismissal and promotion**

  We formulated the Policies and Procedures on Internal and External Recruitment and other polices. Based on the principle of "Capacity matching and merit-based recruitment", we adopt OPR (Organizational Personnel 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 Group'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.

  We continue to strengthen the construction of management talents team, improve the development and training mechanism of management talents, and ensure the continuity, effectiveness and scientificity of talent ladder building, so as to cultivate internal core talents. We have formulated the *Management Regulation for the Greenfresh Group Talent (GFT)*, which provides complete and detailed guidance on the selection criteria, mentor responsibilities, counseling allowances, job rotation and promotion of the management trainee program, elevating 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.

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

By 31 December 2023, the Group had a total of 1,184 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	765	18%
	Female	419	20%
By age group	<30	188	19%
	30-50	742	21%
	>50	254	11%
By geographical region	Mainland China	999	21%
	Hong Kong SAR	8	0%
	Others	177	7%

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 Group's operating performance, employees' performance and overall market environment. We periodically conduct independent appraisal in respect of employees' performance, including but not limited to monthly, quarterly and annual appraisals and OPR (Organizational Personnel 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 *Employee Ownership Spirit Selection and Reward Policy*, regularly hold award selections, and provide incentives and reward to selected outstanding employees.

The Group is committed to continuously improving and optimizing the performance appraisal system to better stimulate the potential and motivation of employees. In our continued efforts to improve the performance-oriented management system, we have formulated the *Group Performance Interview Management Regulations* and carried out face-to-face conversations and discussions between employees and the management to encourage employees to continuously improve their performance, and on the basis of the original *Performance Appraisal Management Regulations*, we fully optimised and upgraded the dimensions of performance appraisal. In 2023, we identified four core assessment dimensions: Key Performance Indicators, Accountability Management, Key Execution and Individual Behavioural Indicators. The Group comprehensively and fairly evaluated the performance of all employees, and the introduction of accountability management appraisal has significantly enhanced the sense of responsibility and initiative of employees, making them more engaged and efficient in their work, thus laying a solid foundation for the long-term development of the Group.

In 2023, in order to deepen the Group's personnel management and maximize the enthusiasm of employees, the Group launched "Greenfresh Employee Voucher" under the *"Greenfresh Employee Voucher" Management Regulation*. The "Greenfresh Employee Voucher" is a reward mechanism where employees with excellent personal behavior in their daily work can win vouchers to redeem gifts once a month at the Group's Management Centre, including travel gift card, shopping gift card, paid holidays and in-kind rewards. Through this initiative, the Group provides employees with more diverse channels for recognition and incentives in an aim to enhance their sense of pride and achievement.

- **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, dividing the working hours of its employees into two baseline scheduling types, i.e., long day shifts and operation shifts (reverse shifts). 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 arrange compensatory time off for overtime employees first, and overtime pay will be paid if it is not possible to do so. 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 adhering 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.

- **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 prohibits forced labour.

- **Employee care**

  We value communication with our employees. In 2023, we continued to hold bi-monthly communication meeting and employee birthday party. Serving as a bridge between employees and the Group's management, such activities help the Group's management personnel better understand the voices of employees and employees better solve practical problems in their work and life, narrowing the gap between employees and the Group and enhancing employees' sense of belonging.

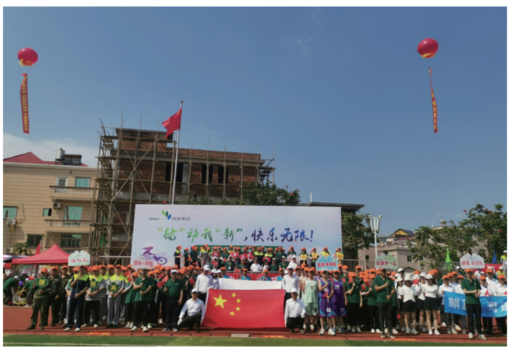
  Employee communication meeting and birthday party

  In 2023, the Group held a total of 6 employee communication meetings and birthday parties, enabling the effective communication between the employees and the management. We actively understand the employees' situation and requirements, and and strive to make them feel the Group's sincere care. We also strive to enable employees a clearer understanding of the Group's future development strategy and direction, thus improving employees' identification with the Group and enthusiasm for work.

In addition, we held various themed activities during holidays to enrich the cultural life and amusements of employees and promote corporate culture, including the celebration of the Lantern Festival activities, "Warm your heart by guessing riddles and winning prizes", March 8th Women's Day activities, "Greenfresh warms her heart", May 1st Labour Day activities, "Greenfresh new joy", and the celebration of the Middle Autumn Festival activities, "Pluck the Moon and give it to you".

Celebration of the Lantern Festival activities,
"Warm your heart by guessing riddles and winning prizes"

March 8th Women's Day activities,
"Greenfresh warms her heart"



May 1st Labour Day
activities, "Greenfresh new joy"

Celebration of the Middle Autumn Festival activities,
"Pluck the Moon and give it to you"

HKEX ESG REPORTING GUIDELINES INDEX TABLE

Part1:Mandatory Disclosure Requirements

Aspects	Disclosure Requirements	Chapter
Governance Structure	**A statement from the board containing the following elements:** (i) a disclosure of the board's oversight of ESG issues; (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 (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.	ESG Strategy and Organizational Structure

Aspects	Disclosure Requirements	Chapter
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: **Materiality**: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. **Quantitative**: 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. **Consistency**: 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.	Reporting Standards and Principles
Reporting Boundary	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.	Reporting Scope

Part2:"Comply or explain" Provisions

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
A. Environmental		
Aspect A1: Emissions		
General Disclosure A1	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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Energy Conservation and Consumption Reduction Pollutant Management Response to Climate Change
A1.1	The types of emissions and respective emissions data.	Pollutant Management
A1.2	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
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Pollutant Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Pollutant Management
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Pollutant Management
A1.6	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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
Aspect A2: Use of Resources		
General Disclosure A2	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
A2.1	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
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Energy Conservation and Consumption Reduction
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Conservation and Consumption Reduction
A2.4	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
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Energy Conservation and Consumption Reduction

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
Aspect A3: The Environment and Natural Resources		
General Disclosure A3	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure A4	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
A4.1	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

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
Aspect B3: Development and Training		
General Disclosure B3	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
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Development
B3.2	The average training hours completed per employee by gender and employee category.	Employee Development
Aspect B4: Labour Standards		
General Disclosure B4	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
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Talent Employment
B4.2	Description of steps taken to eliminate such practices when discovered.	Talent Employment

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
Aspect B6: Product Responsibility		
General Disclosure B6	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
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Management
B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Management
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Management
B6.4	Description of quality assurance process and recall procedures.	Product Management
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Chapter
Aspect B7: Anticorruption		
General Disclosure B7	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 bribery, extortion, fraud and money laundering.	Honesty and Integrity
B7.1	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
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Honesty and Integrity
B7.3	Description of anti-corruption training provided to directors and staff.	Honesty and Integrity
Community		
Aspect B8: Community Investment		
General Disclosure B8	General Disclosure 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.	Public Welfare
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Public Welfare
B8.2	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 107 to 183, comprise:

- the consolidated balance sheet as at 31 December 2023;
- 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 material 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 2023, 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.

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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)

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
- Assessment of inventory impairment

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
1. Revenue recognition — sales of goods	
Refer to notes 5 to the consolidated financial statements The Group's revenue from sales of goods for the year ended 31 December 2023 amounted to RMB1,174 million. 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. 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.	We have performed the following procedures to address this key audit matter: • 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. • 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. • Circularised confirmations on a sample basis on trade receivable balances as at the balance sheet date. • Tested sales transactions that took place before and after the balance sheet date to assess whether the transactions were recognised in the appropriate accounting period based on the supporting documents obtained. Based on the work performed, we found the sales transactions tested were supported by the evidences obtained.

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
2. Assessment of goodwill impairment	
Refer to notes 4(d) and 16 to the consolidated financial statements *As at* 31 December 2023, the Group recorded goodwill of RMB47,138,000 derived from the acquisitions of subsidiaries in the previous years. In assessing the recoverable amounts of the Group's cash generating units ("CGUs") that include goodwill, management engaged an external valuation expert to assist in determining the recoverable amounts, being the higher of the fair value less costs of disposal and value in use. The recoverable amounts are estimated taking into consideration the future cash flows of the respective business units based on the latest financial budgets for the next five years and a number of other assumptions, such as 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. We focused our audit effort in this area because of the significance of the goodwill amount, the high degree of uncertainties associated with estimation of 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.	We have performed the following procedures to address this key audit matter: • Obtained an understanding of the management's internal control and assessment process of impairment 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. • Assessed the competency, objectivity and independence of the external valuer engaged by management. • 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. • Assessed the reasonableness of the key assumptions used in the recoverable amounts calculation with the involvement of our internal valuation experts. • 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; and • Checked the mathematical accuracy of the calculations of the goodwill impairment assessment. 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.

