

ANNUAL REPORT

2021

GREEN FUTURE FOOD HYDROCOLLOID MARINE SCIENCE COMPANY LIMITED

綠新親水膠體海洋科技有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code: 01084

VISION
MISSION
CORE VALUES

Vision

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

Mission

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

Core values

Innovation, growth, and re-innovation

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CORPORATE INFORMATION

CORPORATE OVERVIEW

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

We ranked first amongst the agar-agar producers, both in the People's Republic of China (the "**PRC**") and the global market, in terms of the sales value *, and we ranked first amongst the carrageenan producers in the PRC *, in terms of sales value with a leading scale compared with peers. As an enterprise engaged in the essential supply chain of large-scale manufacturers, the capabilities of steady supply and effective cost control are the key competitive edge of the Group.

As of 31 December 2021, 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: 7,065 tons (2020: 6,065 tons) of agar-agar products, 10,355 tons (2020: 10,355 tons) of carrageenan products 1,500 tons (2020: Nil) of konjac gum products, 3,300 tons (2020: 3,300 tons) of blended products; the annual design production capacity of Shiyanhaiyi Production Base: 660 tons (2020: 660 tons) of konjac gum products; the annual design production capacity of PT Hongxin Production Base in Indonesia: 4,300 tons (2020: 4,300) of carrageenan products. The total design production capacity was 27,180 tons (2020: 26,180 tons).

As of 31 December 2021, the number of product technical development personnel is 65 (2020: 59).

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.

CORPORATE INFORMATION

2019: The Company was successfully listed on the main board of the Stock Exchange of Hong Kong Limited. 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 tonnes per year.

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 People's Republic of China.

2021:

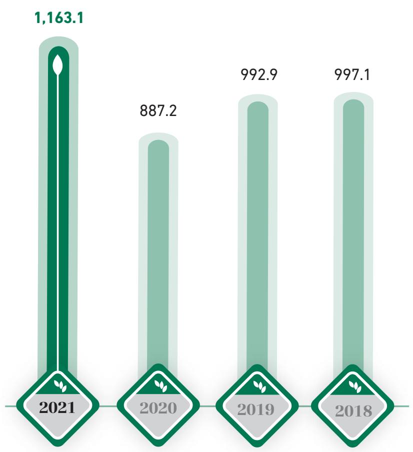
Green Fresh (Fujian) Foodstuff Co., Ltd. was awarded the "Key Leading Enterprise in the Industrialised Agricultural Sector of the Fujian Province" by the municipal government of Zhangzhou, Fujian.

* Pursuant to the research data of the Company for 2020

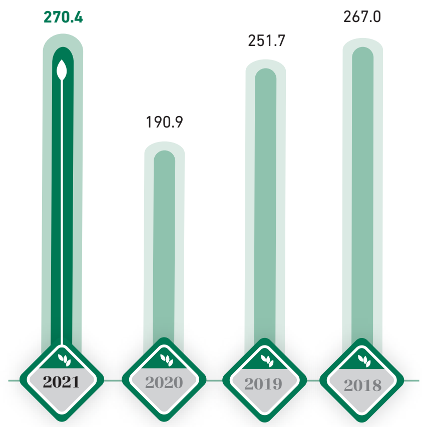
* Pursuant to the Frost & Sullivan Report in 2018

FINANCIAL HIGHLIGHTS

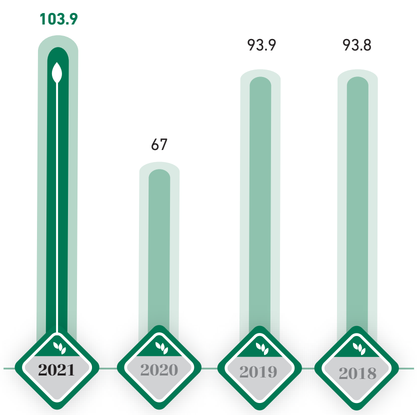
Revenue (HK$' million)



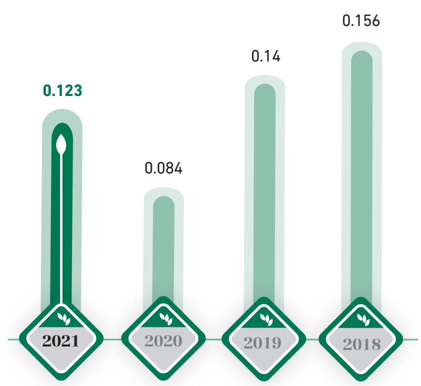
Gross Profit (HK$' million)



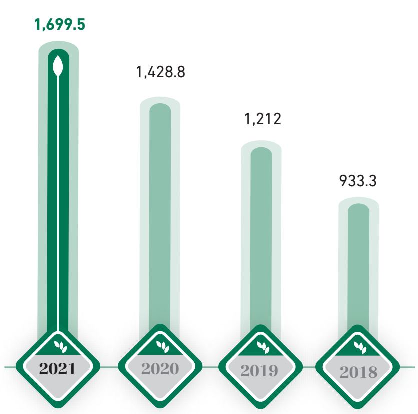
Profit for the year (HK$' million)



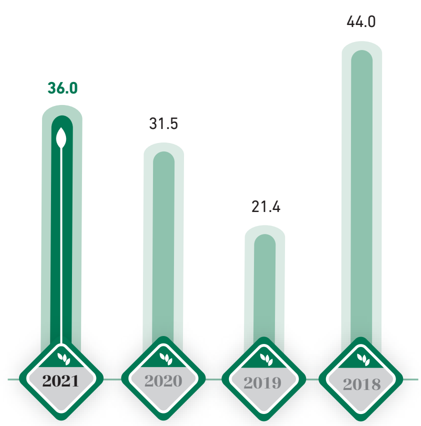
Diluted Earnings Per Share (HK$)



Total Assets (HK$' million)



Net Debt to Capital Ratio (%)



CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2021.

LONG-TERM BUSINESS STRATEGY

The Group is a leading producer of seaweed-based and plant-based hydrocolloid products in the PRC and the global market. Our products, mainly including agar-agar, carrageenan, blended products and konjac gum, provide functional properties such as thickening, water-retention and stabilising functions for various end products such as processed food, cosmetics and biotechnology products, and make up the main contents of many health foods for their rich soluble dietary fibres. In addition, we can extend product functions through blending different colloids and gums. For example, konjac gum blended products enable plant-based artificial meat to offer the mouthfeel resembling that of real meat, at the same time koniac has become increasingly popular under the trend of promoting healthy eating.

Distinguished from other conventional manufacturers, we are primarily a long-term partner of our customers in both the supply of raw materials and product development for a certain of our customers, which plays a significant role in enhancing customer loyalty. Moreover, through product research and development, we can capable of supporting and facilitating the development of new applications and end products for the customers, thereby helping us to obtain customer orders as a source of profit contribution, which is also a long-term business development strategy of the Group.

BUSINESS OVERVIEW FOR 2021

Have survived from the devastating impact of the outbreak of the COVID-19 coronavirus disease and its variant (the "**COVID-19 pandemic**") in 2020, the global economy recovered progressively to various degree in 2021. For the domestic market of PRC, benefiting from the strict implementation of "dynamic zero" control over the contagion of the COVID-19 pandemic, economic performance in the PRC reflected an impressive rebound in 2021 and recorded a robust growth in export value during the year. For the overseas market, due to the availability of vaccines and the escalation of vaccination coverage, relaxation of the COVID-19 pandemic control measures was broadly adopted by the western countries which effectively stimulated internal demand and fueled the strong recovery of their economies.

In 2021, the Group recorded a total sales revenue of HK$1,163.1 million (2020: HK$877.2 million), representing an increase of 32.6% from the previous year, mainly due to the strong demand from both domestic and overseas buyers of all types of the Group's hydrocolloid products. Net profit of the Group for the year ended 31 December 2021 increased by HK$36.9 million to HK$103.9 million (2020: HK$67.0 million), primarily due to the increase in sales volume by 27.2% coupled with the increase in gross profit margin by 1.4 percentage point during the year. The extent of increase in net profit for the year as compared to that of gross profit, was partially offset by the increase in net impairment of non-financial assets, administrative expenses and income tax expense of the year of HK$3.6 million, HK$21.5 million and HK$13.1 million, respectively.

During the year, sales volume of all types of the Group's hydrocolloid products increased to various extent. Sales of agar-agar products was HK$291.4 million (2020: HK$241.5 million), representing an increase of 20.6% from the previous year. Sales of carrageenan products was HK$685.7 million (2020: HK$515.2 million), representing an increase of 33.1% from the previous year. Sales of konjac and blended products were HK$69.5 million and HK$85.8 million, respectively (2020: HK$44.4 million and HK$69.9 million, respectively), representing an increase of 56.5% and 22.7%, respectively from the previous year.

In 2021, dollar-terms growth in domestic sales in the PRC and overseas market were 37.4% and 28.4%, respectively, as compared to the year ended 31 December 2020. Domestic sales in the PRC and overseas sales accounted for 47.9% and 52.1% of our annual sales in 2021 (2020: 46.3% and 53.7%), respectively, which is largely stable as compared to the previous year. The stronger dollar-terms growth in domestic sales in the PRC, as compared to overseas sales was mainly attributed to the early resumption of economic and production activities in the PRC back in the middle of 2020, while the recovery of economies in western countries became more obvious from the middle of 2021 after a higher vaccination coverage was achieved. The Directors believe that alongside with the further relaxation of the COVID-19 pandemic control measures and the resumption of international travelling on a world-wide basis, the Group would be able to further strengthen sales growth in overseas market through the re-participation of international trade shows and the launching of on-site marketing activities.

During the year, the Group has acquired 82% equity shareholding in Hung Tai Shun International Trading Limited ("**Hung Tai Shun**"), a company incorporated in Hong Kong, which in turn holds 99.83% of the issued share capital of PT Hongxin Algae International ("**Hongxin**"), a company incorporated in Indonesia which principally engages in the manufacture and sales of semi-refined carrageenan. Concurrently, the Group has also acquired the remaining 0.17% of the issued capital of Hongxin. The transactions were carried out pursuant to the Group's business strategy of diversifying production facilities geographically for enhancement of cost competitiveness. Hongxin achieved an encouraging results for the post-acquisition period from 15 April 2021 to 31 December 2021 and looking forward, we expect to expediate our investment in the second-phase expansion of the production capacity in Hongxin as planned so as to materialise further economies of scale and to meet the increasing demand for our products.

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

2021 FINAL CASH DIVIDEND

In order to share the operating results of the Company with our shareholders (the "**Shareholders**"), the Directors propose a final cash dividend of HK2.5 cents per share for the year ended 31 December 2021, which demonstrated the Company's continuous efforts in attaining the target dividend payout each year after considering the available resources, amounting to a total of HK$20.5 million. Dividends will be paid in cash.

SUBSEQUENT EVENTS

On 25 March 2022, a member of the Group entered into an equity acquisition agreement ("**Equity Acquisition Agreement**") with Shanghai Quanyue Investment Management Company Limited ("**Shanghai Quanyue**"), a company incorporated in the PRC and Mr. FENG Shifei ("**Mr. FENG**"), pursuant to which the Group will acquire from Shanghai Quanyue and Mr. FENG 35.0% and 4.0% of the equity interest in Lvqi Trading (Shanghai) Company Ltd. ("**Lvqi (Shanghai)**"), a company incorporated in the PRC and a non wholly-owned subsidiary of the Company, at a total consideration of RMB1.42 million and RMB163,000, respectively (the "**Equity Acquisition**"). Following completion of the Equity Acquisition, Lvqi (Shanghai) will become a wholly-owned subsidiary of the Company.

On 25 March 2022, a member of the Group entered into an equity disposal agreement ("**Equity Disposal Agreement**", together with the Equity Acquisition Agreement, the "**Equity Transfer Agreements**") with Junxi Industrial (Shanghai) Co., Ltd. ("**Junxi Industrial**"), the existing shareholder of the 49.0% equity interests in Brilliant Bioscience (Shanghai) Co., Ltd. ("**Brilliant (Shanghai)**"), a company incorporated in the PRC and a non wholly-owned subsidiary of the Company, pursuant to which the Group will sell to Junxi Industrial 51.0% of the equity interest in Brilliant (Shanghai), for a cash consideration of HK$12.7 million (the "**Equity Disposal**"). Following completion of the Equity Disposal, Brilliant (Shanghai) will cease to be a subsidiary of the Company.

90% of the equity interest in Shanghai Quanyue and 60% of the equity interest in Junxi Industrial is held by Mr. ZHANG Jianguo ("**Mr. ZHANG**"). As the counterparties to the Equity Transfer Agreements are directly and indirectly controlled by the same individual who is a connected person of the Company at the subsidiary level, they will be aggregated for the purpose of computing the relevant percentage ratios (as defined under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) under Rules 14A.81 and 14.22 of the Listing Rules. On an aggregate basis, the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the Equity Transfer Agreements, exceeds 5% but is less than 25%, the Equity Disposal and the Equity Acquisition constitute discloseable transactions for the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shanghai Quanyue is a substantial shareholder of Lvqi (Shanghai) and accordingly is a connected person of the Company at the subsidiary level under the Listing Rules. Junxi Industrial is a substantial shareholder of Brilliant (Shanghai) and a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, each of the Equity Acquisition and the Equity Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As (i) the Equity Transfer Agreements are entered into with connected persons of the Company at the subsidiary level; (ii) the Board has approved the Equity Acquisition and the Equity Disposal; and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of each of the Equity Transfer Agreements (including the amount of the consideration) are negotiated on an arm's length basis on normal commercial terms and are fair and reasonable which are in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Equity Acquisition and the Equity Disposal are subject to the reporting and announcement requirements, and are exempt from the circular, independent financial advice and independent shareholders' approval requirements.

Details of the Equity Acquisition and the Equity Disposal were set out in the announcement dated 25 March 2022 and the supplemental announcement dated 29 March 2022 issued by the Company.

Save as disclosed above, no significant events have been taken place subsequent to 31 December 2021 and up to the date of this annual report.

PROSPECTS

Due to the catastrophic impact of the COVID-19 pandemic, the global food products market has once been adversely affected by the lockdown measures interrupting both the supply chain and the retail channel. Looking ahead, with the increase in the vaccination coverage all over the world, pandemic control measures are expected to be fully lifted in an orderly manner in the near future. As such, we believe that the global demand of food products shall resume to its growing trend and the Group shall be able to benefit from it as a leading provider of food ingredients.

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

APPRECIATION

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

CHAN Kam Chung
Chairman

Hong Kong, 30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Opportunities Brought from the relaxation of the COVID-19 pandemic control measures

In 2021, the global economy recovered progressively to various degree. For the domestic market of PRC, benefiting from the strict implementation of "dynamic zero" control over the contagion of the COVID-19 pandemic, economic performance in the PRC reflected an impressive rebound in 2021 and recorded a robust growth in export value for the year. For the overseas market, due to the availability of vaccines and the escalation of vaccination coverage, relaxation of the COVID-19 pandemic control measures was broadly adopted by the western countries which effectively stimulated internal demand and fueled the strong recovery of their economies.

During the year, domestic sales revenue in the PRC increased by 37.4%, while overseas sales revenue in the Europe, North America and Asia (excluding China) increased by 32.0%, 11.5%, and 39.7%, respectively, as compared to 2020. However, as Africa countries were materially affected by the COVID-19 pandemic, the sales revenue in the Africa in 2021 decreased by 42.7%, as compared to previous year. In 2021, domestic sales in the PRC and overseas sales accounted for 47.9% and 52.1% of our annual sales, respectively (2020: 46.3% and 53.7%), which was largely stable as compared to the previous year.

Product Research and Development and Expansion to New Market

By strengthening product research and development capabilities and through our long-standing efforts made in marketing campaigns, we succeeded in expanding the market for quick-dissolve agar-agar products for use in dairy products, and the sales revenue of agar-agar products recorded an encouraging growth of 41.0% in 2021, as compared to 2020. Amongst all sub-categories of agar-agar products, quick-dissolve agar-agar products remained as one of our products with the highest gross profit margin in 2021, driving, together with other conventional products, the increase in overall gross profit margin of agar-agar products for the year. Our Directors believe that quick-dissolve agar-agar products are of great business value. Besides, in addition to traditional processed foods, we have also endeavored to expand the use of our products in the application of pet foods. It is expected that the pet foods market in the PRC will have a great development potential in the foreseeable future. Furthermore, konjac gum has already been widely recognised as a key ingredient of various health foods due to its rich soluble dietary fibers and we expect a promising sales growth in years ahead. As a long-term vision, we expect that the diversity of the Group's end products and applications will be the key driver for our future expansion.

Complementary strategies for product and market

The sales volume and sales revenue of agar-agar and carrageenan products, contributing to approximately 83.1% and 84.0% (2020: 86.5% and 86.3%) of our total sales volume and total sales revenue for the year ended 31 December 2021, with sales volume and dollar-terms sales value in aggregate increased by 22.3% and 29.1%, respectively, as compared to 2020. The sales volume and sales revenue of konjac products increased by 53.2% and 56.5%, respectively, for the year ended 31 December 2021, as compared to 2020, while the sales volume and sales revenue of blended products increased by 17.5% and 22.7%, respectively, as compared to 2020. The increased proportions of konjac and blended products which carry relatively higher profit potential in our sales mix signifies the pay-off of our strategic efforts in search of profit maximization through product elevation. Benefiting from the diversification and complementarity of our colloid products, our Group is able to adjust our sales efforts in light of changes in market demand in end products, thereby maintaining a solid and high-yielding revenue base over time.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

We are prudently optimistic about the prospects in 2022. Despite that the uncertainties brought from the COVID-19 pandemic are expected to remain in effect in the near term, looking forward, with the increase in vaccination coverage all over the world, lockdown measures are expected to be fully lifted in an orderly manner in the near future. As such, we believe that the global demand of food products shall resume to its growing trend and the Group shall be able to benefit from it as a leading provider of food ingredients. As evidenced by the decent growth in both revenue size and profitability achieved in the year, the prospect of hydrocolloid products is promising as a whole.

The Group's development strategy is to continue to invest in product research and development and to develop new applications and markets. Currently, we have been aligning our efforts and resources in Shanghai on the research and development as well as the sale of quick-dissolve agar-agar products and blended products. Further, the Group is committed to explore and develop the high value-added bakery products and has started the OEM business of fiber-rich health foods for personal consumption. In terms of the Group's effort to diversify the geographical location of the production facilities as well as ongoing cost-reductions, during the year, the Group has completed the acquisition of a majority equity interest in Hongxin, a company incorporated in Indonesia principally engaging in the manufacture of semi-refined carrageenan and konjac gum products with clear advantages in lower operating cost and proximity to seaweed resources. With this strategic move, the Directors expect the Group to excel further on both business scale and competitiveness in the future.

FINANCIAL REVIEW

Revenue

Having survived the devastating impact of the COVID-19 pandemic in 2020, the global economy recovered progressively to various degree in 2021. For the domestic market of PRC, benefiting from the strict implementation of "dynamic zero" control over the contagion of the COVID-19 pandemic, economic performance in the PRC reflected an impressive rebound in 2021 and recorded a robust growth in export value for the year. For the overseas market, due to the availability of vaccines and the escalation of vaccination coverage, relaxation of the COVID-19 pandemic control measures was broadly adopted by the western countries which effectively stimulated internal demand and fueled the strong recovery of their economies.

For the year ended 31 December 2021, the Group's sales revenue was HK$1,163.1 million (2020: HK$877.2 million), representing an increase of 32.6% as compared to the previous year. During the year, the sales revenue of agar-agar and carrageenan products increased by 20.6% and 33.1%, respectively while that of konjac and blended products increased by 56.5% and 22.7%, respectively. The total sales revenue of carrageenan and agar-agar products, contributing to 84.0% of the sales revenue of the Group, decreased by 2.3% in overall proportion for the year ended 31 December 2021 as compared to 2020, as a result of the increase in the proportion of sales revenue of konjac and blended products during the year.

Cost of Sales

For the year ended 31 December 2021, the cost of sales of the Group was HK$892.7 million (2020: HK$686.3 million), representing an increase of 30.1%. Our cost of sales basically consisted of the cost of raw materials (seaweed and konjac) and ancillary materials and labor costs which accounted for 81.7% of the cost of sales in 2021 (2020: 82.6%). The increase in the cost of sales was attributable to the increase in sales revenue of 32.6% for the year, but in smaller magnitude due to the improvement of gross profit margin by 1.4 percentage point. The improvement in gross profit margin was mainly due to the favorable movement of average selling price across all hydrocolloid products against the increase in cost of sales as a result of the strong demand from the buyer side. Besides, cost of sales of the year was further contained through the enhancement in production scale and hence cost-effectiveness, despite the fact that there was a drastic increase in freight and logistic costs during the year caused by the curb of global logistic capacity arising from the lockdown measures against the COVID-19 pandemic.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, the gross profit of the Group was HK$270.4 million (2020: HK$190.9 million), representing an increase of 41.6%. The overall gross profit margin was 23.2% in 2021, representing an increase of 1.4 percentage point as compared to 2020. The gross profit margin of carrageenan and konjac products increased by 3.8 percentage point and 4.8 percentage point, respectively during the year. On the other hand, the gross profit margin of agar-agar and blended products decreased slightly by 1.1 percentage point and 0.3 percentage point, respectively during the year. The extent of increase of the overall gross profit margin, however, was partly offset by the increase in direct labor cost comprising mainly staff salaries and social insurance expenses. The former was due to the general increment of salary as well as the resumption of full working force from the disruptions of the COVID-19 pandemic during the year while the latter was due to the resumption of normal social insurance contribution rate during the year as compared to the payment of concessionary rate during 2020 as part of the government's supportive measure to business enterprises in the PRC. Furthermore, the year's gross profit margin was further offset by the inclusion of sales related transportation cost switched from the selling and distribution expenses during the year according to the newly revised PRC accounting standards.

Net Impairment of Non-Financial Assets

During the year the Group recognised impairment loss of property, plant and equipment as those assets' carrying amount exceeds their recoverable amount (2020: Nil).

Selling and Distribution Expenses

In 2021, selling and distribution expenses of the Group were HK$16.7 million (2020: HK$18.7 million), representing a decrease of 10.7%. The decrease was primarily attributable to the decrease in per unit transportation cost as a result of the increase in sales volume during the year. In addition, further cost reduction was achieved due to the switching out of sales related transportation cost to the cost of sales according to the newly revised PRC accounting standard during the year and as a composite effect of the aforesaid factors, the ratio of selling and distribution expenses to revenue manifested an encouraging improvement during the year as compared to the same period of 2020.

Administrative Expenses

In 2021, administrative expenses of the Group were HK$92.8 million (2020: HK$71.3 million), representing an increase of 30.2%, which was mainly attributable to the increase in staff salaries and social insurance expenses caused by a general salary increment and the resumption of normal social insurance contribution rate during the year. Besides, there was an increase in provision for doubtful debts corresponding to the increase in account receivable balances and the updated risk profile.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

In 2021, finance income and costs of the Group were HK$0.2 million and HK$22.6 million (2020: HK$2.2 million and HK$26.6 million), representing a decrease of 90.9% and 15.0%, respectively. The decrease in finance income was mainly due to the decrease in the average balance of interest-earning deposits during the year, which was partly due to the full applications of the unused listing proceeds brought forward from last year. The decrease in finance costs was mainly attributable to the decrease in loan interest rate in the PRC and decreased average loan balance during the year due to the improvement in the Company's liquidity achieved through the improvement of business performance.

Income Tax Expense

In 2021, income tax expenses of the Group were HK$33.7 million (2020: HK$20.6 million), representing an increase of HK$13.1 million or 63.6%, mainly due to the corresponding increase in taxable profit for the year of approximately 57.1%, as compared to 2020 and the additional change of deferred income tax during the year.

	Year ended 31 December	
	2021 **HK$'000**	2020 HK$'000
Current income tax	**32,744**	22,319
Deferred income tax	**956**	(1,686)
Income tax expense	**33,700**	20,633

Profit Attributable to Owners of the Company

In 2021, profit attributable to owners of the Company were HK$103.6 million (2020: HK$68.9 million), after the share of operating loss attributable to certain non-controlling shareholders of a subsidiary. Main reasons attributable to the increase in profit attributable to owners of the Company resembles those attributable to the increase in profit for the year as explained in above.

Liquidity and Financial Resources

As at 31 December 2021, the Group's aggregated cash and bank balance amounted to HK$133.8 million (2020: HK$171.8 million), representing a decrease of HK$38.0 million from 31 December 2020. The financial ratios of the Group as at 31 December 2021 were as follows:

	As at 31 December 2021	As at 31 December 2020
Current ratio	**1.46**	1.45
Gearing ratio[1]	**36.0%**	31.5%

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

Net Current Assets

As at 31 December 2021, the Group's net current assets were HK$322.4 million, representing an increase of HK$50.6 million from HK$271.8 million as at 31 December 2020, primarily due to the increase in inventories and trade and other receivables of HK$182.0 million and HK$1.5 million, respectively as at 31 December 2021, offset mainly by the increase in short-term bank borrowings, trade and other payables and income tax liabilities of HK$38.6 million, HK$46.4 million and HK$11.5 million, respectively, and also the decrease in aggregated cash and bank balance of HK$38.0 million.

Borrowings

As at 31 December 2021, the total bank borrowings of the Group amounted to HK$594.4 million, of which HK$500.2 million shall be repaid within one year and HK$94.2 million shall be repaid after one year. The carrying amounts of bank borrowings were denominated in Hong Kong dollars, United States ("**US**") dollars and Renminbi.

The Group did not use any financial instruments for hedging purposes and did not have any net foreign currency investments hedged against existing borrowings and/or other hedging instruments. As at 31 December 2021, the weighted average interest rate on bank borrowings (per annum) was 4.44% (2020: 5.21%).

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 at 31 December 2021, the Group had pledged its buildings, land use rights and bank deposits with a carrying value of HK$80.5 million (2020: HK$138.9 million) as security for its borrowings. As at 31 December 2021, the amount of secured bank borrowings was HK$191.3 million (2020: HK$152.4 million).

Future Plans for Material Investments or Capital Assets

As part of the Group's business strategy of diversifying production facilities geographically for enhancement of cost competitiveness, the Group is expected to invest further in the expansion of production capacity of Hongxin during 2022.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions and Disposal of Subsidiaries

On 26 March 2021, a member of the Group entered into a sale and purchase agreement with Mr. CAI Ming Huang, the sole shareholder of Hung Tai Shun, in respect of the acquisition of a total of 8,200 ordinary shares, representing 82% of Hung Tai Shun's total issued shares at a total consideration of HK$60.0 million. Hung Tai Shun is a company incorporated in Hong Kong and holds 99.83% of the issued share capital of Hongxin, a company incorporated in Indonesia which principally engages in the manufacture and sale of semi-refined carrageenan. The transaction was carried out in accordance with the Group's business strategy of diversifying its production facilities geographically to increase its cost competitiveness. The transaction was completed on 15 April 2021.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries during the year ended 31 December 2021.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group adopts a conservative approach for cash management and investment on funds. The net proceeds from the listing have mainly been placed on short-term bank deposits with reputable banks in Hong Kong and the PRC. The Group's receipts and payments were denominated in Renminbi and US dollars with limited foreign exchange risk exposure in the latter. Besides, as the conversion of Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government, the Directors consider that there is no significant exposure on Renminbi-denominated assets. The Group will closely monitor foreign exchange exposure and will consider hedging should the need arises.

Employees and Remuneration Policy

As at 31 December 2021, the Group had 1,177 full-time employees, of whom 990 were based in Mainland China and 187 were based in Hong Kong and other countries and territories. The total staff costs, including the emoluments of the Directors, amounted to HK$119.2 million for the year ended 31 December 2021 (2020: HK$91.2 million).

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

Prior to the listing, the Group adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") on 5 August 2018 to recognise the important contributions of related employees and individuals. On 9 August 2018, the Company granted share options for 34,120,000 ordinary shares of the Company upon exercise under the Pre-IPO Share Option Scheme. The exercise price was HK$0.01, representing 0.86% of the final offer price of the share issued in connection with the listing. On 27 May 2021, the Board accepted the further exercise of an aggregate sum of 4,432,000 share options by the participants of the Pre-IPO Share Option Scheme for the year 2021 involving a total of 4,432,000 ordinary shares, and the shares became listed shares on 3 June 2021. As at 31 December 2021, the issued share capital of the Company was 820,824,000 shares. Save as disclosed above, no option had been granted, exercised, lapsed or cancelled during the year under the Pre-IPO Share Option Scheme. The Company had 13,296,000 outstanding share options under the Pre-IPO Share Option Scheme, representing 1.6% of issued share capital of the Company as of the date of this report, which shall be exercisable over the pre-determined exercise period.

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

Treasury Shares

The Group bought back of a further of 250,000 (2020: 12,240,000) of the Company's shares during 2021 in pursuant to the share award scheme adopted on 10 July 2020 (the "**Share Award Scheme**"). Up to 31 December 2021, the total consideration paid to buy back these shares was HK$12,582,000 (2020: HK$12,297,000), which has been deducted from equity attributable to the owners of the Company.

Use of Net Proceeds from the Share Offer

The Company was listed on the Stock Exchange on 17 October 2019, the amount of the net proceeds raised from the share offer (the "**Share Offer**") amounted to HK$183.7 million which are the same as the announcement of the Company dated 16 October 2019.