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
3. Assessment of inventory impairment	
Refer to notes 4(c) and 19 to the consolidated financial statements As at 31 December 2023, the Group recorded net inventories of RMB784,998,000, the inventory provision amount is RMB142,424,000 which were carried at the lower of cost and net realisable value in the consolidated financial statements. The estimation of inventory provision involves significant management judgments based on consideration of key factors such as future sales projection, current year sales, and selling price per latest sales transaction. We focused our audit effort in this area because of the significance of the inventory amount, the high degree of uncertainties associates with estimation of future projection, etc.	We have performed the following procedures to address this key audit matter: • Obtained an understanding of the management's internal control and assessment process of the estimation of inventory provisions and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. • Tested the method, assumptions and data used to estimate inventory provision by performing procedures such as (1) inquiring management and other relevant employees, (2) comparing against historical sales pattern and prior year experience including key ratios, (3) comparing the selling price used in the determination of net realisable value to actual selling price subsequent to year end on a sample basis, and (4) testing the accuracy of provision calculation; and • On a sample basis, observed physical condition of inventories during stocktake to identify slow moving, damaged, or obsolete inventories, and inquired management if appropriate inventory provision had been provided for those inventories. Based on the results of the procedures above, we found that management's judgements in estimating the inventory provision at 31 December 2023 was supported by the evidence we gathered.

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.

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 HKSAs 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 HKSAs, 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.

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, 27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000 (Restated)
Revenue	5	**1,173,991**	1,410,889
Cost of sales	8	**(1,136,350)**	(1,026,767)
Gross profit		**37,641**	384,122
Other income	6	**4,476**	11,137
Other losses – net	7	**(2,565)**	(790)
Net impairment gains/(losses) on financial assets	20	**3,168**	(380)
Selling and distribution expenses	8	**(17,770)**	(13,793)
Administrative expenses	8	**(97,349)**	(91,112)
Operating (loss)/profit		**(72,399)**	289,184
Finance income	10	**397**	129
Finance costs	10	**(40,889)**	(27,724)
Finance costs – net	10	**(40,492)**	(27,595)
(Loss)/profit before income tax		**(112,891)**	261,589
Income tax expense	11	**27,447**	(61,670)
(Loss)/profit for the year		**(85,444)**	199,919
(Loss)/profit for the year attributable to:			
Owners of the Company		**(85,327)**	199,229
Non-controlling interests		**(117)**	690
		(85,444)	199,919
Earnings per share for (loss)/profit attributable to owners of the Company			
Basic (loss)/earnings per share (RMB)	12	**(0.103)**	0.242
Diluted (loss)/earnings per share (RMB)	12	**(0.103)**	0.240

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000 (Restated)
(Loss)/profit for the year	**(85,444)**	199,919
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
– Currency translation differences	**(969)**	(11,884)
Total comprehensive (loss)/income for the year	**(86,413)**	188,035
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(86,516)**	187,055
Non-controlling interests	**103**	980
	(86,413)	188,035

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2023

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

	Note	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000 (Restated)	As at 1 January 2022 RMB'000 (Restated)
Assets				
Non-current assets				
Land use rights	14	**53,913**	54,873	55,936
Property, plant and equipment	15	**374,851**	401,428	412,184
Intangible assets	16	**66,890**	67,872	72,364
Prepayments for non-current assets	17	**3,449**	1,522	1,912
Deferred income tax assets	29	**47,816**	12,021	8,553
		546,919	537,716	550,949
Current assets				
Inventories	19	**784,998**	906,209	562,064
Trade and other receivables	20	**127,337**	208,340	162,598
Financial assets at fair value through profit or loss		**—**	—	4,521
Restricted cash	21	**11,749**	1,067	—
Cash and bank balances	21	**72,600**	37,675	109,421
		996,684	1,153,291	838,604
Total assets		**1,543,603**	1,691,007	1,389,553
Equity				
Equity attributable to owners of the Company				
Share capital	22	**7,485**	7,444	7,406
Other reserves	24	**251,462**	261,617	284,470
Shares held for the share award scheme	25	**(10,274)**	(10,594)	(10,594)
Retained earnings		**496,570**	586,177	407,117
		745,243	844,644	688,399
Non-controlling interests		**8,869**	7,566	16,262
Total equity		**754,112**	852,210	704,661

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2023

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

	Note	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000 (Restated)	As at 1 January 2022 RMB'000 (Restated)
Liabilities				
Non-current liabilities				
Bank borrowings	27	**67,154**	88,615	77,038
Lease liabilities	27	**1,706**	2,850	4,734
Deferred income	28	**19,332**	19,875	23,023
Deferred income tax liabilities	29	**4,214**	4,485	5,127
		92,406	115,825	109,922
Current liabilities				
Trade and other payables	26	**161,185**	207,838	145,900
Bank borrowings	27	**531,965**	491,269	408,925
Lease liabilities	27	**1,144**	1,605	1,890
Current income tax liabilities		**2,791**	22,260	18,255
		697,085	722,972	574,970
Total liabilities		**789,491**	838,797	684,892
Total equity and liabilities		**1,543,603**	1,691,007	1,389,553

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

The consolidated financial statements on pages 107 to 110 were approved by the board of directors of the Company on 27 March 2024 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 2023

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

		Equity attributable to owners of the Company						
	Note	Share capital RMB'000	Other reserves RMB'000	Shares held for the Share Award Scheme RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023		**7,444**	**261,617**	**(10,594)**	**586,177**	**844,644**	**7,566**	**852,210**
Comprehensive income/(loss)								
Loss for the year		**—**	**—**	**—**	**(85,327)**	**(85,327)**	**(117)**	**(85,444)**
Other comprehensive income/(loss)								
– Currency translation differences		**—**	**(1,189)**	**—**	**—**	**(1,189)**	**220**	**(969)**
Total comprehensive (loss)/income		**—**	**(1,189)**	**—**	**(85,327)**	**(86,516)**	**103**	**(86,413)**
Transactions with owners								
2022 final dividend paid	13	**—**	**(22,433)**	**—**	**—**	**(22,433)**	**—**	**(22,433)**
Equity-settled share-based payment	23	**—**	**7,740**	**—**	**—**	**7,740**	**—**	**7,740**
Shares issued due to options exercised	22	**41**	**—**	**—**	**—**	**41**	**—**	**41**
Investment from non-controlling interest of subsidiaries		**—**	**—**	**—**	**—**	**—**	**1,200**	**1,200**
Capital contribution		**—**	**1,447**	**—**	**—**	**1,447**	**—**	**1,447**
Shares exercised from Share Award Scheme		**—**	**—**	**762**	**—**	**762**	**—**	**762**
On-market purchase of shares		**—**	**—**	**(442)**	**—**	**(442)**	**—**	**(442)**
Profit appropriation to statutory reserves		**—**	**4,280**	**—**	**(4,280)**	**—**	**—**	**—**
Total transactions with owners		**41**	**(8,966)**	**320**	**(4,280)**	**(12,885)**	**1,200**	**(11,685)**
Balance at 31 December 2023		**7,485**	**251,462**	**(10,274)**	**496,570**	**745,243**	**8,869**	**754,112**
Balance at 1 January 2022(Restated)		7,406	284,470	(10,594)	407,117	688,399	16,262	704,661
Comprehensive income								
Profit for the year		—	—	—	199,229	199,229	690	199,919
Other comprehensive income/(loss)								
– Currency translation differences		—	(12,174)	—	—	(12,174)	290	(11,884)
Total comprehensive income		—	(12,174)	—	199,229	187,055	980	188,035
Transactions with owners								
2021 final dividend paid	13	—	(32,087)	—	—	(32,087)	—	(32,087)
Equity-settled share-based payment	23	—	2,827	—	—	2,827	—	2,827
Shares issued due to options exercised	22	38	—	—	—	38	—	38
Disposal of a subsidiary		—	—	—	—	—	(9,676)	(9,676)
Transaction with non-controlling interests		—	(1,588)	—	—	(1,588)	—	(1,588)
Profit appropriation to statutory reserves		—	20,169	—	(20,169)	—	—	—
Total transactions with owners		38	(10,679)	—	(20,169)	(30,810)	(9,676)	(40,486)
Balance at 31 December 2022(Restated)		7,444	261,617	(10,594)	586,177	844,644	7,566	852,210

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	30	**124,751**	32,552
Income tax paid		**(28,230)**	(58,748)
Net cash generated/(used)from operating activities		**96,521**	(26,196)
Cash flows from investing activities			
Proceeds from capital contribution by non-controlling interests		**1,200**	—
Government grants received relating to purchase of property, plant and equipment		**2,700**	—
Disposals of a subsidiary		**—**	(6,063)
Purchases of property, plant and equipment		**(11,767)**	(43,198)
Purchases of financial assets at fair value through profit or loss		**—**	(15,500)
Purchases of intangible assets		**—**	(228)
Proceeds from sale of financial assets at fair value through profit or loss		**—**	20,125
Interest received		**397**	129
Proceeds from disposal of property, plant and equipment		**508**	450
Net cash used in investing activities		**(6,962)**	(44,285)
Cash flows from financing activities			
Proceeds from borrowings		**982,786**	881,486
Repayments of borrowings		**(966,425)**	(824,112)
Dividend paid	13	**(22,433)**	(32,087)
Interest paid		**(36,608)**	(25,758)
Settlements of lease liabilities		**(1,444)**	(1,957)
Market purchase of shares	25	**(442)**	—
Transaction with non-controlling interest		**—**	(1,588)
Restricted cash pledged for notes payable and letter of credit		**(12,511)**	(3,989)
Collection of restricted cash		**1,831**	2,965
Proceeds from exercise of share options		**41**	38
Net cash used from financing activities		**(55,205)**	(5,002)
Net increase/(decrease) in cash and cash equivalents		**34,354**	(75,483)
Cash and cash equivalents at beginning of year		**37,675**	109,421
Effect of foreign exchange rates changes		**571**	3,737
Cash and cash equivalents at end of year	21	**72,600**	37,675

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

1 GENERAL INFORMATION OF THE GROUP

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are in the business of manufacturing and 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 main board of The Stock Exchange of Hong Kong Limited since 17 October 2019.