As stated in the announcement of the Company dated 29 January 2021, the Board proposed a change in the use of net proceeds from the Share Offer in relation to HK$21.1 million, representing 11.5% of the total net proceeds from the Share Offer. The net proceeds from the Share Offer were originally planned to be used for the construction of a new production plant in Indonesia for semi-refined carrageenan, but such land acquired by the Group has been informed by the Indonesian government that it would be resumed for public use.

As stated in the announcement of the Company dated 26 March 2021, the corresponding amount of net proceeds from the Share Offer will be used for partial payment of the acquisition of 82% of Hung Tai Shun's total issued shares, which in turn holds 99.83% issued share capital of Hongxin, a company incorporated in Indonesia with principal business engaging in the manufacture and sales of semi-refined carrageenan.

MANAGEMENT DISCUSSION AND ANALYSIS

The balance of the unutilised net proceeds raised from the Share Offer as at 31 December 2020 has been fully utilised by 31 December 2021. The table below sets forth the use of net proceeds raised from the Share Offer up to 31 December 2021:

	Planned use of net proceeds from the Share Offer HK$'000	Remaining balance as of 31 December 2020 HK$'000	Amount utilised as of 31 December 2021 HK$'000	Remaining balance as of 31 December 2021 HK$'000
Partial financing of the construction of a new production plant adjacent to the location of production plant operated and owned by Lvqi (Fujian) and purchase of machinery, with a designed annual capacity of 180 tonnes of refined iota carrageenan products, 1,500 tonnes of konjac gum products and 1,500 tonnes of quick-dissolve agar-agar products	**20,200**	—	—	—
Construction of a new production plant in Longhai city, Zhangzhou City, Fujian Province and purchase of machinery, with a designed annual capacity of 50 tonnes of agarose, 10 tonnes of agar microspheres and 200 tonnes of agarophyte	**62,100**	50,978	50,978	—

	Planned use of net proceeds from the Share Offer HK$'000	Remaining balance as of 31 December 2020 HK$'000	Amount utilised as of 31 December 2021 HK$'000	Remaining balance as of 31 December 2021 HK$'000
Acquisition of existing seaweed processing facilities in Indonesia with a designed annual capacity of 4,300 tonnes of semi-refined carrageenan	**21,100**	21,100	21,100	—
Construction of a new production plant in Zhangzhou city, Fujian Province and purchase of machinery, with a designed annual capacity of 1,000 tonnes of agar-agar products	**62,800**	20,548	20,548	-—
General working capital	**17,500**	—	—	—
Total	**183,700**	92,626	92,626	—

Capital Expenditures

Our capital expenditures primarily comprise cash expenditures for plant, equipment and land use rights. Our capital expenditures for the years ended 31 December 2021 and 2020 were HK$77.5 million and HK$61.1 million, respectively.

Commitments

The Group's capital commitments in respect of those that have been contracted for as at 31 December 2021 and 2020 amounted to HK$10.9 million and HK$54.0 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Lease Liabilities

Lease liabilities are related to buildings of the Group:

	2021 HK$'000	2020 HK$'000
Minimum lease payments:		
Less than 1 year	**2,714**	2,426
Over 1 year and less than 5 years	**5,640**	6,757
Over 5 years	**511**	1,158
	8,865	10,341
Future finance charges	**(763)**	(1,343)
Total lease liabilities	**8,102**	8,998

In accordance with HKFRS 16, the above operating lease commitments, except for those relating to low-value or short-term leases, have been accrued for as lease liabilities (excluding future finance charges) in the financial statements of the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as of 31 December 2021.

Events After the Reporting Period

On 25 March 2022, a member of the Group entered into the Equity Acquisition Agreement with Shanghai Quanyue, a company incorporated in the PRC and Mr. FENG, pursuant to which the Group will acquire from Shanghai Quanyue and Mr. FENG 35.0% and 4.0% of the equity interest in Lvqi (Shanghai), a company incorporated in the PRC and a non wholly-owned subsidiary of the Company, at a total consideration of RMB1.42 million and RMB163,000, respectively. Following completion of the Equity Acquisition, Lvqi (Shanghai) will become a wholly-owned subsidiary of the Company.

On 25 March 2022, a member of the Group entered into the Equity Disposal Agreement with Junxi Industrial, the existing shareholder of the 49.0% equity interests in Brilliant (Shanghai), a company incorporated in the PRC and a non wholly-owned subsidiary of the Company, pursuant to which the Group will sell to Junxi Industrial 51.0% of the equity interest in Brilliant (Shanghai), for a cash consideration of HK$12.7 million. Following completion of the Equity Disposal, Brilliant (Shanghai) will cease to be a subsidiary of the Group.

90% of the equity interest in Shanghai Quanyue and 60% of the equity interest in Junxi Industrial is held by Mr. ZHANG. As the counterparties to the Equity Transfer Agreements are directly and indirectly controlled by the same individual who is a connected person of the Company at the subsidiary level, they will be aggregated for the purpose of computing the relevant percentage ratios (as defined under the Listing Rules) under Rules 14A.81 and 14.22 of the Listing Rules. On an aggregate basis, the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the Equity Transfer Agreements, exceeds 5% but is less than 25%, the Equity Disposal and the Equity Acquisition constitute discloseable transactions for the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shanghai Quanyue is a substantial shareholder of Lvqi (Shanghai) and accordingly is a connected person of the Company at the subsidiary level under the Listing Rules. Junxi Industrial is a substantial shareholder of Brilliant (Shanghai) and a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, each of the Equity Acquisition and the Equity Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As (i) the Equity Transfer Agreements are entered into with connected persons of the Company at the subsidiary level; (ii) the Board has approved the Equity Acquisition and the Equity Disposal; and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of each of the Equity Transfer Agreements (including the amount of the consideration) are negotiated on an arm's length basis on normal commercial terms and are fair and reasonable which are in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Equity Acquisition and the Equity Disposal are subject to the reporting and announcement requirements, and are exempt from the circular, independent financial advice and independent shareholders' approval requirements.

Details of the Equity Acquisition and the Equity Disposal were set out in the announcement dated 25 March 2022 and the supplemental announcement dated 29 March 2022 issued by the Company.

Save as disclosed above, no significant events have been taken place subsequent to 31 December 2021 and up to the date of this annual report.

DIRECTORS' PROFILE

Executive Directors

Mr. CHAN Kam Chung (陳金淙先生) (formerly known as 陳金鐘), aged 51, is our executive Director, Chairman, and Chief Executive Officer. 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 our Group as a whole. Mr. CHAN joined us in May 2003.

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

Mr. CHAN 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.

During the year Mr. CHAN was admitted to fellow membership of the Hong Kong Institute of Directors.

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

Mr. GUO Dongxu (郭東旭先生), aged 54, is our executive Director, Vice Chairman, and Vice President. Mr. GUO oversees our project development, quality control, and external business affairs. Mr. GUO was the executive director and legal representative of South Fujian Agar Co., Ltd (福建省石獅市閩南瓊膠有限公司) from October 1995 to August 2018. Mr. GUO joined us in March 2009 and his first position with us was the supervisor of Lvqi (Fujian). Since December 2012, Mr. Guo has been the executive director and general manager of Lvqi (Fujian). Mr. GUO was subsequently reassigned as the Vice President and General Manager of Greenfresh (Fujian). Mr. GUO has 24 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.

During the year Mr. GUO was admitted to fellow membership of the Hong Kong Institute of Directors.

Mr. CHAN Shui Yip (陳垂燁先生) (formerly known as CHAN Kam Ku (陳金鼓), aged 60, is our executive Director, Vice Chairman, and Vice President. Mr. CHAN oversees the product management, sourcing, human resources, and general administration of our Group. Mr. CHAN has more than 11 years' experience in business management and more than 16 years' experience in food industry. Mr. CHAN was the deputy manager of Jinjiang Xinyi Leather and Plastic Enterprise Co., Ltd. (晉江市新毅皮塑企業有限公司) from July 1988 to March 1999 and was responsible for production management. Mr. CHAN joined our Group in March 1999.

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, our executive Director, and the brother-in-law of Mr. SHE Xiaoying, our executive Director.

Mr. SHE Xiaoying (佘小迎先生), aged 60, is our executive Director. Mr. SHE oversees the sales of our hydrocolloid products. Mr. SHE has more than 11 years' experience in food industry. Mr. SHE was the production manager of Jinjiang Xinyi Leather and Plastic Enterprise Co., Ltd. (晉江市新毅皮塑企業有限公司) from December 1988 to April 2003 and was responsible for production management. Mr. SHE joined us in May 2003 and has held a number of positions in our 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 executive Directors.

Non-executive Director

Mr. GUO Songsen (郭松森先生), aged 34, is our non-executive Director. Mr. GUO joined us in December 2011. Mr. GUO graduated in June 2010 from Beijing Geely University (北京吉利學院) with a bachelor's degree in international trade. Mr. GUO has more than six years' experience in quality management.

During the year Mr. GUO was admitted to membership of the Hong Kong Institute of Directors.

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

DIRECTORS' PROFILE

Independent non-executive Directors

Mr. Ho Kwai Ching Mark (何貴清先生), aged 60, is our independent non-executive Director. He is also the chairman of the audit committee and a member of the nomination committee and remuneration committee.

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

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

Mr. NG Man Kung (吳文拱先生), aged 70, is our independent non-executive Director. Mr. NG is providing independent advice to the Board. 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 5th Fujian Province Committee of the Chinese People's Political Consultative Conference.

Mr. NG had over 40 years of experience in banking and finance. Mr. NG worked at Chiyu Banking Corporation Ltd. from July 1969 to December 2012 and was a chief executive during the period from 1992 to 2012. Mr. NG retired from Chiyu Banking Corporation Limited in 2012. Mr. NG served as a business consultant of China Orient Asset Management (International) Holdings Limited from January 2014 to April 2015. Mr. NG is currently appointed as the chairman of the supervisory board of Well Link Bank in Macau. Mr. NG is also an independent non-executive director of Fujian Holdings Limited (stock code: 181) and Ell Environmental Holdings Limited (stock code: 1395) both of which are listed on the main board of the Stock Exchange. Mr. NG was an independent non-executive director of Shanghai Zendai Property Limited (stock code: 0755) from May 2017 to January 2021, Guoan International Limited (stock code: 143) from March 2016 to February 2021 and Renco Holdings Group Limited (stock code: 2323) from March 2016 to March 2022, all of which listed on the main board of the Stock Exchange.

Mr. HU Guohua (胡國華先生), aged 48, is our independent non-executive Director. Mr. HU is providing independent advice to the Board. 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 Anhui JinHe Industrial Co. Ltd (SHE: 002597), a company listed on the Shenzhen Stock Exchange, Zhejiang Shengda Bio-pharm Co., Ltd (SHA:603079), a company listed on the Shanghai Stock Exchange and China Touyun Tech Group Ltd (stock code: 01332), a company listed on the Stock Exchange.

Each of our independent non-executive Directors has confirmed that he meets the independence criteria as set forth in Rule 3.13 of the Listing Rules.

DIRECTORS' REPORT

The directors of the Company (the "**Directors**") present their report and the audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2021 is set out in the "Chairman's Statement", and Management Discussion and Analysis" on pages 5 to 7 and pages 8 to 18 respectively of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 and the Group's consolidated balance sheet as at 31 December 2021 are set out in the consolidated financial statements on pages 86 to 89 of this annual report.

The Board has recommended a final dividend of HK2.5 cents per share, totalling HK$20.5 million (2020: 20.4 million) for the year ended to 31 December 2021 payable on or around 5 July 2022 to the shareholders (the "**Shareholders**") of the Company whose names appear on the register of members of the Company on 7 June 2022. The recommendation of the final dividend is subject to the Shareholders' approval in the forthcoming annual general meeting (the "**AGM**").

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 171 of this annual report.

SHARE CAPITAL

Details of movements of the share capital of the Company for the year ended 31 December 2021 are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution amounted to approximately HK$122.2 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 2021, the Group's top five largest customers accounted for 33.0% (2020: 30.6%) of our revenue and the single largest customer accounted for 10.6%. (2020: 10.2%) of our revenue. The Group's top five suppliers accounted for 53.8% (2020: 53.2%) of our total purchase and the single largest supplier accounted for 21.1% (2020: 19.1%) of our 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 2021, no environmental exceedances were recorded and there was no non-compliance in relation to environmental and social aspects. Given the business nature, the Group recognizes its daily operation has an impact to the environment. The Group is highly committed to make continuous efforts on efficient use of natural resources, promotion of energy conservation in its business and office premises, as well as minimization of its overall emissions on the environment. Engagement with stakeholders has resulted in raised concerns on key material issues, which include: Employment, Occupational Health and Safety, Development and Training, Consumer Data Protection and Customer Service. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders for advancing environmental, social and governance management.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors
Mr. Chan Kam Chung (Chairman and Chief Executive Director)
Mr. Guo Dongxu (Vice Chairman and Vice President)
Mr. Chan Shui Yip (Vice Chairman and Vice President)
Mr. She Xiaoying

Non-Executive Director
Mr. Guo Songsen

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

Mr. Guo Dongxu, Mr. Ho Kwai Ching, Mark and Mr. Ng Man Kung shall retire from office as Directors and being eligible, offer themselves for re-election at the forthcoming AGM in accordance with the Article 84 of the articles of association of the Company (the "**Articles of Association**").

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

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 19 to 22 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 commencing on the listing date 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 with effect from the listing date, 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 OPTION SCHEME

a) Pre-IPO Share Option Scheme

On 5 August 2018, the Company approved a pre-IPO share option scheme which is considered to be a modification of the previous share transfer scheme adopted on 26 February 2018. The pre-IPO share option scheme is for the purpose of recognizing the contribution of certain parties in respect of the Company's successful listing on the Main Board and providing opportunity to them to enjoy the growth of the Group. All options under the pre-IPO share option scheme had been granted. Details of the pre-IPO share option scheme disclosed in accordance to Rules 17.08 and 17.09 of the Listing Rule are set out in note 24 to the consolidated financial statements. The following table and information disclose further details of the share options under the pre-IPO share option scheme as at 31 December 2021 pursuant to Rule 17.07 of the Listing Rules:

						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	Outstanding at 1 January 2021	Granted during the Period	Exercised during the Period	Lapsed/ Cancelled during the Period	Outstanding at 31 December 2021	Closing price of the share immediately before the exercise date
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	17,728,000	—	(4,432,000)	—	13,296,000	N/A
Other participants	9 August 2018	HK$0.01	17 April 2020 to 16 April 2025	100% from 17 April 2020	N/A	—	—	—	—	—	N/A
Total						17,728,000	—	(4,432,000)	—	13,926,000	

a) Post-IPO Share Option Scheme

The Company adopted 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 Period, no option had been granted, exercised, lapsed or cancelled under the Post-IPO Share Option Scheme. A summary of the Post-IPO Share Option Scheme is set out below:

1. Purpose	As incentive or rewards to Eligible Participants for their contribution or potential contribution to the Group
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) an associate of any of the persons referred to in paragraphs (a) to (c) above (the persons referred above are the "Eligible Participant")
3. Total number of securities available for issue under the Post-IPO Share Option Scheme together with the percentage of the issued shares that it represents as at the date of this report	A maximum of 80,000,000 shares to be allotted and issued
4. Maximum entitlement of each participant	1% of our shares in issue from time to time
5. Period within which the securities must be taken up under an option	30 days from the offer date provided that no such grant of an option may be accepted after the expiry of the effective period of the Post-IPO Option Scheme
6. Minimum period, if any, for which an option must be held before it can be exercised	To be determined at time of offering the grant of an option

7.	Amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	HK$1.0 on acceptance
8.	Basis of determining the exercise price	At the discretion of the Company's Board at the time of grant of the option but the subscription price shall not be less than whichever the highest of: (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 5 business days (as defined in the Listing Rules) immediately preceding the date of grant
9.	The remaining life of the Post-IPO Share Option Scheme	10 years from the date on which it becomes unconditional

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 2021, the interests and short positions of the Directors and chief executive of the Company or any of their associates in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Listing Rules, were as follows:

DIRECTORS' REPORT

(i) Interests in the Company

Name of Directors	Nature of interest and capacity	Number of shares or underlying shares held(6)	Approximate percentage of shareholding(7)
Mr. CHAN Kam Chung	Interest in a controlled corporation(1)	161,700,000	19.70%
	Interest under the Concert Party Agreement(2)	588,000,000	71.64%
Mr. CHAN Shui Yip	Interest in a controlled corporation(3)	161,700,000	19.70%
	Interest under the Concert Party Agreement(2)	588,000,000	71.64%
Mr. GUO Songsen	Interest in a controlled corporation(4)	92,603,571	11.28%
	Interest under the Concert Party Agreement(2)	588,000,000	71.64%
Mr. GUO Dongxu	Interest in a controlled corporation(5)	66,150,000	8.06%
	Interest under the Concert Party Agreement(2)	588,000,000	71.64%

Notes:

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

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

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

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

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

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

(7) As of 31 December 2021, the total number of issued shares of the Company was 820,824,000.

(ii) Interests in associated corporations

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

Save as disclosed above, as of 31 December 2021, none of the directors and chief executive(s) of the Company and any of their associates had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 31 December 2021, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and the underlying shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of Shareholders	Nature of interest and capacity	Number of shares held(4)	Approximate percentage of shareholding(5)
COS Kreation	Beneficial owner	161,700,000	19.70%
Epoch	Beneficial owner	161,700,000	19.70%
Green Forest	Beneficial owner	92,603,571	11.28%
Strong Achievement	Beneficial owner	66,150,000	8.06%
Winning Path	Beneficial owner	66,150,000	8.06%
Mr. GUO Yuansuo	Interest in a controlled corporation(2)	66,150,000	8.06%
	Interest under the Concert Party Agreement(1)	588,000,000	71.64%
East Prosperity	Beneficial owner	39,696,429	4.84%
Mr. GUO Donghuang	Interest in a controlled corporation(3)	39,696,429	4.84%
	Interest under the Concert Party Agreement(1)	588,000,000	71.64%

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 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.

3. 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.

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

5. As of 31 December 2021, the total number of issued shares of the Company was 820,824,000.

Save as disclosed above, as of 31 December 2021, the Directors were not aware of any other person or corporation having an interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' REPORT

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 2021, no transactions of significance with parties regarded as "Related Parties" were entered into by the Group. Further details are set out in note 34 to the consolidated financial statements.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

DEED OF NON-COMPETITION

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

Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-Competition" of the prospectus of the Company dated 30 September 2019. The Company has received declarations from the Controlling Shareholders of their compliance with the Deed of Non-competition for the year ended 31 December 2021 (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 2021.

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 2021.

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 a pre-IPO share option scheme and a post-IPO share option scheme to the eligible persons as an incentives or rewards for their contribution to the Group, details of which are set out in the paragraph headed "Pre-IPO Share Option Scheme" and "Post-IPO Share Option Scheme" of this annual report.

MANAGEMENT CONTRACTS

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

CONTRACT OF SIGNIFICANCE

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Group bought back of a further of 250,000 (2020: 12,240,000) of the Company's shares during 2021 in pursuant to the Share Award Scheme adopted on 10 July 2020. The total consideration paid to buy back these shares was HK$12,582,000 (2020: 12,297,000), which has been deducted from equity attributable to the owners of the Company. Saved as disclosed in the Company's prospectus dated 30 September 2019 for the share offer and the brought back of shares mentioned in above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

SIGNIFICANT INVESTMENTS

Save as disclosed in the section headed "Material Acquisitions or Disposals" of this annual report, there was no significant investment during the year ended 31 December 2021.

CONNECTED TRANSACTION

During the year ended 31 December 2021, 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

On 26 March 2021, a member of the Group entered into a sale and purchase agreement with Mr. CAI Ming Huang, the sole shareholder of Hung Tai Shun, in respect of the acquisition of a total of 8,200 ordinary shares, representing 82% of Hung Tai Shun's total issued shares at a total consideration of HK$60.0 million. Hung Tai Shun is a company incorporated in Hong Kong and holds 99.83% of the issued share capital of Hongxin, a company incorporated in Indonesia which principally engages in the manufacture and sale of semi-refined carrageenan. The transaction was carried out in accordance with the Group's business strategy of diversifying its production facilities geographically to increase its cost competitiveness. The transaction was completed on 15 April 2021.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries during the year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

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

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors subsequent to the date of the 2021 interim report of the Company is as follows:

Mr. Ng Man Kung resigned as an independent non-executive director, the chairman and member of the remuneration committee and a member of each of the audit committee and the nomination committee of Renco Holdings Group Limited (stock code: 2323) with effect from 21 March 2022.

PRE-EMPTIVE RIGHTS

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

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$42,200 (2020: approximately HK$158,300).

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 Friday, 27 May 2022 to Wednesday, 1 June 2022, 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 Thursday, 26 May 2022.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 8 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 7 June 2022.

EVENTS AFTER THE YEAR END DATE

On 25 March 2022, a member of the Group entered into the Equity Acquisition Agreement with Shanghai Quanyue, a company incorporated in the PRC and Mr. FENG, pursuant to which the Group will acquire from Shanghai Quanyue and Mr. FENG 35.0% and 4.0% of the equity interest in Lvqi (Shanghai), a company incorporated in the PRC and a non wholly-owned subsidiary of the Company, at a total consideration of RMB1.42 million and RMB163,000, respectively. Following completion of the Equity Acquisition, Lvqi (Shanghai) will become a wholly-owned subsidiary of the Company.

On 25 March 2022, a member of the Group entered into the Equity Disposal Agreement with Junxi Industrial, the existing shareholder of the 49.0% equity interest in Brilliant (Shanghai), a company incorporated in the PRC and a non wholly-owned subsidiary of the Company, pursuant to which the Group will sell to Junxi Industrial 51.0% of the equity interest in Brilliant (Shanghai), for a cash consideration of HK$12.7 million. Following completion of the Equity Disposal, Brilliant (Shanghai) will cease to be a subsidiary of the Company.

90% of the equity interest in Shanghai Quanyue and 60% of the equity interest in Junxi Industrial is held by Mr. ZHANG. As the counterparties to the Equity Transfer Agreements are directly and indirectly controlled by the same individual who is a connected person of the Company at the subsidiary level, they will be aggregated for the purpose of computing the relevant percentage ratios (as defined under the Listing Rules) under Rules 14A.81 and 14.22 of the Listing Rules. On an aggregate basis, the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the Equity Transfer Agreements, exceeds 5% but is less than 25%, the Equity Disposal and the Equity Acquisition constitute discloseable transactions for the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shanghai Quanyue is a substantial shareholder of Lvqi (Shanghai) and accordingly is a connected person of the Company at the subsidiary level under the Listing Rules. Junxi Industrial is a substantial shareholder of Brilliant (Shanghai) and a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, each of the Equity Acquisition and the Equity Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As (i) the Equity Transfer Agreements are entered into with connected persons of the Company at the subsidiary level; (ii) the Board has approved the Equity Acquisition and the Equity Disposal; and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of each of the Equity Transfer Agreements (including the amount of the consideration) are negotiated on an arm's length basis on normal commercial terms and are fair and reasonable which are in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Equity Acquisition and the Equity Disposal are subject to the reporting and announcement requirements, and are exempt from the circular, independent financial advice and independent shareholders' approval requirements.

Details of the Equity Acquisition and the Equity Disposal were set out in the announcement dated 25 March 2022 and the supplemental announcement dated 29 March 2022 issued by the Company.

Save as disclosed above, no significant events have been taken place subsequent to 31 December 2021 and up to the date of this annual report.

AUDIT COMMITTEE

The Company established the audit committee (the "**Audit Committee**") pursuant to a resolution of Directors passed on 25 September 2019 in compliance with Rule 3.12 of the Listing Rules. The Audit Committee has set up the written terms of reference on 25 September 2019. The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting at least at half-year intervals, and oversee the risk management policies and internal control procedures of the Group constantly. The Audit Committee consists of three independent non-executive directors, namely Mr. HO Kwai Ching, Mark, Mr. NG Man Kung and Mr. HU Guohua. Mr. HO Kwai Ching, Mark is currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the applicable code provisions in the CG Code. The Audit Committee has reviewed the Group's annual results and consolidated audited financial statements for the year ended 31 December 2021.

AUDITORS

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

On behalf of the Board

Chan Kam Chung
Chairman and Chief Executive Officer

Hong Kong, 30 March 2022

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 out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Part 2 of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). During the year, the Company has complied with the CG Code except for deviations from code provisions A.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 mainly 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 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 at the date of this annual report, the Board consists of eight (8) Directors comprising four (4) executive Directors, one (1) non-executive Director and three (3) independent non-executive Directors (the "**INEDs**").

Executive Directors
Mr. Chan Kam Chung *(Chairman and Chief Executive Officer)*
Mr. Guo Dongxu *(Vice Chairman and Vice President)*
Mr. Chan Shui Yip *(Vice Chairman and Vice President)*
Mr. She Xiaoying

Non-executive Director
Mr. Guo Songsen

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

The biographical details of the Directors are set out on pages 16 to 19 of this annual report.

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

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

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. Guo Dongxu, Mr. Ho Kwai Ching Mark and Mr. Ng Man Kung shall retire from office as Directors and being eligible, offer themselves for re-election at the forthcoming AGM in accordance with the Article 84 of the Articles of Association.

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

Chairman and Chief Executive

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

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board has adopted 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 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.

Board Meetings

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

During the financial year ended 31 December 2021 and up to the date of this report, six Board meetings and one general meeting were held. The attendance of individual director to the Board meetings and general meeting is set out 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)*	6/6	N/A	1/1	1/1	1/1
Mr. Guo Dongxu *(Vice Chairman and Vice President)*	6/6	N/A	N/A	N/A	1/1
Mr. Chan Shui Yip *(Vice Chairman and Vice President)*	6/6	N/A	N/A	N/A	1/1
Mr. She Xiaoying	5/6	N/A	N/A	N/A	1/1
Non-executive Director:					
Mr. Guo Songsen	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Ho Kwai Ching, Mark	6/6	2/2	1/1	1/1	1/1
Mr. Ng Man Kung	6/6	2/2	1/1	1/1	1/1
Mr. Hu Guohua	6/6	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 out in the Listing Rules (as amended from time to time), and take into account various aspects set out in the Board Diversity Policy of the Company, number of directorship in other listed/public companies and in case of INED, number of years he/she has already served.

Directors' Continuous Professional Development

The Company has arranged relevant training for all Directors to ensure that they obtain the needed additional skills and comprehensive information to contribute to the Board. A summary of their records of continuous development training during the year ended 31 December 2021 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
Mr. Guo Dongxu (Vice Chairman and Vice President)	V
Mr. Chan Shui Yip (Vice Chairman and Vice President)	V
Mr. She Xiaoying	V
Non-executive Director:	
Mr. Guo Songsen	V
Independent Non-executive Directors:	
Mr. Ho Kwai Ching, Mark	V
Mr. Ng Man Kung	V
Mr. Hu Guohua	V

Directors' Insurance

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

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 2021 and up to the date of this annual report:

(a) Reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2021, including the interim results announcement and interim report and the consolidated financial statements of the Group for the year ended 31 December 2021 including the audit findings from external auditors, annual results announcement and annual report;

(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; and (iii) reviewing performance-based remunerations and establishing a formal and transparent procedure for developing policy in relation to remuneration.

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

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

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

The responsibilities of the Company's external auditor, with respect to their audit of the consolidated financial statements of the Company for the year ended 31 December 2021 are set out 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 our major operational, financial, compliance and risk management controls. In 2021, 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 our 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 2021 are set out 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 2021 by remuneration band is as follows:

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

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could give rise to any actual or potential material adverse effect on the Company. During the year ended 31 December 2021, the remuneration paid or payable to the external auditors for audit and non-audit services by the Group are set out as follows:

Services rendered	Fees paid/payable HK$,000
Annual audit services of the Company's auditor	2,651
Non-audit services of the Company's auditor for their assistance in connection with the Company's ESG reporting and annual results announcement	265
Statutory audit services of subsidiaries' auditors	293

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code during the year ended 31 December 2021.

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 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 out in circulars to Shareholders.

DIVIDEND POLICY

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

SHAREHOLDERS' RIGHT

Shareholders' Right to Requisite a Meeting

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

Putting Forward Enquiries to the Board

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

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

CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company are available on the websites of the Company and the Stock Exchange. There was no change in the Company's constitutional documents during the year ended 31 December 2021.

DEED OF NON-COMPETITION BY THE CONTROLLING SHAREHOLDERS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ESG REPORT

The Company hereby issues the 2021 Environmental, Social and Governance Report ("ESG Report"), to demonstrate the Group's policies, practices, measures and performance regarding environmental and social areas to its stakeholders. For information on corporate governance, please refer to the "Corporate Governance Report" of the year.

REPORTING SCOPE

The ESG Report covers the information on the Group's four production plants located in Fujian Province and Hubei Province in China, the production 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 2021 to 31 December 2021 ("the reporting period"). Compared with the ESG Report released in the Annual Report 2020, there is no significant adjustment in the reporting scope of the ESG Report. In this regard, Hongxin (the Group acquired 82.03% of its equity interest on 15 April 2021), a company incorporated and located in Indonesia, is excluded from our scope of work this year.

REPORTING STANDARDS AND PRINCIPLES

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

✓ "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;

✓ "Consistency": The method and key environmental performance indicators are consistent with those used in 2020.