These consolidated financial statements are presented in Renminbi (the "RMB") and all values are rounded to the nearest thousand (RMB'000) except otherwise indicated.

These consolidated financial statements have been approved for issue by the board of directors of the Company on 27 March 2024.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

2.1 Basis of preparation (Continued)

(i) Change of presentation currency

The Company's functional currency is RMB. The presentation currency of the Group's consolidated financial statements in the prior financial year was Hong Kong dollars ("HK$").

The Group has changed its presentation currency from HK$ to RMB for the preparation of the Group's consolidated financial statements since 1 January 2023. Having considered the principal activities of the Group such as production and sales are mainly conducted in the PRC and the functional currency of subsidiaries with operation in the PRC are denominated in RMB, the directors of the Company consider that the change would result in a more appropriate presentation of the Group's transactions in the financial statements. The Group has applied the change in presentation currency retrospectively and the comparative figures have been translated from HK$ to RMB, while the functional currencies of the Company and its subsidiaries remain unchanged.

For the purpose of presenting the Group's consolidated financial statements in RMB, the assets and liabilities for the consolidated balance sheet are translated into RMB at the closing rate at the end of the reporting period. Items in the consolidated statement of comprehensive income and the consolidated statement of cash flows are translated at the average exchange rates for the financial period. The share capital and reserves are translated at the exchange rate at the date of transaction.

(ii) Going concern

The Group incurred loss of RMB 85.4 million for the year ended 31 December 2023 which included a provision on inventories of RMB 142.4 million (before income tax) that was made to bring down inventories to their net realizable values as at 31 December 2023. The Group's current assets exceeded its current liabilities by approximately RMB 300 million. The Group meets its day-to-day working capital requirements mainly through its operating cash flows and bank borrowings. In preparing the financial statements, the directors of the Company have considered the Group's net cash inflows from operating activities and available sources of financing from banks given the Group's good credit history and operating results in the past years. Having considered the above, the directors of the Company believe that the Group will have adequate funds to continue operation for the foreseeable future of not less than twelve months from period end date of these financial statements.

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

2.2 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
International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12	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

(ii) Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2023 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 2024
Non-current liabilities with covenants – Amendments to HKAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to HKAS 16	1 January 2024
Supplier finance arrangements– HKAS7 and Amendments to HKAS 7	1 January 2024
Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause –HK Int 5 (Revised)	1 January 2024
Lack of Exchangeability – Amendments to HKFRS 21	1 January 2025
Sale or contribution of assets between an investor and its associate or joint venture - HKFRS 10 and Amendments to HKAS 28	To be determined

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

2.2 Changes in accounting policies (Continued)

(iii) Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which will be effective from 1 May 2025 (the "Transition Date"). Under the Amendment Ordinance, any accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("MPF Benefits") of an entity would no longer be eligible to offset against its obligations on long service payment ("LSP") for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the "practical expedient") to account for the offsetable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "Guidance") which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a 'simple type of contributory plans' to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). The cumulative effect of recognising these adjustments as of 31 December 2022 or for the year ended was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.

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 2023, if USD had strengthened/weakened by 10% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB 3,182,000 higher/lower (2022: RMB 2,047,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of USD denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

(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 2023, 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 RMB 1,240,000 lower (2022: RMB 950,000 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 ageing days. See note 20 for further information about the Group's credit risk analysis for trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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 20.

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk (Continued)*

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2022(Restated)					
Bank borrowings	491,269	70,941	17,674	—	579,884
Interest payable on borrowings	19,933	4,045	1,064	—	25,042
Lease liabilities	1,813	1,303	1,769	—	4,885
Trade and other payables (excluding non-financial liabilities)	171,291	—	—	—	171,291
	684,306	76,289	20,507	—	781,102

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 2023 was as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000 (Restated)
Total of bank borrowings and lease liabilities (note 27)	**601,969**	584,339
Amount due to a related party (note 26)	**—**	1,320
Less: Cash and cash equivalents (note 21)	**(72,600)**	(37,675)
Restricted cash (note 21)	**(11,749)**	(1,067)
Net debt	**517,620**	546,917
Equity	**754,112**	852,210
Total capital	**1,271,732**	1,399,127
Gearing ratio (Net debt/Total capital)	**41%**	39%

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 sever industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or nonstrategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives, and actual residual values. Periodic reviews could result in a change in depreciable lives and residual values and therefore changes in depreciation expenses in the future periods.

(b) Impairment of trade and other receivables

The impairment provisions for financial assets disclosed in note 20 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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(c) Impairment provision for inventories

The estimation of impairment provision for inventories involves significant management judgment based on the consideration of key factors such as future sales projection, current year sales, and selling price per latest sales transaction. Management reassesses these estimations of impairment provision for inventories 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 36.7. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less the cost of disposal and the present value of the future cash flows expected to be derived from them. 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.

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) Revenue and segment information

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

	Year ended 31 December 2023					
	Sales of agar-agar RMB'000	Sales of carrageenan RMB'000	Sales of konjac products RMB'000	Sales of blended products RMB'000	Others RMB'000	Total RMB'000
Revenue recognised at a point-in time:						
Sales to customers	**298,688**	**708,251**	**42,500**	**124,345**	**207**	**1,173,991**
Cost of sales	**(205,594)**	**(805,078)**	**(37,832)**	**(87,621)**	**(225)**	**(1,136,350)**
Segment results	**93,094**	**(96,827)**	**4,668**	**36,724**	**(18)**	**37,641**

5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue and segment information (Continued)

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

Results of reportable segments	**37,641**
Other income	**4,476**
Other losses – net	**(2,565)**
Reverse of impairment gains on financial assets	**3,168**
Selling and distribution expenses	**(17,770)**
Administrative expenses	**(97,349)**
Finance income	**397**
Finance costs	**(40,889)**
Loss before income tax	**(112,891)**
Income tax expense	**27,447**
Loss for the year	**(85,444)**

	Year ended 31 December 2022 (Restated)					
	Sales of agar-agar RMB'000	Sales of carrageenan RMB'000	Sales of konjac products RMB'000	Sales of blended products RMB'000	Others RMB'000	Total RMB'000
Revenue recognised at a point-in time:						
Sales to customers	321,987	943,608	46,205	93,458	5,631	1,410,889
Cost of sales	(221,420)	(697,779)	(41,095)	(61,888)	(4,585)	(1,026,767)
Segment results	100,567	245,829	5,110	31,570	1,046	384,122

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

Results of reportable segments	384,122
Other income	11,137
Other losses – net	(790)
Net impairment losses on financial assets	(380)
Selling and distribution expenses	(13,793)
Administrative expenses	(91,112)
Finance income	129
Finance costs	(27,724)
Profit before income tax	261,589
Income tax expense	(61,670)
Profit for the year	199,919

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FOR THE YEAR ENDED 31 DECEMBER 2023

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue and segment information (Continued)

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

	2023 RMB'000	2022 RMB'000 (Restated)
China	**595,174**	582,922
Europe	**291,632**	470,733
Asia (excluding China)	**209,794**	237,903
South America	**50,639**	62,626
North America	**23,645**	52,394
Africa	**2,972**	4,209
Oceania	**135**	102
Total	**1,173,991**	1,410,889

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

	2023 RMB'000	2022 RMB'000 (Restated)
China	**423,478**	448,184
Hong Kong	**399**	1,179
Indonesia	**75,226**	76,332
Total	**499,103**	525,695

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Liabilities related to contracts with customers

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

	2023 RMB'000	2022 RMB'000 (Restated)
Contract liabilities (note 26)	**11,003**	22,793

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

	2023 RMB'000	2022 RMB'000 (Restated)
Revenue recognised during the year that was included in the contract liabilities at the beginning of the year	**22,793**	10,171

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.

(c) Accounting policies on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6 OTHER INCOME

	2023 RMB'000	2022 RMB'000 (Restated)
Government grants		
– Received and recognised during the year	**1,157**	7,226
– Recognised from deferred income (note 28)	**3,243**	3,148
Others	**76**	763
	4,476	11,137

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and there is no unfulfilled 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.

7 OTHER LOSSES – NET

	2023 RMB'000	2022 RMB'000 (Restated)
Net foreign exchange (loss)/gains from operating activities	**(2,338)**	782
Net gain on disposals of subsidiaries	**—**	131
Gains on disposal of financial assets at fair value through profit or loss	**—**	113
Donation expenditure	**(15)**	(1,410)
Net losses on disposal of property, plant and equipment and patents	**(182)**	(303)
Others	**(30)**	(103)
	(2,565)	(790)

8 EXPENSES BY NATURE

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

	2023 RMB'000	2022 RMB'000 (Restated)
Raw materials and consumables used	**884,780**	1,256,914
Changes in inventories of finished goods and work in progress	**(17,166)**	(376,489)
Provision for write-down of inventories to net realisable value	**142,424**	—
Employee benefit expenses (note 9)	**117,866**	110,117
Amortisation of land use rights (note 14)	**1,292**	1,197
Depreciation of property, plant and equipment (note 15)	**43,038**	41,711
Amortisation of intangible assets (notes 16)	**2,435**	6,619
Utility expenses	**31,336**	35,928
Other taxes and levies	**7,282**	9,393
Transportation costs	**7,975**	8,398
Auditors' remuneration		
– annual audit services of the Company's auditor	**2,250**	2,150
– non-audit services of the Company's auditor (i)	**220**	220
– statutory audit services of subsidiaries' auditor	**254**	262
Advertising and exhibition expense	**2,598**	2,190
Others	**24,885**	33,062
Total	**1,251,469**	1,131,672

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

	2023 RMB'000	2022 RMB'000 (Restated)
Employee benefit expenses	**6,701**	6,328
Raw materials and consumables used	**6,496**	7,022
Depreciation charges	**1,083**	820
Others	**1,309**	2,424
	15,589	16,594

(i) Non-audit service fees totalling RMB 220,000 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 (2022: RMB 220,000).