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 approach, strategy 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' 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;
	✓	Carryings 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement

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

Stakeholders	Expectations and needs	Communication channels
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	• Fulfilment 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

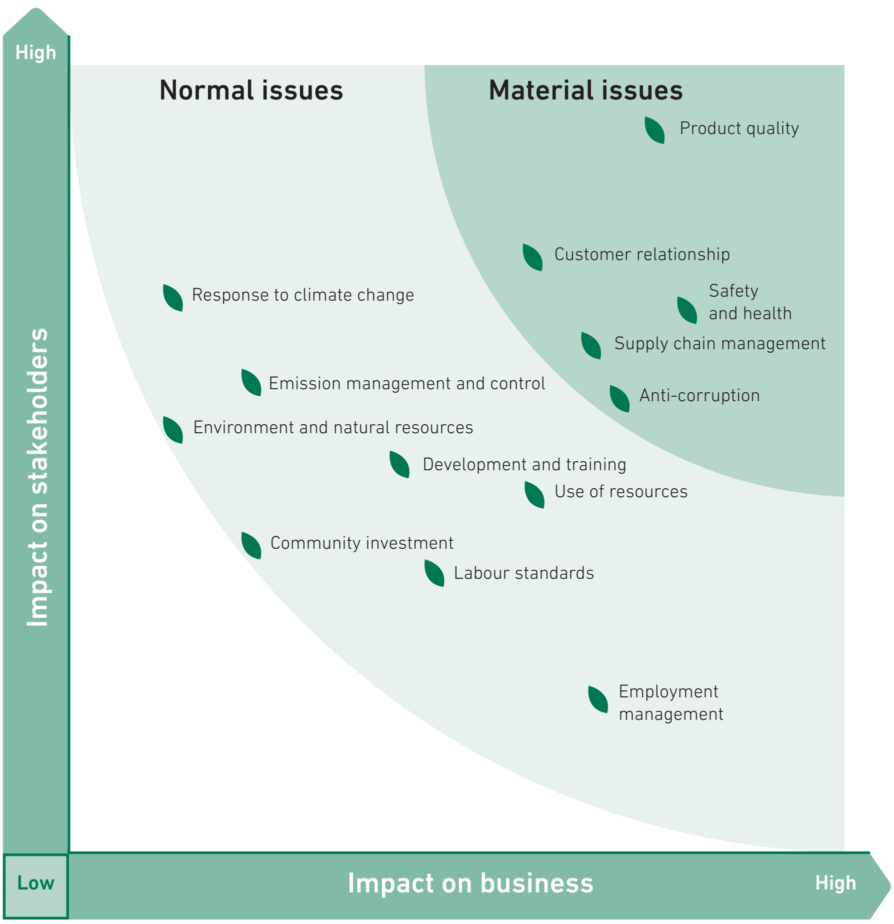
Materiality Assessment

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 2021, our senior management discussed the materiality assessment results of 2020, and decided to continue with these results considering that there was no significant change in our business operation and operation environment.

Materiality Assessment Results



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sustainable Operation

Product Management

➢ **Product quality management system**

Adhering to the utmost tenet of ensuring product quality and safety, we stick to the quality policy of "Pursuing excellent quality by refining technologies and perfecting every detail". We strictly comply with relevant laws and regulations, including but not limited to the *Product Quality Law of the People's Republic of China*, the *Food Safety Law of the People's Republic of China*, the *Agricultural Product Quality Safety Law of the People's Republic of China* etc., established the *Quality Manual* and other internal policies. We legally obtained licenses to engage in food production and operation activities, and accepted routine supervision and inspection of food production and operation implemented by local food safety supervision and administration authorities. To ensure that products always meet product standards and customers' quality requirements during the warranty period, we formulated the *Quality Management Measures* in 2021 to strictly regulate our quality management process covering procurement of raw materials and packaging materials, quality control during the production process, etc.

Product quality targets in 2021	Product quality in 2021	Results in 2021
Pass rate for finished products: 100%	100%	Achieved
Inspection rate for finished products: 100%	100%	Achieved
Significant (>RMB 1,000) quality incidents: 0	0	Achieved

We established quality management system in accordance with *GB/T 19001 Quality Management System - Requirements* (equivalent to implement ISO 9001:2015), *BRC8.0 Global Standard for Food Safety*, *GB 14881 -2013 National Food Safety Standard-General Hygienic Regulation for Food Production*, to strictly manage and control each and every 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) obtained the U.S. Food and Drug Administration ("FDA") certification. In 2021, Greenfresh (Fujian) Central Laboratory successfully obtained the laboratory accreditation certificate in accordance with the requirements of the *General Requirements for the Competence of Testing and Calibration Laboratories* ISO/IEC 17025:2017. We will carry forward our professional and rigorous attitude towards testing to provide a strong guarantee for our raw materials and product quality control. In 2021, seaweed powder products processed by Lvqi (Fujian) and the crown daisy cultivated by Greenfresh (Fujian) were certified as organic products, fully demonstrating our standardised product quality management system.

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

Organic Seaweed Powder Products Certificate

Organic Crown Daisy Products Certificate

➢ **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;
	✓	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.

Exchange and training on professional technology for detection of microorganisms

In December 2021, our Quality Central Laboratory organised a training where our laboratories at each segment and the world-renowned testing company (SGS-CSTC Standards Technical Services Co., Ltd. Xiamen Branch) exchanged ideas about professional technology for detection of microorganisms. We hope that this could improve expertise, professional testing skills and professional quality of our microorganism detection personnel at each laboratory.

Exchange and training on professional technology

Cooperation with Jimei University in developing the testing method for chlorate content

In 2021, we developed a testing method for chlorate content in agar products in cooperation with the laboratory of College of Food of Jimei University in response to the requirements of new quality indicators for the chlorate content in products. This method can detect chlorate content of lower concentrations in products and achieve a lower limit of detection, which is in line with the requirements of new quality indicators.

To realise full traceability covering supply of raw materials, production information and product distribution, we launched the "One Product, One Code" food safety information traceability platform for our products in 2021 to implement information management for the introduced batches of products and raw materials. 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 2021, we conducted a process drill on product reverse traceability. We traced the raw materials and finished goods according to the batch number of semi-finished goods and successfully obtained the results by checking the batch number of finished goods, production process records, acceptance reports on raw materials and material balance data. This drill strengthened employees' understanding of traceability process and measures, thereby improving the efficiency and accuracy of product recall.

➢ **Technological innovation and intellectual property**

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

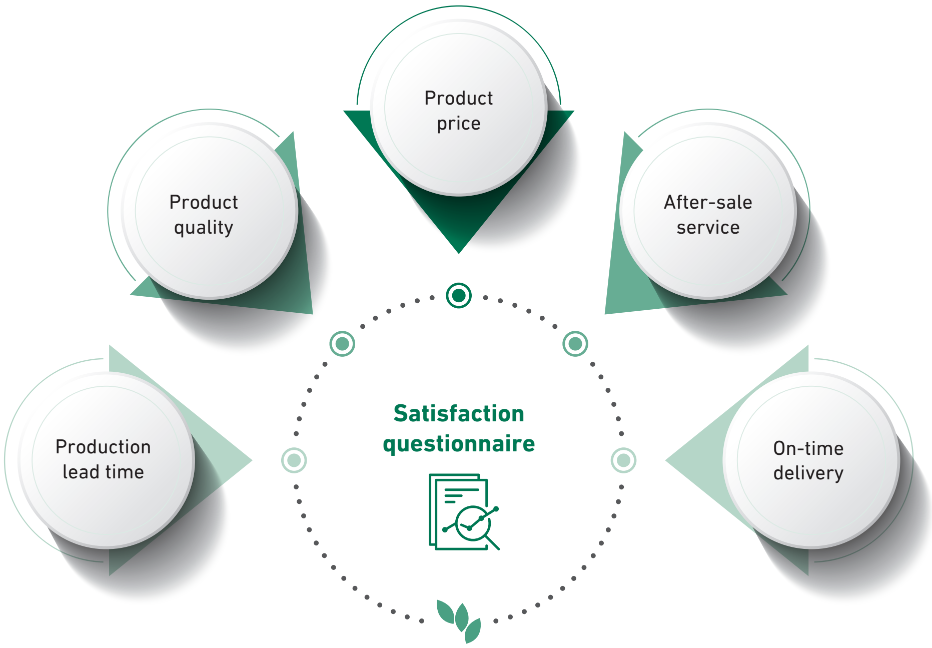
Intellectual Property Management System Certificate

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. We formulated the *Regulations on Patent Application, Project Application and Scientific Progress Award*, and actively encouraged our employees to actively participate in technological innovation and project application and gave certain bonuses to the winning team or individual. We obtained a number of patents in China for the development and improvement of processing technologies for agar and carrageenan and the extraction of carrageenan. In 2021, 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. The relevant internal departments take corresponding remedial measures and properly handle the customers' complaints. The Group conducts annual statistics on the customers' complaints, learns from experience, puts forward improvement plans, so as to constantly improves the quality and level of customer service. In 2021, we conducted a customer satisfaction survey from 5 aspects including product quality, product price, on-time delivery, after-sale service and production lead time and made appropriate suggestions with consideration of customers' satisfaction with our services. We collected the questionnaire results and took corresponding adjustment and improvement actions on product quality, price and delivery date to improve customer satisfaction on a gradual basis.

During the Reporting Period, the Group received a total of four customer complaints, and achieved a 100% customer complaint handling rate.

We formulated the *Returns Management Procedure* to standardize return process. On the one hand, we reduce unnecessary product returns; on the other hand, we adopt different treatments according to product quality, logistics, business and other reasons to make products return traceable and prevent the confusion of returned products. For all products that have been sold but do not meet the company or customer requirements, or do not comply with regulations, we will evaluate the need to recall the products. If necessary, to, we will recall the corresponding products in accordance with the procedures in the *Product Recall and Withdrawal Procedure*. The Group's general manager, quality control department, marketing centre, storage and transportation department and production department jointly participate in the product recall process and conduct regular product recall exercises. In April 2021, Greenfresh (Fujian) carried out a simulation drill on product recall to verify the feasibility and effectiveness of the product recall process and to ensure that products could be recalled in a timely manner in case of any quality problems.

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

➢ **Information security management and privacy protection**

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

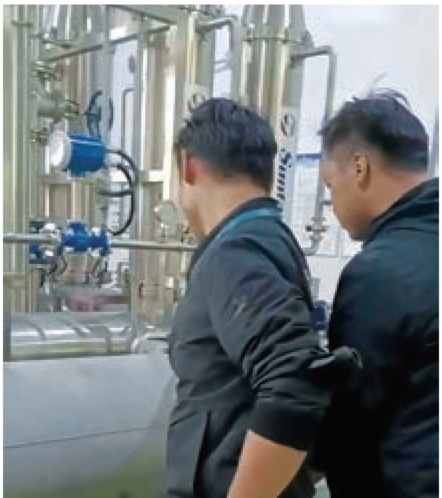
We stipulate in our *Employee Manual* that employee shall not disclose confidential information to any unauthorised parties, or release and deliver any business information of the Company without authorisation. We formulated the *Policy on Customer Privacy Protection* to guarantee sufficient customer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

Coordinated Development

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

The Group's Quality Centre, Procurement Centre and Technical Centre form an evaluation team to evaluate suppliers in two ways: off-site evaluation and on-site evaluation. We monitor the performance of suppliers through sample testing and on-site inspection, check the validity of the suppliers' quality system certification once a year and coach suppliers to improve their quality control system. The Procurement Centre and the Quality Centre assessed suppliers in terms of pricing, quality, rate of delay, degree of cooperation and other indicators, and rate them accordingly (level A, B, C or D). 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. To promote employees' expertise in maintaining workshop machinery and equipment, our Procurement Centre invites suppliers to our workshops for technical exchange and guidance and organises internal employees to study at the suppliers' warehouses and office premises on an irregular basis to strengthen our communication and cooperation with suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



On 13 November 2021, the Group engaged the workshop staff in exchanges with the sales and technical staff of a professional environmental protection technology company on technical knowledge and equipment maintenance tips, where questions raised by the workshop staff were solved in forms of on-site explanations and practical operations, thus enriching their expertise.

On 13 November 2021, the Group organised employees from production workshops to communicate with a professional machinery company on the use of water pumps and potential hazards and the daily maintenance on site.

On 16 May 2021, our Procurement Centre organised some employees to visit a warehouse of a machinery company in Zhangzhou to learn how to identify high-quality and high-standard products, laying the foundation for quality requirements during our forthcoming cooperation.

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 153 suppliers in total. The number of suppliers by geographical region was as follows:

Number of suppliers by geographical region

Public Welfare

The Group followed the *Regulations on Charity and Public Welfare Activities* to carry out various public welfare activities in 2021, including the activity themed "Fighting Against COVID-19, Adding Fresh Green" for the National Tree Planting Day and the activity and donations to pay respect to the elderly for the Double Ninth Festival, to contribute to society.

"Fighting Against COVID-19, Adding Fresh Green" for the National Tree Planting Day

On 12 March 2021, the Group's centres and facilities held activities themed "Fighting Against COVID-19, Adding Fresh Green" to fertilise soils, sow, add fresh green and plant. Our employees planted in facilities to add fresh green to public areas, aiming to beautify the site environment and build a better home.

Activity for the National Tree Planting Day

Activity for the Double Ninth Festival

On 14 October 2021, Lvqi (Fujian) donated RMB 15,000 to the Daren Temple and Neiding Farm Elderly Association respectively on the Double Ninth Festival, fulfilling our social responsibilities, offering warmth and care to the elderly, and fully reflecting our concept of contributing to society.

ENVIRONMENTAL SUSTAINABILITY

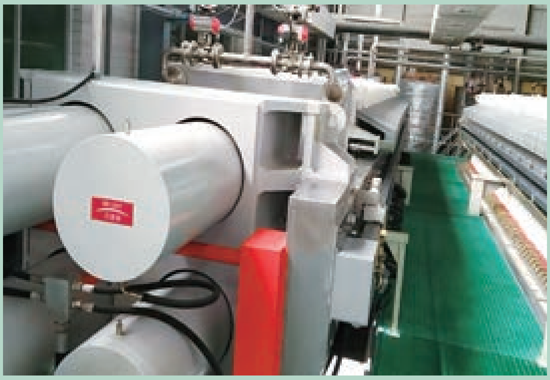
Energy Conservation and Consumption Reduction

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 policies, targets and energy management plans by analysing and evaluating the current situation of energy utilisation. We required all production workshops to align with the annual energy 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 2021, we continued to transform and upgrade our existing production line technical equipment to achieve the win-win results of energy conservation, consumption reduction and productivity improvement. Actions included:

- ✓ Lvqi (Fujian) replaced oil-pressure dehydration equipment to achieve energy conservation and consumption reduction;
- ✓ Greenfresh (Fujian) replaced three 75KW roots blowers for water aerobic treatment aeration blowers with one 155KW air suspension blower to reduce energy use;
- ✓ Greenfresh (Fujian) replaced the 18.5KW water pumps with 11KW high-efficiency water pumps to improve the efficiency of water pumps and motors of cooling towers and reduce energy consumption;
- ✓ Greenfresh (Fujian) replaced energy efficiency motors with those above national standard grade-2 energy efficiency to reduce electric energy consumption;
- ✓ Greenfresh (Fujian) replaced old dryer equipment to reduce energy use.