9 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2023 RMB'000	2022 RMB'000 (Restated)
Salaries, wages and bonuses	**98,726**	96,221
Pension, housing fund, medical insurance and other social insurance	**11,193**	10,733
Equity-settled share-based payment expenses (note 23)	**7,740**	2,827
Others	**207**	336
Total employee benefit expenses	**117,866**	110,117

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 include no directors (2022: two), whose emoluments are disclosed in the note 33. Details of the remunerations of the remaining five (2022: three) individuals during the year were as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Salaries and bonus	**4,118**	3,292
Pension, housing fund, medical insurance and other benefits	**64**	41
Equity settled share-based payment expenses	**7,563**	1,914
	11,745	5,247

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

	2023	2022 (Restated)
HK$ 1,000,000 - HK$ 2,000,000	**2**	1
HK$ 2,000,001 - HK$ 3,000,000	**1**	2
HK$ 3,000,001 - HK$ 4,000,000	**1**	—
HK$ 4,000,001 - HK$ 5,000,000	**1**	—
	5	3

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

(b) 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 23). 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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10 FINANCE COSTS - NET

	2023 RMB'000	2022 RMB'000 (Restated)
Finance income		
Interest income on bank deposits	**397**	129
Finance costs		
Interest and finance charges on bank borrowings	**(36,601)**	(25,758)
Finance charges on lease liabilities	**(963)**	(819)
Net foreign exchange losses on financing activities	**(3,514)**	(2,084)
	(41,078)	(28,661)
Amounts capitalised in qualifying assets (note 15)	**189**	937
	(40,889)	(27,724)
Finance costs - net	**(40,492)**	(27,595)

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 2023 of 4.92% (2022: 5.17%).

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.

	2023 RMB'000	2022 RMB'000 (Restated)
Current income tax	**8,761**	65,639
Deferred income tax (note 29)	**(36,208)**	(3,969)
Income tax expense	**(27,447)**	61,670

11 INCOME TAX EXPENSE (Continued)

The Group's income tax comprises:

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

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

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

The Group's subsidiaries in Indonesia are subject to Indonesian profits tax at the rate of 22% (2022: 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% (2022: 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 2023 is subject to a tax rate of 8.25% (2022: 8.25%). The Group's remaining assessable profits above HK$ 2 million will continue to be subject to a tax rate of 16.5% (2022: 16.5%).

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

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group's subsidiaries operate. The Company's subsidiaries incorporated in the PRC are subject to CIT at the rate of 25% (2022: 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 15% for 2023 and 2022, 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 the period from December 2021 to Decemer 2024.

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 2023 and 2022.

11 INCOME TAX EXPENSE (Continued)

(iii) PRC withholding income tax

According to the CIT Law, a 10% withholding tax on dividends received/receivable will be levied on the PRC companies' immediate holding companies established out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies. During 2023 and 2022, 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 RMB 501,202,000 (2022: RMB 619,115,000) as at 31 December 2023, which, if paid out as dividends, would be subject to income tax borne by their overseas holding companies. An assessable temporary difference exists, but no deferred income tax liability has been recognised as the parent entities are able to control the timing of distributions from their subsidiaries and the subsidiaries are expected to retain these profits for future development purpose and not to distribute the profits in the foreseeable future.

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

	2023 RMB'000	2022 RMB'000 (Restated)
(Loss)/Profit before income tax	**(112,891)**	261,589
Tax calculated at the applicable statutory tax rates in the respective regions	**(27,775)**	63,880
Adjustment for tax effect of:		
– Expenses not deductible for tax purpose	**186**	170
– Additional deduction of research and development expenses	**(1,387)**	(1,635)
– Under/(Over)provision of previous year	**1,284**	(50)
– Impact of preferential income tax	**(2,668)**	(3,008)
– Tax losses for which no deferred income tax asset was recognised	**2,913**	2,313
Tax charge	**(27,447)**	61,670

The weighted average applicable statutory tax rate for the year ended 31 December 2023 was 25% (2022: 24%). The effective tax rate for the year ended 31 December 2023 was 24% (2022: 24%).

11 INCOME TAX EXPENSE (Continued)

(iii) PRC withholding income tax (Continued)

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

	2023 RMB'000	2022 RMB'000 (Restated)
2023	—	1,026
2024	**627**	627
2025	**550**	550
2026	**3,758**	3,758
2027	**2,569**	2,569
2028	**4,610**	—
	12,114	8,530

12 (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 827,718,222 (2022: 823,384,711) in issue during the year.

The calculation of the diluted earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the share options issued. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

(Loss)/Earnings

	2023 RMB'000	2022 RMB'000 (Restated)
(Loss)/Profit attributable to the ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculations	**(85,327)**	199,229

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12 (LOSS)/EARNINGS PER SHARE (Continued)

Shares

	Number of shares	
	2023	2022 (Restated)
Weighted average number of ordinary shares used in issue during the year used in the basic (loss)/earnings per share calculations	**827,718,222**	823,384,711
Effect of dilution – weighted average number of ordinary shares : share options	**—**	7,886,981
	827,718,222	831,271,692

Basic and diluted (loss)/earnings per share

	2023 RMB	2022 RMB (Restated)
Basic		
– For (loss)/profit for the year	**(0.103)**	0.242
Diluted		
– For (loss)/profit for the year	**(0.103)**	0.240

Diluted loss per share for loss attributable to owners of the Company for the years ended 31 December 2023 was the same as basic loss per share because the impact of the exercise of share options is anti-dilutive.

13 DIVIDENDS

	2023 RMB'000	2022 RMB'000 (Restated)
Paid final dividend of HK$3 cents (2022: HK$2.5 cents) per ordinary share	**22,433**	17,345
Paid interim dividend of Nil cents (2022: HK$2 cents) per ordinary share	**—**	14,742
Total	**22,433**	32,087

Dividends relating to the year ended 31 December 2022, amounting to approximately RMB22,433,000, were paid in July 2023.

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

No dividend relating to the year ended 31 December 2023 was proposed by the board of directors of the Company (2022: totaling RMB 21,727,000).

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:

	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January	**54,873**	55,936
Amortisation	**(1,292)**	(1,197)
Currency translation differences	**332**	134
At 31 December	**53,913**	54,873

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.

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 36.18) 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.

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 2023, land use rights of the Group with a total net book value of RMB 29,718,000 (2022: RMB 25,606,000) were pledged to secure borrowings of the Group as disclosed in notes 27.

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15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Right-of-use assets RMB'000	Production machineries RMB'000	Factory devices and equipment RMB'000	Vehicles, office furniture and fixtures RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2023								
Cost	331,454	9,156	242,749	26,765	11,746	12,373	1,104	635,347
Accumulated depreciation	(85,935)	(5,017)	(111,568)	(20,224)	(7,901)	—	(293)	(230,938)
Accumulated impairment loss	(1,094)	—	(1,887)	—	—	—	—	(2,981)
Net book amount	244,425	4,139	129,294	6,541	3,845	12,373	811	401,428
Year ended 31 December 2023								
Opening net book amount	244,425	4,139	129,294	6,541	3,845	12,373	811	401,428
Currency translation differences	562	(17)	497	(29)	30	229	(73)	1,199
Additions	—	34	4,612	1,574	258	9,237	237	15,952
Transfers upon completion	6,786	—	1,538	153	—	(8,477)	—	—
Disposals	—	—	(544)	(125)	(21)	—	—	(690)
Depreciation charge (Note 8)	(16,272)	(1,651)	(22,141)	(1,833)	(929)	—	(212)	(43,038)
Closing net book amount	235,501	2,505	113,256	6,281	3,183	13,362	763	374,851
At 31 December 2023								
Cost	338,781	9,222	247,946	25,966	11,633	13,362	1,174	648,084
Accumulated depreciation	(102,186)	(6,717)	(132,803)	(19,685)	(8,450)	—	(411)	(270,252)
Accumulated impairment loss	(1,094)	—	(1,887)	—	—	—	—	(2,981)
Net book amount	235,501	2,505	113,256	6,281	3,183	13,362	763	374,851

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Right-of-use assets RMB'000	Production machineries RMB'000	Factory devices and equipment RMB'000	Vehicles, office furniture and fixtures RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2022(Restated)								
Cost	319,507	10,792	223,242	25,808	11,222	14,602	1,380	606,553
Accumulated depreciation	(70,294)	(4,481)	(90,811)	(18,115)	(7,470)	—	(217)	(191,388)
Accumulated impairment loss	(1,094)	—	(1,887)	—	—	—	—	(2,981)
Net book amount	248,119	6,311	130,544	7,693	3,752	14,602	1,163	412,184
Year ended 31 December 2022								
Opening net book amount	248,119	6,311	130,544	7,693	3,752	14,602	1,163	412,184
Currency translation differences	(112)	136	47	73	411	799	(229)	1,125
Additions	59	—	3,518	655	1,563	26,481	680	32,956
Transfers upon completion	11,680	—	17,171	605	53	(29,509)	—	—
Disposals	—	(581)	(278)	(72)	(404)	—	—	(1,335)
Disposals of a subsidiary	—	—	(308)	(159)	(606)	—	(718)	(1,791)
Depreciation charge (Note 8)	(15,321)	(1,727)	(21,400)	(2,254)	(924)	—	(85)	(41,711)
Closing net book amount	244,425	4,139	129,294	6,541	3,845	12,373	811	401,428
At 31 December 2022								
Cost	331,454	9,156	242,749	26,765	11,746	12,373	1,104	635,347
Accumulated depreciation	(85,935)	(5,017)	(111,568)	(20,224)	(7,901)	—	(293)	(230,938)
Accumulated impairment loss	(1,094)	—	(1,887)	—	—	—	—	(2,981)
Net book amount	244,425	4,139	129,294	6,541	3,845	12,373	811	401,428

(i) As at 31 December 2023, property, plant and machinery of the Group, including those held under leases (note 27(b)), with a total net book value of RMB 62,666,000 (2022: RMB 68,205,000), were pledged as security for borrowings of the Group as disclosed in notes 27.