Oil-pressure dehydration equipment

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.

We advocate green office, and get committed to reducing greenhouse gas emissions and resource consumption during the working process. We abide by the *Management Regulations on Use of Office Air Conditioners*, assigning specific person to control the use of air conditioners, which stipulates that the air conditioners shall not be enabled on rainy days, or unless the outdoor temperature reaches 30℃ or above, and the setting temperature for refrigeration shall not be lower than 26℃. Besides, the Group also encourages employees to commute by bus, bicycle or carpooling, or go on business travels in an environmentally friendly way, to reduce energy consumption and greenhouse gas emissions. In terms of office supplies, the Group is committed to achieving paperless office. In 2021, Greenfresh (Fujian) introduced the Office Automation (OA) system. As such, many materials (including work contact forms, procurement application forms and chop application forms) were submitted online instead of in paper form, significantly reducing paper consumption.

For the use of packaging materials, we have a preference for procurement of recyclable packaging materials and signs a packaging bag recycling agreement with the customers. If the customers return packaging materials such as pads, paper or woven bags used in storage and transportation, they will obtain rebate accounting for 10% of the cost of packaging materials, thereby increasing the utilisation rate of packaging materials and reducing the amount used. In 2021, in response to the demands from overseas customers, we replaced the original small woven bags with large-sized ton bags, thus reducing the packaging material consumption from 4.6 kg to 3.18 kg per ton.

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

	KPI	2021	2020	2019
Energy	Total direct energy consumption (MWh)	**124,514.74**	99,577.25	109,064.89
	Total indirect energy consumption (MWh)	**48,346.30**	45,991.25	43,654.61
	Total energy consumption (MWh)	**172,861.04**	145,568.5	152,719.50
	Energy consumption intensity (MWh/tonne output)	**12.07**	10.78	11.80
Water	Total water consumption (tonne)	**2,861,127.00**	2,315,403.00	1,587,106.00
	Water consumption intensity (tonne/tonne output)	**199.86**	171.41	122.65
Packaging materials	Total packaging materials (tonne)	**182.74**	136.46	134.09
	Packaging materials intensity (tonne/tonne output)	**0.0128**	0.0101	0.0104

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's new products were officially put into production and the production process was adjusted in response to clients' requirements, resulted in an increase in total water consumption and water consumption intensity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Pollutant Management

We strictly comply with relevant laws and regulations, including but not limited to the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Law of the People's Republic of China on Environmental Impact Assessment*, and the *Regulations on the Administration of Construction Project Environmental Protection*, etc. The Group formulated internal environmental policies and regulations, such as the *Environmental Protection Management Policy* and the *Environmental Management Regulations on Waste Water, Waste Gas and Factory Boundary Noise*. The Group takes effective preventive measures to strengthen internal management, so as to ensure that the pollutants are discharged in accordance with standards and meet the requirements of total emission control. In 2021, Greenfresh (Fujian), Lvqi (Fujian), Lvbao (Quanzhou) and Shiyan Haiyi obtained discharge permits, and they were required to control the air, water, noise and solid waste discharged within the permitted limits according to the *Measures for the Administration of Pollutant Discharge Permits*.

Greenfresh (Fujian)
Discharge Permit

Lvqi (Fujian)
Discharge Permit

Lvbao (Quanzhou)
Discharge Permit

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, which fulfils the requirements of GT/T24001-2016/ISO 14001: 2015, and obtained the third-party certification. In 2021, we completed our current year targets in waste gas, wastewater and hazardous waste.

Environment Management System Certificate

Discharge targets in 2021	Discharge in 2021	Results in 2021
Pass rate for waste gas discharge: 100%	100%	Achieved
Pass rate for waste water discharge: 100%	100%	Achieved
Professional discharge rate for hazardous wastes: 100%	100%	Achieved

- ***Waste gas***

  Exhaust gases produced by the Group mainly include sulfur dioxide, smoke and nitrogen oxides produced in the production process. All exhaust gases are discharged in accordance with standards after treatment. The Group carries out real-time monitoring of exhaust gas emissions. For example, Lvqi (Fujian) Production Plant performs on-line monitoring of flue gas, and a real-time warning will be sent in case of emissions exceeding the specific standard. To strengthen the control over waste gas discharge, the Group increased the frequency of monitoring the discharge of each production site from semi-annually to monthly or quarterly in 2021. In addition, the Group replaced the filter-capable mufflers installed at the exhaust outlets of emission equipment, significantly reducing the waster gas emissions.

- ***Waste water***

  The Group's four production plants built sewage treatment stations and set up water purification posts, sewage posts and desliming posts to handle various processes related to sewage treatment. Testing rooms were constructed in each sewage treatment station for on-line or manual monitoring of the emission data. The production waste water 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 2021, we strengthened our third-party monitoring of waste water discharges. For example, we monitored the wastewater from Lvbao (Quanzhou) and Greenfresh (Fujian) on a quarterly basis, and that from Lvqi (Fujian) on a semi-annual basis. Meanwhile, Lvqi (Fujian) and Greenfresh (Fujian) replaced and upgraded the online monitoring equipment for sewage discharge to further improve the monitoring capacity.

We monitor, manage and maintain all kinds of environmental protection facilities to ensure normal operation of facilities, and up-to-standard discharge of various pollutants. We actively introduced advanced purification equipment and treatment technology to seal up the sewage treatment unit producing odorous gas and treat it intensively, so as to reduce the impact on the environment.

- ***Wastes***

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

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

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

Source avoidance	✓	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 a 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;
	✓	Requesting the environmental sanitation department to clear, transport and dispose of the collected household wastes;
	✓	Recycling all collected wastes as much as possible;
	✓	Contacting a qualified third party via contractor to store and ferment the kitchen wastes so as to decompose the wastes into sanitary and odorless humus;
	✓	Providing the farmers with the crushed organic wastes, such as raw seaweed residue (gracilaria residue, eucheuma residue, etc.), which are used as organic fertiliser for their vegetable and fruit tree planting bases;
	✓	We have brought in and overhauled equipment to limit moisture content in solid waste to 65% and bring down solid waste discharge by 15%.

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

	KPI	2021	2020	2019
Wastewater	Wastewater discharge (tonnes)	**6,173,773.00**	5,090,230.00	4,697,537.00
	Chemical Oxygen Demand (COD) (tonnes)	**578.24**	558.56	601.40
	Ammonia nitrogen (tonnes)	**14.64**	32.96	28.11
Exhaust gas	Smoke (tonnes)	**6.23**	6.51	6.86
	Sulphur dioxide (tonnes)	**19.06**	46.02	33.77
	Nitrogen oxides (tonnes)	**56.25**	50.04	24.84
Hazardous wastes	Total hazardous wastes produced (tonnes)	**0.97**	1.01	0
	Hazardous wastes intensity (tonnes/tonne output)	**0.00007**	0.00007	0
Non-hazardous wastes	Total non-hazardous wastes produced (tonnes)	**47,183.10**	44,403.46	26,857.25
	Non-hazardous wastes intensity (tonnes/tonne output)	**3.30**	3.29	2.08

Note:

1. Data on emissions is derived from the on-line monitoring system;
2. Data on hazardous waste was extracted from hazardous waste transfer manifests;
3. Data on non-hazardous wastes is from daily monitoring.

Response to Climate Change

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

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

✓ Greenfresh (Fujian) made scientific arrangements for production and suspended production lines in certain workshops to reduce ozone emissions;

✓ Greenfresh (Fujian) reduced the speed of blowers from 1,300 RPM to 1,100 RPM to enable the boilers to operate at a reduced load so as to reduce ozone emissions;

✓ Greenfresh (Fujian) increased its pharmaceutical inputs and stepped up spray moisturising in plant areas to meet the requirements of Fujian Environmental Protection Bureau for ozone control.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

	KPI	2021	2020	2019
Greenhouse gases	Scope 1:Direct emissions(tCO_2e)	**38,113.50**	31,503.10	34,382.72
	Scope 2:Energy indirect emission(tCO_2e)	**33,804.22**	32,170.86	30,572.48
	Total emissions(tCO_2e)	**71,917.72**	63,673.96	64,955.20
	Emission intensity(tCO_2e/tonne output)	**5.02**	4.71	5.02

Note:

1. Due to the increase in output in 2021, the absolute value of energy consumption has increased significantly compared with previous years.

In 2021, the Group conducted an overall assessment for climate change-related risks. Laws, regulations and policies, as well as extreme weather such as typhoons and rainstorms, are expected to exert a potential impact on our business operations upon assessments. In face of climate change risk, we have taken a series of preliminary measures to mitigate its impact on the business operations, including:

✓ Comply with the latest environmental protection laws and regulations and relevant policies, and revise internal systems and standards in a timely manner;

✓ Establish and implement an accountability system for environmental protection goals, under which the Environmental Protection Department assumes overall responsibility for company-wide environmental protection;

✓ Identify and evaluate environmental factors and their environmental impacts, formulate appropriate management measures based on risk levels, and step up risk response;

✓ Set out the *Administrative Measures for Emergency Plan* and other systems with reference to business characteristics, and tighten the control over identified risks and environmental emergencies;

✓ Run statistics on greenhouse gas emissions and actively push forward energy conservation management to reduce energy consumption and greenhouse gas emissions, based on the *Management Standards for Energy (Resource) Consumption and Greenhouse Gas Emissions*;

✓ Organise annual emergency drills to lower chances of environmental emergencies.

Environment and Natural Resources

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

Noise of the Group mainly comes from the crushing process. The Group strives to reduce the impact of noise on surrounding areas in strict compliance with relevant laws, regulations and standards, including but not limited to the *Law of the People's Republic of China on Prevention and Control of Noise Pollution* and the *Emission Standard for Community Noise*. For the purpose of meeting standards for production, the Group adopts high-efficiency stainless steel sound-absorbing material and modern multi-layer silencing technology to effectively reduce the sound decibels generated by the equipment. In 2021, the Group increased the frequency of the third-party monitoring for noise at boundary from semi-annually to quarterly to bring that noise at boundary in line with standards. In addition, we took various measures to reduce noise at the production site:

✓ Replacement of the silencer of old crushers, greatly reducing noise during crushing;

✓ 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. So we continuously improve our knowledge of biodiversity, refuse to process, sell and consume key national protected species, and achieving the "Three simultaneous" of biodiversity. We also actively participate in public welfare publicity and appeal to the public to protect biodiversity. In 2021, 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.

TALENT SUSTAINABILITY

Employee Safety

❖ ***Production safety***

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

Work safety target in 2021	Work safety in 2021	Results in 2021
Completion rate of the implementation plan for safety projects ≥ 95%	100%	Achieved
Completion rate of safety training ≥ 90%	100%	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 (Trial)*, the *Emergency Rescue Plan for Steam Boiler Accidents*, and the *Special Emergency Plan for Hazardous Chemicals Leakage Accidents*, etc. In 2021, we 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) was certified as a Work Safety Standardisation Level 3 Enterprise after passing the assessment in 2021. Lvbao (Quanzhou) and Shiyan Haiyi also completed the safety standardisation self-assessment in 2021, 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 personnel to help during the apprenticeship, and require them to obtain operating certificates before they can operate independently;
	✓	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.*
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 leaders 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	✓	Safeguard the company's properties and employees based on the *Management Policy on Fire Safety* through various aspects including fire inspections, safety evacuation facilities and fire equipment maintenance, fire control room duty, fire hazards rectification, and fire safety education and training.
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.*
Aloft work safety	✓	Conduct training, approval and various protective measures for aloft work based on the *Management Policy on Aloft Work 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 high-voltage circuit construction and lifting operation at high altitude of fire operation based on *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 2021, based on the monthly production performance assessment indicators for employees at the specialist level and above, we involved more production employees in the performance assessment, and improved work safety performance indicators to discover and solve hidden safety hazards and improve the work safety environment. In addition, we post identification of risk sources for the departments of storage and transportation, production, technology, human administration and other departments, and develop corresponding safety control measures, to minimize the occurrence of various accidents and personal injury.

In daily safety management, we conducted a special fire drill every half year to enhance employees' capabilities in emergency response and self-rescue. On 28 April 2021, we conducted a series of activities for "World Day for Safety and Health at Work" at Greenfresh (Fujian) and Lvqi (Fujian) respectively, such as safety video viewing, historical occupational accidents review and safety knowledge quiz. Subsidiaries held various safety-related activities such as training for the Work Safety Law and related drills, emergency rescue drills for hazardous chemicals leakage, safety training for potential dust explosion and emergency rescue drill for firefighting throughout the year to improve all employees' awareness of work and living safety.

In the last 3 years, the Group had no work-related fatalities. During the Reporting Period, the Group lost 95 working days due to work injury.

Series of activities for "World Day for Safety and Health at Work" in April 2021

Emergency rescue drill for hazardous chemicals leakage in June 2021

Safety training for potential dust explosion in August 2021

Knowledge training for the Work Safety Law and emergency rescue in April 2021

❖ *Occupational health*

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

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

✓ Distribution of protective articles to employees such as earplugs, earmuffs and helmets to strengthen individual protection;

✓ Provision of reasonable work and rest schedule for employees, and of work breaks for workers exposed to noise to eliminate auditory fatigue;

✓ Regular health inspections for workers exposed to noise, especially on their hearing, to observe any damage to their hearing, and if so, taking measures in a timely manner; and

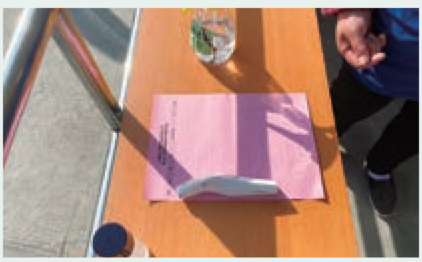
✓ Provision of pre-employment physical examinations for workers exposed to noise, and avoidance of high-noise operations for employees with hearing disorders.