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15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(ii) During the year, the amount of depreciation expense charged to cost of sales, selling and distribution expenses and administrative expenses was as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Depreciation of property, plant and equipment (including right-of-use assets)		
– Cost of sales	**35,499**	34,499
– Selling and distribution expenses	**8**	8
– Administrative expenses	**7,531**	7,204
	43,038	41,711

(iii) During the year ended 31 December 2023, the Group capitalised interest on borrowings amounting to approximately RMB 189,000 (2022: RMB 937,000) on qualifying assets (note 10). Borrowing costs were capitalised at the weighted average rate of 4.92% (2022: 5.17%) per annum for the year ended 31 December 2023.

(iv) Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

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.

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(v) 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 36.18), 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 36.7).

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.

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16 INTANGIBLE ASSETS

	Goodwill RMB'000	Trademarks and licences RMB'000	Patents RMB'000	Relationship with customers RMB'000	Discharge rights RMB'000	Technology RMB'000	Total RMB'000
At 1 January 2023							
Cost	46,801	2,443	10,288	12,841	14,981	15,519	102,873
Accumulated amortisation	—	(1,305)	(8,631)	(8,360)	(14,981)	(1,724)	(35,001)
Net book amount	46,801	1,138	1,657	4,481	—	13,795	67,872
Year ended 31 December 2023							
Opening net book amount	46,801	1,138	1,657	4,481	—	13,795	67,872
Currency translation differences	337	2	355	446	—	313	1,453
Additions							
Amortisation charge (note 8)	—	(243)	(148)	(1,002)	—	(1,042)	(2,435)
Closing net book amount	47,138	897	1,864	3,925	—	13,066	66,890
At 31 December 2023							
Cost	47,138	2,445	10,288	12,841	14,981	15,743	103,436
Accumulated amortisation	—	(1,548)	(8,424)	(8,916)	(14,981)	(2,677)	(36,546)
Net book amount	47,138	897	1,864	3,925	—	13,066	66,890
At 1 January2022(Restated)							
Cost	44,826	2,242	10,288	12,841	14,981	14,204	99,382
Accumulated amortisation	—	(1,037)	(6,668)	(6,697)	(11,985)	(631)	(27,018)
Net book amount	44,826	1,205	3,620	6,144	2,996	13,573	72,364
Year ended 31 December 2022 (Restated)							
Opening net book amount	44,826	1,205	3,620	6,144	2,996	13,573	72,364
Currency translation differences	1,975	166	(770)	(661)	—	1,216	1,926
Additions	—	21	180	—	—	—	201
Amortisation charge (note 8)	—	(254)	(1,373)	(1,002)	(2,996)	(994)	(6,619)
Closing net book amount	46,801	1,138	1,657	4,481	—	13,795	67,872
At 31 December 2022(Restated)							
Cost	46,801	2,443	10,288	12,841	14,981	15,519	102,873
Accumulated amortisation	—	(1,305)	(8,631)	(8,360)	(14,981)	(1,724)	(35,001)
Net book amount	46,801	1,138	1,657	4,481	—	13,795	67,872

16 INTANGIBLE ASSETS (Continued)

(i) During the year ended 31 December 2023, the amounts of amortisation expenses charged to cost of sales and administrative expenses were as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Amortisation of intangible assets		
– Administrative expenses	**2,435**	2,411
– Cost of sales	**—**	4,208
	2,435	6,619

(ii) 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.

(iii) 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 2023 and concluded that no provision for impairment of goodwill is required. 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.

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.

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16 INTANGIBLE ASSETS (Continued)

(iii) Impairment test for goodwill (Continued)

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

	2023	2022 (Restated)
Revenue annual growth rate		
– average of the forecast period	**3.2%**	3.9%
Average gross profit margins	**25.2%**	25.3%
Annual average capex expenditure (RMB'M)	**2.5**	0.6
Long term annual growth rate	**2.2%**	2.3%
Pre-tax discount rate	**14.3%**	15.0%

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 the higher of the fair value less costs of disposal and value-in-use. 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.

	2023	2022
Revenue annual growth rate		
– average of the forecast period	**23.60%**	32.3%
Average gross profit margins	**16.80%**	23.1%
Annual average capex expenditure (RMB'M)	**5.9**	3.7
Long term annual growth rate	**2.0%**	3.0%

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:

		2023 RMB'000	2022 RMB'000 (Restated)
(i)	Financial assets at amortised cost		
	Trade and other receivables (excluding prepayments, deductible value-added tax and export tax rebate receivable)(note 20)	**91,602**	155,860
	Cash and bank balances (note 21)	**84,349**	38,742
		175,951	194,602
(ii)	Financial liabilities at amortised cost		
	Bank borrowings (note 27(a))	**599,119**	579,884
	Trade and other payables (excluding non-financial liabilities)(note 26)	**137,864**	171,291
	Lease liabilities (note 27(b))	**2,850**	4,455
		739,833	755,630

19 INVENTORIES

	2023 RMB'000	2022 RMB'000 (Restated)
Raw materials	**138,366**	134,319
Finished goods	**789,056**	771,890
	927,422	906,209
Less: allowance for impairment of inventories	**(142,424)**	—
	784,998	906,209

The Group provided write-downs of inventories to net realisable value amounted to RMB142,424,000. These were recognised as an expense during the year ended 31 December 2023 and included in 'cost of sales' in the statement of profit or loss.

During the year ended 31 December 2023, the cost of inventories recognised as expense and included in 'cost of sales', 'selling and distribution expenses' and 'administrative expenses' amounted to RMB 867,614,000 (2022: RMB 880,425,000).

Accounting policies of inventories

The costs of individual items of inventories are determined using weighted average costs at the end of the month. Raw materials 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 output value. 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.

The estimation of impairment provision for inventories involves significant management judgment based on the consideration of key factors such as future sales projection, current year sales, and selling price per latest sales transaction. Management reassesses these estimations of impairment provision for inventories at each balance sheet date.

20 TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000 (Restated)
Trade receivables	**86,290**	155,969
Loss: allowance provision	**(894)**	(4,165)
	85,396	151,804
Prepayments for purchases of raw materials	**5,800**	5,471
Export tax rebate receivables and deductible value-added tax	**29,935**	47,009
Other receivables	**6,206**	4,056
	41,941	56,536
Total	**127,337**	208,340

(i) Ageing analysis of trade receivables

The ageing analysis of the trade receivables as at the 31 December 2023 based on invoice date was as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Up to 30 days	**44,154**	100,802
31 to 90 days	**33,438**	45,591
91 to 180 days	**7,884**	3,383
181 to 365 days	**232**	1,925
Over one year	**582**	4,268
	86,290	155,969

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20 TRADE AND OTHER RECEIVABLES (Continued)

(ii) Impairment of trade receivables

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

The expected loss rates are based on the payment profiles of sales over a period of 24 months before balance sheet date and the corresponding historical credit losses experienced within this period.

The loss allowance provision of trade receivables as at 31 December 2023 is as follows:

	Within 3 months RMB'000	4-6 months RMB'000	7-9 months RMB'000	10-12 months RMB'000	Over 1 year RMB'000	Over 2 years RMB'000	Total RMB'000
At 31 December 2023							
Expected loss rate	**0.23%**	**2.06%**	**7.35%**	**12.34%**	**23.66%**	**100.00%**	**—**
Gross carrying amount	**77,592**	**7,884**	**232**	**—**	**60**	**522**	**86,290**
Loss allowance provision	**179**	**162**	**17**	**—**	**14**	**522**	**894**
Individually impaired receivables							**—**
Total allowance							**894**
At 31 December 2022 (Restated)							
Expected loss rate	0.35%	2.37%	8.31%	14.02%	18.81%	100.00%	—
Gross carrying amount	146,392	3,383	951	974	2,390	1,879	155,969
Loss allowance provision	512	80	79	137	450	1,879	3,137
Individually impaired receivables							1,028
Total allowance							4,165

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.

20 TRADE AND OTHER RECEIVABLES (Continued)

(ii) Impairment of trade receivables (Continued)

As at 31 December 2023, the loss allowance provision for trade receivables are reconciled to the opening loss allowance for that provision as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January	**4,165**	3,494
Decrease/(Increase) in loss allowance recognised in profit or loss during the year	**(3,168)**	380
Written-off of uncollectible receivables	**(103)**	—
Currency translation differences	**—**	291
At 31 December	**894**	4,165

During the year ended 31 December 2023, the following gains/(losses) were recognised in profit or loss in relation to impaired receivables.

	2023 RMB'000	2022 RMB'000 (Restated)
Reversal/(provisions) for individually impaired receivables	**925**	(925)
Reversal gains according to the expected credit losses matrix	**2,243**	545
Net impairment gains/(losses)	**3,168**	(380)

20 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 (2022: 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:

	2023 RMB'000	2022 RMB'000 (Restated)
USD	**17,808**	63,486
RMB	**105,964**	139,732
HK$	**367**	963
Other currencies	**3,198**	4,159
	127,337	208,340

21 CASH AND BANK BALANCES

	2023 RMB'000	2022 RMB'000 (Restated)
Cash and cash equivalents		
– Cash on hand	**162**	208
– Cash in banks	**72,438**	37,467
	72,600	37,675
Restricted cash - cash in banks	**11,749**	1,067
Total of cash and bank balances	**84,349**	38,742

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 RMB.

	2023 RMB'000	2022 RMB'000 (Restated)
RMB	**34,463**	19,768
USD	**48,077**	17,850
HK$	**1,753**	1,009
Indonesian Rupiahs ("IDR")	**56**	115
	84,349	38,742

22 SHARE CAPITAL

	Number of shares	Share capital RMB'000
Authorised:		
At 1 January 2022 till 31 December 2023	50,000,000,000	HK$ 500,000
Issued:		
At 1 January 2022 (Restated)	820,824,000	7,406
Shares issued upon exercise of share options	4,432,000	38
At 31 December 2022	825,256,000	7,444
Shares issued upon exercise of share options	4,432,000	41
At 31 December 2023	829,688,000	7,485

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 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 23).

On 14 June 2023, 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 23).

23 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 2023 are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Share option scheme (a)	**1,238**	1,826
Share award scheme (b)	**6,502**	1,001
	7,740	2,827

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23 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:

	2023	2022 (Restated)
As at 1 January	**8,864,000**	13,296,000
Exercised during the period	**(4,432,000)**	(4,432,000)
As at 31 December	**4,432,000**	8,864,000

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 2023	Number of share options outstanding 2022	Vesting period and maximum % of exercisable share options	Exercise period	Exercise price
Options granted to three employees	9 August 2018	**4,432,000**	8,864,000	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 2023, the remaining unamortised fair value of share options transferred to the three employees amounted to approximately RMB567,000 which will be charged to the consolidated statement of profit or loss in the future.

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23 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 the shares held for the share award scheme to award the grantees of the awarded shares.

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

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

	As at 31 December 2023	As at 31 December 2022
As at 1 January	**4,300,000**	—
Granted during the period	**—**	4,300,000
Exercised during the period	**(860,000)**	—
	3,440,000	4,300,000

Awarded shares outstanding as at 31 December 2023 have the following vesting period and purchase prices:

	Date of grant	Number of awarded shares outstanding 2023	Number of awarded shares outstanding 2022	Vesting period and maximum % of exercisable share options	Exercise period	Exercise price
Awarded shares granted to three employees	5 December 2022	**3,440,000**	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 2023, the remaining unamortised fair value of awarded shares transferred to the three employees amounted to approximately RMB 5,570,000 which will be charged to the consolidated statement of profit or loss in the future.

24 OTHER RESERVES

	Share premium RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Currency translation differences RMB'000	Total RMB'000
At 1 January 2023	**182,739**	**(35,963)**	**56,484**	**71,296**	**(12,939)**	**261,617**
Currency translation differences	**—**	**—**	**—**	**—**	**(1,189)**	**(1,189)**
Dividend paid (note 13)	**(22,433)**	**—**	**—**	**—**	**—**	**(22,433)**
Capital contribution	**—**	**—**	**1,447**	**—**	**—**	**1,447**
Equity-settled share-based payment (note 23)	**—**	**—**	**7,740**	**—**	**—**	**7,740**
Profit appropriation to statutory reserves	**—**	**—**	**—**	**4,280**	**—**	**4,280**
At 31 December 2023	**160,306**	**(35,963)**	**65,671**	**75,576**	**(14,128)**	**251,462**
At 1 January 2022 (Restated)	214,826	(35,963)	55,245	51,127	(765)	284,470
Currency translation differences	—	—	—	—	(12,174)	(12,174)
Dividend paid (note 13)	(32,087)	—	—	—	—	(32,087)
Transaction with non-controlling interests	—	—	(1,588)	—	—	(1,588)
Equity-settled share-based payment (note 23)	—	—	2,827	—	—	2,827
Profit appropriation to statutory reserves	—	—	—	20,169	—	20,169
At 31 December 2022	182,739	(35,963)	56,484	71,296	(12,939)	261,617

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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25 SHARES HELD FOR THE SHARE AWARD SCHEME

	2023		2022	
	Number of shares	RMB'000	Number of shares	RMB'000 (Restated)
Shares held for the share award scheme	**12,174,000**	**10,274**	12,490,000	10,594

The movements are as follows:

	Number of shares	RMB'000
At 1 January 2022 and 31 December 2022	12,490,000	10,594
Shares exercised	(860,000)	(762)
On-market purchase of shares	544,000	442
At 31 December 2023	12,174,000	10,274

The Group on-market purchased a total of 544,000 of the Company's shares during 2023, and the total consideration paid to on-market purchase these shares was RMB 442,000, which has been deducted from equity attributable to the owners of the Company.

26 TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000 (Restated)
Trade payables	**103,713**	137,763
Contract liabilities - advance receipts from customers (note 5(b))	**11,003**	22,793
Payables for property, plant and equipment	**6,916**	9,261
Employee benefit payables	**9,211**	8,758
Other taxes payable	**3,107**	4,996
Amount due to a related party (note 32)	**—**	1,320
Others	**27,235**	22,947
	161,185	207,838

26 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 2023 based on invoice date was follows:

	2023 RMB'000	2022 RMB'000 (Restated)
0-90 days	**78,695**	114,135
91-180 days	**21,071**	21,024
181-365 days	**3,947**	748
over 365 days	**—**	1,856
	103,713	137,763

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:

	2023 RMB'000	2022 RMB'000 (Restated)
RMB	**105,589**	119,750
USD	**45,089**	61,229
HK$	**838**	707
IDR	**9,669**	26,152
	161,185	207,838

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27 BANK BORROWINGS AND LEASE LIABILITIES

	2023			2022(Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings (a)						
– secured	**112,292**	**23,858**	**136,150**	100,365	55,910	156,275
– unsecured	**419,673**	**43,296**	**462,969**	390,904	32,705	423,609
	531,965	**67,154**	**599,119**	491,269	88,615	579,884
Lease liabilities (b)						
– unsecured	**1,144**	**1,706**	**2,850**	1,605	2,850	4,455
Total borrowings	**533,109**	**68,860**	**601,969**	492,874	91,465	584,339
Total secured borrowings	**112,292**	**23,858**	**136,150**	100,365	55,910	156,275
Total unsecured borrowings	**420,817**	**45,002**	**465,819**	392,509	35,555	428,064
Total borrowings	**533,109**	**68,860**	**601,969**	492,874	91,465	584,339

(a) Bank borrowings

The secured bank borrowings of the Group as at 31 December 2023 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:

	2023 RMB'000	2022 RMB'000 (Restated)
Land use rights (note 14)	**29,718**	25,606
Buildings (note 15)	**62,666**	68,205
Total assets pledged as security	**92,384**	93,811

The unsecured bank borrowings of the Group were supported by guarantees from Mr. Chan Kam Chung and Mr. Guo Dongxu to the extent of RMB 134,428,000 and RMB 10,000,000, respectively, as at 31 December 2023.

For the year ended 31 December 2023, the weighted average effective interest rate on bank borrowings was 5.73% (2022: 4.59%) per annum.