Topic: Pandemic prevention and control

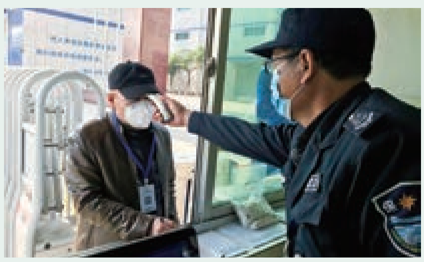
In 2021, the COVID-19 pandemic recurred across the country. Based on the pandemic updates, we issued the *Notice of Greenfresh Group on the Continuous Well-Management of Pandemic Prevention and Control*, the *Notice of Greenfresh Group on Strengthening the Management of Pandemic Prevention and Control* and the *Notice of Greenfresh Group on Further Strengthening the Management of Pandemic Prevention and Control* in succession to integrate pandemic prevention and control into daily management.

- Daily body temperature measurement and registration of all employees travelling to and from work and compulsive requirement on wearing masks;
- Timely purchase of masks to ensure that on-duty employees are provided with sufficient supply for replacement in time;
- Daily provision of protective masks for employees and compulsive requirement on wearing masks during work;
- Daily disinfection on working and living areas, as well as venues for activities by on-duty employees, including plants, offices, canteens and elevators;
- Collective purchase of daily necessities for employees living in the Company's dormitory;
- Timely delivery of meals and provision of daily necessities for employees in self-quarantine;
- Requirement on scattered seating for meals for all employees in canteens, and frequent hand-washing before and after meals;
- Strengthening of employees' awareness of pandemic prevention and control, and regular pandemic prevention inspections;
- Free masks for all employees and their families.

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



Registration of external visitors



Body temperature measurement during travelling to and from work

HONESTY AND INTEGRITY

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

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

Staff reporting channels

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

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 briberies, setting forth both parties' responsibilities for reporting, investigating and penalising briberies, and requiring both parties to abide by the commitment to integrity. Anybody noticing any violation of the clean procurement policy can report to us via reporting telephone or email. The violators will be punished if the reported situation is attested.

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

On 9 April 2021, we held an anti-corruption promotion and training meeting for all employees (including senior management) to publicise anti-corruption measures, as well as the Code of Discipline, the Whistle-blowing Policy, the Corporate Governance Code and other anti-corruption policies by the manager of the Audit Department, and highlighted the necessity and importance of anti-corruption to enhance all employees' awareness of integrity and self-discipline.

Anti-corruption training

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. In 2021, the Company's local bases set up sub-cottages for training of the bases. Each society under Green Future Cottage was responsible for providing corresponding training courses, allowing for joint growth of the Company and our employees by virtue of comprehensive and multi-tiered training in diverse forms.

We established the *Training Management Policy*, formulated the annual and monthly training plans, and mobilised internal and external resources to offer a wealth of trainings, including but not limited to outward development training for middle and senior management, orientation training for new joiners, professional skills training, management training and vocational training. We also established and nurtured an in-house lecturer team, conducted internal trainer selection, training, certification and management to maximise the sharing of knowledge, skills and best practices. In 2021, we engaged 8 external trainers in special training for employees at the supervisor and manager level.

In 2021, we formulated the *Regulations on the Dispatch Management Within the Group,* specifying the management of dispatched employees, and providing more opportunities for employees' career development.

We encouraged employees to actively participate in the Company's training, and formulated the *Regulations on the OPL Management of the Group* in 2021 (OPL, One Point Lesson, an on-site training model) to encourage employees to share their personal work experience and wisdom, give full play to the advantages and specialities of each employee for mutual learning, and fully tap into the wisdom of employees for the sharing of knowledge, experience, and skills. We integrated training into daily work, which was effective and targeted.

In 2021, 653 employees participated in 120 training sessions held by Green Future Cottage. As of the end of the Reporting Period, 27 trainees were certified as internal trainers.

Green Future Cottage – "Solidarity: To Be the Best Vision of You" in March 2021

Green Future Cottage – "Role Cognition and Cultivation for Management" in May 2021

Green Future Cottage – "How to Improve Execution Effectively" in July 2021

Green Future Cottage – "High Performance Management" in December 2021

Training for Directors – "Training Camp for Win-win Leadership" in September 2021

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 employees trained	Average training hours completed per employee
By gender	Male	**64.1%**	**13.7**
	Female	**35.9%**	**9.3**
By employee category	Senior management	**3.0%**	**58.3**
	Middle management	**13.7%**	**29.9**
	Junior employees	**83.3%**	**7.5**

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 2021, the Group, based on the *Employee Manual,* regulated employees' management to protect their rights and interests.

- **Recruitment, dismissal and promotion**

  We formulated the *Policies and Procedures on Internal and External Recruitment* and other polices. Based on the principle of "Capacity matching and merit-based recruitment", we adopt OPR (Organizational Talent Review) process, internal recommendation, external recommendation and other channels to recruit employees suitable for work needs. In 2021, the Group enhanced the recruitment through internal employees' recommendation by increasing rewards for the recommendation to further mobilise the connection advantages of the Company's internal employees. The Group signs the *Labour Contract* with employees, which incorporates the conditions for termination of labour contract, and standardizes the conditions and procedures for employee resignation through the *Resignation Policies and Procedures*. Arbitrary dismissal is not allowed.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 December 2021, the Group had a total of 1,177 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	**755**	**19%**
	Female	**422**	**14%**
By age group	<30	**206**	**20%**
	30-50	**757**	**19%**
	>50	**214**	**10%**
By geographical region	Mainland China	**990**	**20%**
	Hong Kong SAR	**9**	**0%**
	Others	**178**	**0%**

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

- **Compensation and benefits**

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

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

The Group, with reference to the *Performance Appraisal Management Regulations*, evaluated all employees' performance, in terms of individual behavioural indicators and individual performance indicators, on a monthly basis. In 2021, we continuously improved the performance-oriented management system, formulated the *Regulations on the Management of Performance Interview of the Group,* to carry out face-to-face exchanges and discussions with employees and encourage and motivate them to continuously improve their performance.

- **Working hours and holidays**

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

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

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

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

- **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 Handbook and the Policies and Procedures on Internal and External Recruitment. Applicants for our employment must be at least 18 years of age. The Group rigorously follows statutory working hours, controls overtime work, maintains work-life balance and prevents forced labour.

- **Employee care**

  We value communication with our employees. In 2021, we set up a special meeting for bi-monthly communication. Serving as a bridge between employees and the Company's management, the meeting helps the Company's management better listen to the voices of employees, and assists employees in solving practical problems in work and life, closing the gap between employees and the Company and enhancing employees' sense of belonging.

Employee communication meeting

From 24 to 27 April 2021, the Group's Headquarters and all bases held a bimonthly communication meeting, respectively. Through the meeting, we learned more about the profile and needs of employees, bridging the gap between the Company and employees.

Employee communication meeting

In addition, we held various themed activities during holidays to enrich amusements of employees and promote the corporate culture, including the activities themed "Warmth in Greenfresh" for the Dragon Boat Festival, series of activities themed "Happy Labour Day", a gala party for the Lantern Festival and various activities for the Women's Day.

Rice dumplings making for the Dragon Boat Festival

Gala party for the Lantern Festival

Crafting for the Women's Day

Mountain-climbing for the "Happy Labour Day"

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 86 to 170, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Revenue recognition — sales of goods	
Refer to notes 2.23 and 5 to the consolidated financial statements The Group's revenue from sales of goods for the year ended 31 December 2021 amounted to HK$1,163.1 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 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. We conducted testing of sales transactions on a sample basis by examining the relevant supporting documents including customers' contracts and orders, sales invoices, goods delivery notes, Customs declaration documents for export sales and goods receipt evidence for domestic sales. In addition, we circularised confirmations on a sample basis on trade receivable balances as at the balance sheet date together with the confirmations of the sales transactions with selected customers during the year. Furthermore, we tested sales transactions that took place before and after the balance sheet date to assess whether the transactions were recognised in the appropriate reporting period based on the supporting documents obtained. 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 2.9, 4(d), 16 and 32 to the consolidated financial statements As at 31 December 2021, the Group had goodwill of HKD54,826,000 which were derived from the acquisition of Fujian Province Lvqi Food Colloid Company Ltd. in November 2012 and the acquisition of PT Hongxin Algae International in April 2021. In assessing the recoverable amounts of the Group's cash generating units ("CGUs") that include goodwill, management engaged external valuation expert to assist in determining the value-in-use calculation of the CGUs, being the present value of the future cash flows expected to be derived from the CGUs. Such calculation involved significant judgements and estimates about the future results of the relevant businesses, including: annual revenue growth rates, gross profit margins, long term annual growth rate and discount rates. No impairment on goodwill was made after management's assessment. We focused our audit effort in this area because of the significance of the goodwill amount, the high degree of uncertainties associated with estimating the future operating performance of the CGUs and the complexity and subjectivity of management estimates involved in determining the valuations, including the appropriateness of the significant assumptions adopted.	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 impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the management estimates involved in determining the valuations, including the appropriateness of the significant assumptions adopted. • Assessed the competency, objectivity and independence of the external valuer engaged by management. • Obtained management's assessment on goodwill impairment and engaged our internal valuation experts to assess the appropriateness of the method adopted by management to perform goodwill impairment assessment and the discount rates used by management. • Assessed the reasonableness of the key assumptions used in the value-in-use 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. • 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.

INDEPENDENT AUDITOR'S REPORT

pwc

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 Company's 2021 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.

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)

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.

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 judgement 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.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

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

- 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.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Note	Year ended 31 December 2021 HK$'000	2020 HK$'000
Revenue	5	**1,163,146**	877,163
Cost of sales	8	**(892,714)**	(686,286)
Gross profit		**270,432**	190,877
Other income	6	**8,237**	9,417
Other (losses)/gains – net	7	**(2,075)**	1,818
Net impairment losses on financial assets	21	**(3,515)**	(128)
Impairment of non-financial assets	15	**(3,592)**	—
Selling and distribution expenses	8	**(16,667)**	(18,683)
Administrative expenses	8	**(92,762)**	(71,254)
Operating profit		**160,058**	112,047
Finance income	10	**194**	2,156
Finance costs	10	**(22,625)**	(26,614)
Finance costs – net	10	**(22,431)**	(24,458)
Profit before income tax		**137,627**	87,589
Income tax expense	11	**(33,700)**	(20,633)
Profit for the year		**103,927**	66,956
Profit for the year attributable to:			
Owners of the Company		**103,622**	68,902
Non-controlling interests		**305**	(1,946)
		103,927	66,956
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (HK$)	12	**0.127**	0.085
Diluted earnings per share (HK$)	12	**0.123**	0.084

The notes on pages 92 to 170 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Profit for the year	**103,927**	66,956
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
– Currency translation differences	**26,068**	45,655
Total comprehensive income for the year	**129,995**	112,611
Total comprehensive income for the year is attributable to:		
Owners of the Company	**129,345**	113,910
Non-controlling interests	**650**	(1,299)
	129,995	112,611

The notes on pages 92 to 170 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

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

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
Assets			
Non-current assets			
Land use rights	14	**68,415**	62,470
Property, plant and equipment	15	**504,139**	413,044
Intangible assets	16	**88,507**	50,272
Prepayments for non-current assets	17	**2,339**	13,070
Deferred income tax assets	30	**10,461**	11,746
		673,861	550,602
Current assets			
Inventories	20	**687,456**	505,426
Trade and other receivables	21	**198,872**	197,355
Financial assets at fair value through profit or loss	19	**5,529**	3,540
Cash and bank balances	22	**133,832**	171,842
		1,025,689	878,163
Total assets		**1,699,550**	1,428,765
Equity			
Equity attributable to owners of the Company			
Share capital	23	**8,208**	8,164
Other reserves	25	**368,018**	363,831
Treasury shares	26	**(12,582)**	(12,297)
Retained earnings		**478,333**	386,552
		841,977	746,250
Non-controlling interests		**19,889**	7,855
Total equity		**861,866**	754,105

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

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

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
Liabilities			
Non-current liabilities			
Bank borrowings	28	**94,224**	28,398
Lease liabilities	28	**5,790**	7,037
Deferred income	29	**28,160**	31,096
Deferred income tax liabilities	30	**6,270**	1,803
		134,444	68,334
Current liabilities			
Trade and other payables	27	**178,448**	132,011
Bank borrowings	28	**500,153**	461,541
Lease liabilities	28	**2,312**	1,961
Current income tax liabilities		**22,327**	10,813
		703,240	606,326
Total liabilities		**837,684**	674,660
Total equity and liabilities		**1,699,550**	1,428,765

The notes on pages 92 to 170 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 86 to 91 were approved by the board of directors of the Company on 30 March 2022 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 2021

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

		Equity attributable to owners of the Company						
	Note	Share capital HK$'000	Other reserves HK$'000	Treasury shares HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021		**8,164**	**363,831**	**(12,297)**	**386,552**	**746,250**	**7,855**	**754,105**
Comprehensive income								
Profit for the year		**—**	**—**	**—**	**103,622**	**103,622**	**305**	**103,927**
Other comprehensive income/(loss)								
– Currency translation differences		**—**	**25,723**	**—**	**—**	**25,723**	**345**	**26,068**
Total comprehensive income		**—**	**25,723**	**—**	**103,622**	**129,345**	**650**	**129,995**
Transactions with owners								
Dividend paid		**—**	**(32,340)**	**—**	**—**	**(32,340)**	**—**	**(32,340)**
Capital contribution		**—**	**(3,943)**	**—**	**—**	**(3,943)**	**3,943**	**—**
Equity-settled share-based payment	24	**—**	**2,878**	**—**	**—**	**2,878**	**—**	**2,878**
Shares issued due to options exercised during the period	23	**44**	**—**	**—**	**—**	**44**	**—**	**44**
Acquisition of new subsidiaries		**—**	**—**	**—**	**—**	**—**	**7,512**	**7,512**
Transaction with non-controlling interests		**—**	**28**	**—**	**—**	**28**	**(71)**	**(43)**
Profit appropriation to statutory reserves		**—**	**11,841**	**—**	**(11,841)**	**—**	**—**	**—**
Buy-back of shares	26	**—**	**—**	**(285)**	**—**	**(285)**	**—**	**(285)**
Total transactions with owners		**44**	**(21,536)**	**(285)**	**(11,841)**	**(33,618)**	**11,384**	**(22,234)**
Balance at 31 December 2021		**8,208**	**368,018**	**(12,582)**	**478,333**	**841,977**	**19,889**	**861,866**
Balance at 1 January 2020		8,000	366,791	—	326,983	701,774	669	702,443
Comprehensive income								
Profit for the year		—	—	—	68,902	68,902	(1,946)	66,956
Other comprehensive income/(loss)								
– Currency translation differences		—	45,008	—	—	45,008	647	45,655
Total comprehensive income		—	45,008	—	68,902	113,910	(1,299)	112,611
Transactions with owners								
Dividend paid	13	—	(60,930)	—	—	(60,930)	—	(60,930)
Capital contribution from non-controlling interests		—	—	—	—	—	8,485	8,485
Equity-settled share-based payment	24	—	3,629	—	—	3,629	—	3,629
Shares issued due to options exercised during the period	23	164	—	—	—	164	—	164
Profit appropriation to statutory reserves		—	9,333	—	(9,333)	—	—	—
Buy-back of shares	26	—	—	(12,297)	—	(12,297)	—	(12,297)
Total transactions with owners		164	(47,968)	(12,297)	(9,333)	(69,434)	8,485	(60,949)
Balance at 31 December 2020		8,164	363,831	(12,297)	386,552	746,250	7,855	754,105