27 BANK BORROWINGS AND LEASE LIABILITIES (Continued)

(b) Lease liabilities

	2023 RMB'000	2022 RMB'000 (Restated)
Minimum lease payments:		
Within one year	**1,396**	1,813
Later than 1 year and no later than 5 years	**1,768**	3,072
	3,164	4,885
Future finance charges	**(314)**	(430)
Total lease liabilities	**2,850**	4,455
Payable:		
Within one year	**1,144**	1,605
Over one year	**1,706**	2,850
Total lease liabilities	**2,850**	4,455

(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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27 BANK BORROWINGS AND LEASE LIABILITIES (Continued)

(c) Other disclosures (Continued)

(iii) Repayment periods

At 31 December 2023, the Group's bank borrowings and lease liabilities were repayable as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Within 1 year	**533,109**	492,873
Between 1 and 2 years	**39,068**	73,791
Between 2 and 5 years	**28,421**	17,675
Over 5 years	**1,371**	—
	601,969	584,339

(iv) Denomination currency

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

	2023 RMB'000	2022 RMB'000 (Restated)
USD	**101,185**	161,369
RMB	**422,714**	359,363
HK$	**75,119**	63,607
IDR	**2,951**	—
	601,969	584,339

(v) Undrawn borrowing facilities

The Group had the following undrawn borrowing facilities as at 31 December 2023:

	2023 RMB'000	2022 RMB'000 (Restated)
Bank borrowings, at floating rates		
– Expiring within one year	**148,020**	51,819
– Expiring beyond one year	**8,749**	—
	156,769	51,819

28 DEFERRED INCOME

	2023 RMB'000	2022 RMB'000 (Restated)
Deferred income on government grants	**19,332**	19,875

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:

	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January	**19,875**	23,023
Additions	**2,700**	—
Released to other income (note 6)	**(3,243)**	(3,148)
At 31 December	**19,332**	19,875

29 DEFERRED INCOME TAX

	2023 RMB'000	2022 RMB'000 (Restated)
Deferred income tax assets	**47,816**	12,021
Deferred income tax liabilities	**(4,214)**	(4,485)
Deferred income tax assets, net	**43,602**	7,536

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29 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities, net, is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Openning balance at 1 January	**7,536**	3,426
Credit to profit or loss	**36,208**	3,969
Currency translation differences	**(142)**	141
Closing balance at 31 December	**43,602**	7,536

Deferred income tax assets

	Deferred income RMB'000	Unrealised profit RMB'000	Provision of loss allowance RMB'000	Provision of inventory RMB'000	Accrued employee benefits RMB'000	Provision of PPE RMB'000	Total RMB'000
At 1 January 2023	**3,927**	**6,584**	**1,265**	**—**	**187**	**58**	**12,021**
Credited/(charged) to the statement of profit or loss	**35**	**450**	**(313)**	**35,606**	**30**	**(9)**	**35,799**
Currency translation differences	**—**	**(5)**	**—**	**—**	**—**	**1**	**(4)**
At 31 December 2023	**3,962**	**7,029**	**952**	**35,606**	**217**	**50**	**47,816**
At 1 January 2022(Restated)	4,540	2,578	1,251	—	123	61	8,553
Credited/(charged) to the statement of profit or loss	(613)	3,956	14	—	64	(9)	3,412
Currency translation differences	—	50	—	—	—	6	56
At 31 December 2022(Restated)	3,927	6,584	1,265	—	187	58	12,021

29 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

	Land use rights RMB'000	Property, plant and equipment RMB'000	Intangible Assets RMB'000	Total RMB'000
At 1 January 2023	**(643)**	**(748)**	**(3,094)**	**(4,485)**
Credited to the statement of profit or loss	**2**	**49**	**358**	**409**
Currency translation differences	**(9)**	**(27)**	**(102)**	**(138)**
At 31 December 2023	**(650)**	**(726)**	**(2,838)**	**(4,214)**
At 1 January 2022 (Restated)	(573)	(753)	(3,801)	(5,127)
Credited to the statement of profit or loss	2	64	491	557
Currency translation differences	(72)	(59)	216	85
At 31 December 2022 (Restated)	(643)	(748)	(3,094)	(4,485)

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30 CASH FLOW INFORMATION

(a) Cash generated from operations

	2023 RMB'000	2022 RMB'000 (Restated)
(Loss)/Profit before income tax	**(112,891)**	261,589
Adjustments for		
– Amortisation of land use rights (note 14)	**1,292**	1,197
– Depreciation of property, plant and equipment (note 15)	**43,038**	41,711
– Amortisation of intangible assets (note 16)	**2,435**	6,619
– (Reversal)/Provision of loss allowance (note 20)	**(3,168)**	380
– Equity-settled share-based payment expenses (note 23)	**7,740**	2,827
– Gains on disposal of a subsidiary (note 7)	**—**	(131)
– Finance costs – net	**32,104**	18,183
– Amortisation of deferred income (note 6)	**(3,243)**	(3,148)
– Foreign exchange gains	**(571)**	(3,737)
– Losses on disposal of property, plant and equipment and patents (note 7)	**182**	303
– Gains on disposal of financial assets at fair value through profit or loss (note 7)	**—**	(113)
– Impairment losses on inventories (note 19)	**142,424**	—
Changes in working capital:		
– Inventories	**(21,212)**	(344,145)
– Trade and other receivables	**84,171**	(45,743)
– Trade and other payables	**(47,550)**	96,760
Cash generated from operations	**124,751**	32,552

30 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 years presented.

	2023 RMB'000	2022 RMB'000 (Restated)
Net debt		
Bank borrowings – repayable within one year	**531,965**	491,269
Bank borrowings – repayable after one year	**67,154**	88,615
Lease liabilities – repayable within one year	**1,144**	1,605
Lease liabilities – repayable after one year	**1,706**	2,850
Total debt	**601,969**	584,339
Cash and bank balances	**(72,600)**	(37,675)
Net debt	**529,369**	546,664
Gross debt – fixed interest rates	**365,539**	315,794
Gross debt – variable interest rates	**236,430**	268,545
Total debt	**601,969**	584,339
Cash and bank balances	**(72,600)**	(37,675)
Net debt	**529,369**	546,664

30 CASH FLOW INFORMATION (Continued)

(b) Total debt reconciliation (Continued)

	Bank borrowings due within 1 year RMB'000	Bank borrowings due after 1 year RMB'000	Lease liabilities due within 1 year RMB'000	Lease liabilities due after 1 year RMB'000	Amount due to a third party RMB'000	Total RMB'000
Total debt as at 1 January 2023	**491,269**	**88,615**	**1,605**	**2,850**	**—**	**584,339**
Cash flows - principal	**(55,142)**	**71,503**	**(1,444)**	**—**	**—**	**14,917**
Cash flows - interest	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange adjustments	**2,514**	**360**	**28**	**29**	**—**	**2,931**
Other non-cash movements	**93,324**	**(93,324)**	**955**	**(1,173)**	**—**	**(218)**
Total debt as at 31 December 2023	**531,965**	**67,154**	**1,144**	**1,706**	**—**	**601,969**
Total debt as at 1 January 2022 (Restated)	408,925	77,038	1,890	4,734	18,000	510,587
Cash flows - principal	11,822	45,552	(1,957)	—	(18,896)	36,521
Cash flows - interest	—	—	—	—	—	—
Foreign exchange adjustments	35,145	1,403	138	86	896	37,668
Other non-cash movements	35,377	(35,378)	1,534	(1,970)	—	(437)
Total debt as at 31 December 2022 (Restated)	491,269	88,615	1,605	2,850	—	584,339

31 COMMITMENTS

Capital commitments

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

	2023 RMB'000	2022 RMB'000 (Restated)
Contracted but not recognised as liabilities:		
Property, plant and equipment	**29,563**	9,672

32 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

Two directors provided personal guarantees for the Group's bank borrowings. Details are set out in note 27(a).

(b) Balances with related parties

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000 (Restated)
Amount due to a related party (note 26)		
– Mr. Cai Ming Huang, the minority shareholder of a subsidiary	—	1,320

(c) Key management compensation

	2023 RMB'000	2022 RMB'000 (Restated)
Key management compensation		
Salaries and bonus	**8,368**	8,191
Other benefits	**152**	161
Share-based payment expenses	**3,506**	2,175
	12,026	10,527

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.

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33 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director of the Company paid/payable by the Group for the year ended 31 December 2023 is set out as follows:

Name of directors	Fees RMB'000	Salaries RMB'000	Bonus RMB'000	Other benefits RMB'000	Total RMB'000
Year ended 31 December 2023					
Chairman:					
Mr. Chan Kam Chung	**—**	**899**	**—**	**16**	**915**
Executive directors:					
Mr. Chan Shui Yip	**—**	**904**	**—**	**16**	**920**
Mr. Guo Dongxu	**—**	**854**	**—**	**21**	**875**
Mr. She Xiaoying	**—**	**145**	**—**	**—**	**145**
	—	**2,802**	**—**	**53**	**2,855**
Non-executive directors:					
Mr. Hu Guohua	**—**	**180**	**—**	**—**	**180**
Mr. Ho Kwai Ching, Mark	**—**	**180**	**—**	**—**	**180**
Mr. Ng Man Kung	**—**	**180**	**—**	**—**	**180**
Mr. Guo Songsen (i)	**—**	**194**	**—**	**7**	**201**
	—	**734**	**—**	**7**	**741**
Year ended 31 December 2022 (Restated)					
Chairman:					
Mr. Chan Kam Chung	—	858	—	15	873
Executive directors:					
Mr. Chan Shui Yip	—	863	—	15	878
Mr. Guo Dongxu	—	823	—	25	848
Mr. She Xiaoying	—	151	—	—	151
	—	2,695	—	55	2,750
Non-executive directors:					
Mr. Hu Guohua	—	154	—	—	154
Mr. Ho Kwai Ching, Mark	—	154	—	—	154
Mr. Ng Man Kung	—	154	—	—	154
Mr. Guo Songsen (i)	—	370	—	13	383
	—	832	—	13	845

33 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(i) Mr. Guo Songsen, non-executive director of the Group, resigned on 17 July 2023. Benefits and interests of directors only included the paid/payable benefits and interests during his director appointment period.

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 (2022: nil).

During the year, the Company provided no consideration to third parties for making available director's services (2022: 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 2023 or at any time during the year (2022: nil).

Except for those disclosed in note 32, 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 2023 or at any time during the year (2022: nil).

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

34 SUBSIDIARIES

The principal subsidiaries of the Group as at 31 December 2023 are as follows:

Company name	Principal country/ place of operation and date of incorporation	Issued/ registered capital	Effective interest held 2023	Effective interest held 2022	Principal activities
Directly held:					
BVI incorporated:					
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
Indirectly held:					
Hong Kong incorporated:					
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
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

(ALL AMOUNTS EXPRESSED IN RMB THOUSANDS UNLESS OTHERWISE STATED)

34 SUBSIDIARIES (Continued)

The principal subsidiaries of the Group as at 31 December 2023 are as follows (continued):

Company name	Principal country/ place of operation and date of incorporation	Issued/ registered capital	Effective interest held 2023	Effective interest held 2022	Principal activities
PRC incorporated:					
Lvbao (Quanzhou) Biochemistry Company Ltd. 綠寶(泉州)生化有限公司 (Note i)	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 (Note i)	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 (Note i)	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 (Note i)	PRC, 16 July 2012	RMB 10,000,000	**100%**	100%	Manufacturing and sales of seaweed
Shiyanhaiyi Konjac Products Company Ltd. 十堰海乙魔芋製品有限公司 (Note i)	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 (Note i)	PRC, 4 June 2013	RMB 5,000,000	**100%**	100%	Research and development center
Lvqi Trading (Shanghai) Company Ltd. 綠麒商貿(上海)有限公司 (Note i)	PRC, 9 February 2018	RMB 10,000,000	**100%**	100%	Trading company

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34 SUBSIDIARIES (Continued)

Company name	Principal country/ place of operation and date of incorporation	Issued/ registered capital	Effective interest held 2023	Effective interest held 2022	Principal activities
PRC incorporated: (Continued)					
Xiamen Sanji Technology 廈門三冀科技有限公司 (Note i)	PRC, 26 August 2021	RMB 10,000,000	**100%**	100%	Technical Research; manufacture and sales of specialized chemical products and bio-based materials
Xiamen Blue Ocean Algae Membrane Technologies Co., Ltd. 廈門藍海藻膜生物科技有限公司 (Note ii)	PRC, 10 July 2023	RMB 10,000,000	**60%**	—	Research and manufacturing of biology material technology
Indonesia incorporated:					
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:

i. These subsidiaries are Hong Kong, Macao, and Taiwan legal entities owned enterprises established in the PRC and registered as limited liability companies under PRC law .

ii. This subsidiary is Hong Kong, Macao, and Taiwan legal entities and domestic joint owned enterprises established in the PRC and registered as limited liability company under PRC law.

35 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

(a) Balance sheet of the Company

	Note	As at 31 December 2023 RMB'000	2022 RMB'000 (Restated)
Assets			
Non-current assets			
Investment in subsidiaries		**127,373**	120,126
Current assets			
Amounts due from subsidiaries		**144,344**	142,289
Other receivables		**10,589**	11,304
Cash and bank balances		**6,610**	9,881
		161,543	163,474
Total assets		**288,916**	283,600
Equity			
Share capital	22	**7,485**	7,444
Other reserves		**228,875**	240,787
Accumulated losses		**(77,271)**	(67,610)
Total equity		**159,089**	180,621
Liabilities			
Non-current liabilities			
Bank borrowings		**9,477**	13,644
Current liabilities			
Bank borrowings		**22,553**	30,971
Amounts due to subsidiaries		**97,693**	58,257
Other payables		**104**	107
		120,350	89,335
Total liabilities		**129,827**	102,979
Total equity and liabilities		**288,916**	283,600

The balance sheet of the Company was approved by the board of directors of the Company on 27 March 2024 and was signed on its behalf by:

CHAN Kam Chung	**CHAN Shui Yip**
Director	*Director*

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

(b) Reserve movements of the Company

	Share premium RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Currency translation differences RMB'000	Total RMB'000	Accumulated losses RMB'000
At 1 January 2023	**79,828**	**102,912**	**60,849**	**(2,802)**	**240,787**	**(67,610)**
Currency translation differences	**—**	**—**	**—**	**2,781**	**2,781**	—
Dividend paid	**(22,433)**	**—**	**—**	**—**	**(22,433)**	—
Equity-settled share-based payment	**—**	**—**	**7,740**	**—**	**7,740**	**—**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(9,661)**
At 31 December 2023	**57,395**	**102,912**	**68,589**	**(21)**	**228,875**	**(77,271)**
At 1 January 2022 (Restated)	111,915	102,912	58,022	(19,513)	253,336	(62,237)
Currency translation differences	—	—	—	16,711	16,711	—
Dividend paid	(32,087)	—	—	—	(32,087)	—
Equity-settled share-based payment	—	—	2,827	—	2,827	—
Loss for the year	—	—	—	—	—	(5,373)
At 31 December 2022 (Restated)	79,828	102,912	60,849	(2,802)	240,787	(67,610)

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

36.1 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 36.3).

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.

36.2 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.

36.3 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 36.7.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

36.4 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.

36.5 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 RMB, which is 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.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

36.5 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.

36.6 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 36.7.

(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.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

36.6 Intangible assets (Continued)

(iii) Sea use rights

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

(iv) Discharge rights

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

(v) Amortisation methods and periods

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

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

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

36.7 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.

36.8 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.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

36.8 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.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

36.8 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 26.

36.9 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 36.8 for a description of the Group's impairment policies.

36.10 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.

36.11 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.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

36.12 Shares held for the share award scheme

Where any group company purchases the Company's equity instruments, for example as the result of the on-market purchase of share 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 shares held for the share award scheme 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.

36.13 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.

36.14 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.

36.15 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.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

36.16 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.

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.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

36.17 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.

36.18 Leases

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

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

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

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

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

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

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

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

36.18 Leases (Continued)

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 14 and property, plant and equipment in note 15. The lease liabilities are presented separately on the consolidated balance sheet.

36.19 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.

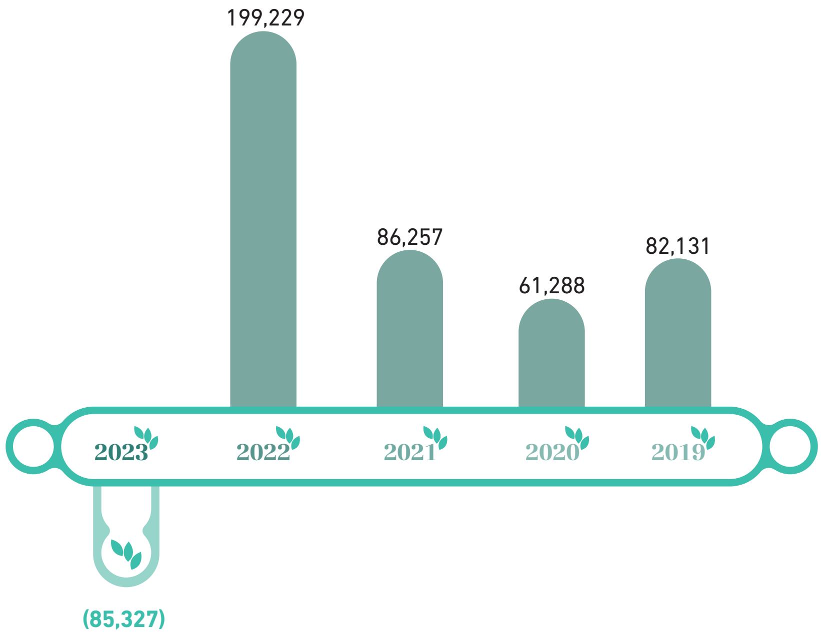
36.20 Dividend distribution

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.

FIVE YEARS FINANCIAL SUMMARY

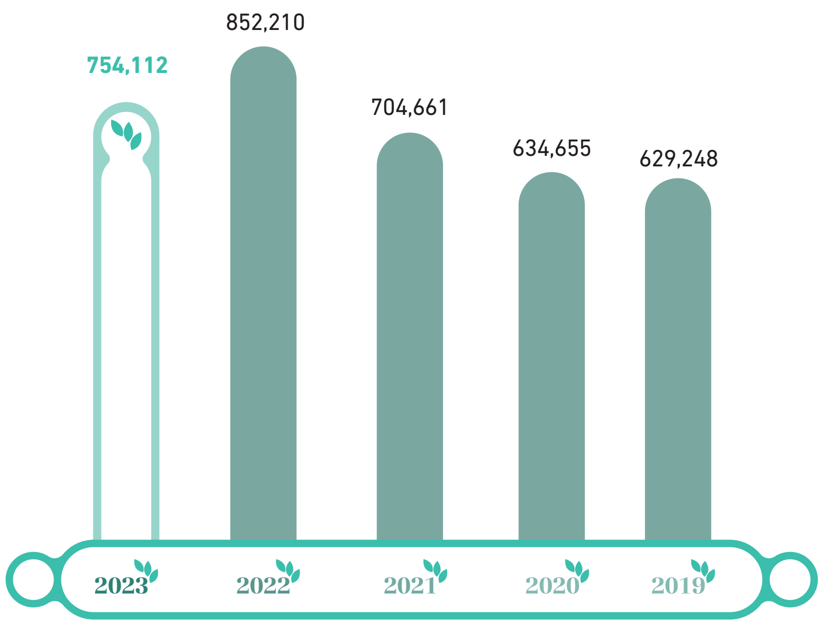
RESULTS (YEAR ENDED 31 DECEMBER)

(Loss)/Profit for the year attributable to owners of the Company (RMB'000) (Restated)



NET ASSETS (AS OF 31 DECEMBER)

Net assets (RMB'000) (Restated)



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 (Resigned on 17 July 2023)

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

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Grand Cayman
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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North Point
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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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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183 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

http://www.greenfreshfood.com

STOCK CODE

01084