The notes on pages 92 to 170 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Note	Year ended 31 December 2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from operations	31	**85,904**	41,574
Income tax paid		**(24,791)**	(29,934)
Net cash generated from operating activities		**61,113**	11,640
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	32	**(58,143)**	—
Purchases of property, plant and equipment		**(77,115)**	(60,634)
Purchases of financial assets at fair value through profit or loss		**(21,722)**	(11,242)
Purchases of intangible assets		**(411)**	(425)
Proceeds from sale of financial assets at fair value through profit or loss		**19,979**	7,978
Government grants relating to purchase of property, plant and equipment received		**—**	4,047
Interest received		**194**	2,156
Proceeds from disposal of property, plant and equipment		**52**	470
Net cash used in investing activities		**(137,166)**	(57,650)
Cash flows from financing activities			
Proceeds from borrowings		**933,312**	743,721
Repayments of borrowings		**(840,596)**	(592,687)
Dividend paid	13	**(32,340)**	(60,930)
Interest paid		**(23,293)**	(21,972)
Settlements of lease liabilities		**(2,343)**	(2,621)
Buy-back of shares	26	**(285)**	(12,297)
Transaction with non-controlling interest		**(43)**	—
Collection of restricted cash		**65,000**	—
Proceeds of share issued due to options exercised during the year		**44**	164
Repayment of convertible bond		**—**	(30,179)
Initial public offering costs		**—**	(1,133)
Capital injection from minority shareholders of subsidiaries		**—**	8,485
Net cash generated from financing activities		**99,456**	30,551
Net increase/(decrease) in cash and cash equivalents		**23,403**	(15,459)
Cash and cash equivalents at beginning of year		**106,842**	121,172
Effect of foreign exchange rates changes		**3,587**	1,129
Cash and cash equivalents at end of year	22	**133,832**	106,842

The notes on pages 92 to 170 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

1 GENERAL INFORMATION OF THE GROUP

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are in the business of manufacturing and sale of food manufacturing hydrocolloid products including carrageenan products, agar-agar products, blended products and konjac products in the People's Republic of China (the "PRC") and overseas. In April 2021, the Group completed the acquisition of 82% equity interests in Hung Tai Shun International Trading Limited, which holds 99.83% ownership of PT Hongxin Algae International ("PT Hongxin"), a company in the business of manufacturing of semi-carrageenan in Indonesia. Subsequent to the acquisition, PT Hongxin mainly supplies to the Group's subsidiary in the PRC.

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

The Company's shares have been listed on the Stock Exchange since 17 October 2019.

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

These consolidated financial statements have been approved for issue by the board of directors of the Company on 30 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2.1.1 Changes in accounting policies

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

Standards	Effective for accounting periods beginning on or after
Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	1 January 2021
HKFRS 16 (Amendments) Covid-19-related Rent Concessions	1 April 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies (Continued)

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2021, and have not been early adopted by the Group in preparing these consolidated financial statements. The Group intends to adopt them no later than the respective effective dates of these new standards and amendments. The Group has evaluated the impact of these new standards and amendments, no new standards or amendments have a significant impact on the consolidated financial statements of the Group.

Standards	Effective for accounting periods beginning on or after
HKAS 16 (Amendment) 'Property, plant and equipment – proceeds before intended use'	1 January 2022
HKAS 37 (Amendment) 'Onerous contracts – cost of fulfilling a contract'	1 January 2022
HKFRS 3 (Amendment) 'Reference to the conceptual Framework'	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
AG 5 (revised) 'Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations'	1 January 2022
HKAS 1 (Amendment) 'Classification of liabilities as current or non-current'	1 January 2023
HK Int 5 (2020) 'Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause'	1 January 2023
HKAS 1, HKFRS Practices Statement 2 (Amendment) 'Disclosure of Accounting Policies'	1 January 2023
HKAS 8 (Amendment) 'Definition of Accounting Estimates'	1 January 2023
HKFRS 10 and HKAS 28 (Amendments) 'Sale or contribution of assets between' an investor and its associate or joint venture	To be determined
HKAS 12 (Amendment) 'Deferred tax related to Assets and Liabilities arising from a single Transaction'	1 January 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation

(i) Subsidiaries

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

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

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

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

(ii) Changes in ownership interests

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

(i) Business combinations under common control

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

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

(ii) Business combinations not under common control

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

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

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

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

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

2.4 Separate financial statements

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

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

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

2.5 Segment reporting

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(iii) Group companies (Continued)

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

2.7 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such right are treated as right-of-use assets (note 2.25) 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.

2.8 Property, plant and equipment

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment (Continued)

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

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

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

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

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

2.9 Intangible assets

(i) Goodwill

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

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

Impairment testing of goodwill is described in note 2.10.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

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

2.11 Financial assets

(i) Classification

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

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

b) those to be measured at amortised cost.

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

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

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

(ii) Recognition and derecognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(iii) Measurement

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

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other (gains)/losses-net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (gains)/losses-net"and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other (gains)/losses-net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(iv) Offsetting financial instruments

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

(v) Impairment of financial assets

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

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

2.12 Inventories

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

2.13 Trade receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Cash and cash equivalents

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

2.15 Share capital

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

2.16 Treasury shares

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

2.17 Trade and other payables

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

2.18 Borrowings

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowing costs

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

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

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

2.20 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Current and deferred income tax (Continued)

Deferred income tax *(Continued)*

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

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

2.21 Employee benefits

(i) Short-term obligations

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

(ii) Post-employment obligations

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

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

(iii) Share-based compensation

The Group operates an equity-settled share-based payment plan (note 24). The fair value of the employee services received in exchange for the transfer of shares from controlling shareholders of 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition

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

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

2.23 Interest income

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

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

2.24 Leases

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Leases (Continued)

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

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

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

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

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

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

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

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

2.25 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 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.

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 2021, if USD had weakened/strengthened by 10% against the RMB with all other variables held constant, post-tax profit for the year would have been HK$3,666,000 lower/higher (2020: HK$2,592,000 lower/higher) mainly as a result of foreign exchange losses/gains on translation of USD denominated trade and other payables, borrowings, trade and other receivables, and cash and cash equivalents.

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3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

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

During the year ended 31 December 2021, if interest rate on borrowings had been higher by 100 basis points of current interest rate, with other variables held constant, post-tax profit for the year would have been approximately HK$1,080,000 lower (2020: HK$683,000 lower).

(b) Credit risk

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2021					
Bank borrowings	**500,153**	**30,247**	**63,977**	**—**	**594,377**
Interest payable on borrowings	**14,971**	**5,130**	**2,545**	**—**	**22,646**
Lease liabilities	**2,714**	**2,629**	**3,011**	**511**	**8,865**
Trade and other payables (excluding non-financial liabilities)	**151,292**	**—**	**—**	**—**	**151,292**
	669,130	**38,006**	**69,533**	**511**	**777,180**

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2020					
Bank borrowings	461,541	3,683	24,715	—	489,939
Interest payable on borrowings	13,480	221	1,252	—	14,953
Lease liabilities	2,426	2,366	4,391	1,158	10,341
Trade and other payables (excluding non-financial liabilities)	115,573	—	—	—	115,573
	593,020	6,270	30,358	1,158	630,806

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3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

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

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

The gearing ratio as at 31 December 2021 was as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Total of bank borrowings and lease liabilities (note 28)	**602,479**	498,937
Amount due to a third party (note 27)	**22,016**	23,764
Less: Cash and cash equivalents (note 22)	**(133,832)**	(106,842)
Restricted cash (note 22)	**—**	(65,000)
Financial assets at fair value through profit or loss (note 19)	**(5,529)**	(3,540)
Net debt	**485,134**	347,319
Equity	**861,866**	754,105
Total capital	**1,347,000**	1,101,424
Gearing ratio (Net debt/Total capital)	**36%**	32%

The increase in gearing ratio from 2020 to 2021 is resulted from the increase in bank borrowings.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(b) Impairment of trade and other receivables

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

(c) Net realisable value of inventories

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

(d) Estimated impairment of goodwill with indefinite useful life

The Group tests annually whether goodwill with indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 16).

(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 sales of milk powder, etc.

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, therefore no segment information of total assets, total liabilities and capital expenditure information was presented.

(a) Segment information

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

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

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5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information (Continued)

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

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

	Year ended 31 December 2020					
	Sales of agar-agar HK$'000	Sales of carrageenan HK$'000	Sales of konjac products HK$'000	Sales of blended products HK$'000	Others HK$'000	Total HK$'000
Revenue recognised at a point-in time:						
Sales to customers	241,506	515,203	44,424	69,910	6,120	877,163
Cost of sales	(154,732)	(441,452)	(40,891)	(43,670)	(5,541)	(686,286)
Segment results	86,774	73,751	3,533	26,240	579	190,877

5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information (Continued)

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

Results of reportable segments	190,877
Other income	9,417
Other gains – net	1,818
Net impairment losses on financial assets	(128)
Selling and distribution expenses	(18,683)
Administrative expenses	(71,254)
Finance income	2,156
Finance costs	(26,614)
Profit before income tax	87,589
Income tax expense	(20,633)
Profit for the year	66,956

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

	2021 HK$'000	2020 HK$'000
China	**557,624**	405,777
Europe	**370,426**	280,622
Asia (excluding China)	**151,310**	108,298
South America	**50,173**	48,565
North America	**29,004**	26,012
Africa	**4,517**	7,889
Oceania	**92**	—
Total	**1,163,146**	877,163

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5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information (Continued)

External customers that individually have contributed over 10% of total revenue of the Group for the year ended 31 December 2021 are as follows:

	2021 HK$'000	2020 HK$'000
Company A	**122,939**	—
Company B	**119,774**	89,247

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

	2021 HK$'000	2020 HK$'000
China	**579,518**	529,204
Hong Kong	**2,205**	3,173
Indonesia	**81,677**	6,479
Total	**663,400**	538,856

(b) Liabilities related to contracts with customers

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

	2021 HK$'000	2020 HK$'000
Contract liability (note 27)	**12,440**	6,528

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

	2021 HK$'000	2020 HK$'000
Revenue recognised during the year that was included in the contract liability at the beginning of the year	**6,528**	2,461

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.

6 OTHER INCOME

	2021 HK$'000	2020 HK$'000
Government grants		
– Received and recognised during the year	**4,184**	5,649
– Recognised from deferred income (note 29)	**3,792**	3,630
Others	**261**	138
	8,237	9,417

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7 OTHER (LOSSES)/GAINS – NET

	2021 HK$'000	2020 HK$'000
Net foreign exchange (losses)/gains from operating activities	**(1,023)**	1,891
Net losses on disposal of property, plant and equipment and patents	**(1,131)**	(145)
Gains on disposal of financial assets at fair value through profit or loss (note 19)	**114**	68
Gains from sales of raw materials	**29**	22
Net fair value gains on financial assets at fair value through profit or loss (note 19)	**—**	17
Others	**(64)**	(35)
	(2,075)	1,818

8 EXPENSES BY NATURE

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

	2021 HK$'000	2020 HK$'000
Raw materials and consumables used	**872,561**	676,242
Changes in inventories of finished goods and work in progress	**(129,852)**	(105,657)
Employee benefit expenses (note 9)	**119,214**	91,158
Amortisation of land use rights (note 14)	**1,484**	1,432
Depreciation of property, plant and equipment (note 15)	**43,408**	36,513
Amortisation of intangible assets (notes 16)	**7,698**	6,376
Utility expenses	**38,388**	30,467
Transportation costs	**8,927**	5,401
Other taxes and levies	**5,464**	4,126
Auditors' remuneration	**3,209**	2,780
– annual audit services of the Company's auditor	**2,651**	2,315
– non-audit services of the Company's auditor (i)	**265**	247
– statutory audit services of subsidiaries' auditor	**293**	218
Advertising and exhibition expense	**1,963**	1,984
Others	**29,679**	25,401
Total	**1,002,143**	776,223

8 EXPENSES BY NATURE (Continued)

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

	2021 HK$'000	2020 HK$'000
Employee benefit expenses	**6,790**	5,488
Raw materials and consumables used	**5,984**	4,894
Depreciation charges	**994**	871
Others	**1,448**	1,077
	15,216	12,330

(i) Non-audit service fees totalling HK$265,000 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 (2020: HK$247,000).

9 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2021 HK$'000	2020 HK$'000
Salaries, wages and bonuses	**104,341**	84,586
Pension, housing fund, medical insurance and other social insurance	**11,557**	2,651
Equity-settled share-based payment expenses (note 24)	**2,878**	3,629
Others	**438**	292
Total employee benefit expenses	**119,214**	91,158

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 include two directors (2020: one), whose emoluments are disclosed in the note 35. Details of the remunerations of the remaining three (2020: four) individuals during the year were as follows:

	2021 HK$'000	2020 HK$'000
Salaries and bonus	**3,845**	4,077
Pension, housing fund, medical insurance and other benefits	**49**	45
Equity settled share-based payment expenses	**2,467**	3,629
	6,361	7,751

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

Five highest paid individuals (Continued)

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

	2021	2020
Within HK$1,000,000	**—**	1
HK$1,000,000 - HK$2,000,000	**2**	1
HK$2,000,000 - HK$3,000,000	**1**	2
HK$3,000,000 - HK$4,000,000	**—**	—
	3	4

10 FINANCE COSTS – NET

	2021 HK$'000	2020 HK$'000
Finance income		
Interest income on bank deposits	**194**	2,156
Finance costs		
Interest and finance charges on bank borrowings	**(23,840)**	(22,605)
Interest on convertible bond	**—**	(1,395)
Finance charges on lease liabilities	**(334)**	(576)
Net foreign exchange losses on financing activities	**(1,664)**	(3,435)
	(25,838)	(28,011)
Amounts capitalised in qualifying assets (note 15)	**3,213**	1,397
	(22,625)	(26,614)
Finance costs - net	**(22,431)**	(24,458)

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 2021 of 5.39% (2020: 5.78%).

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.

	2021 HK$'000	2020 HK$'000
Current income tax	**32,744**	22,319
Deferred income tax (note 30)	**956**	(1,686)
Income tax expense	**33,700**	20,633

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% (2020: 25%) 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% (2020: 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 2020/2021 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 2021 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5% (2020: 16.5%).

11 INCOME TAX EXPENSE (Continued)

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

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group's subsidiaries operate. The Company's subsidiaries incorporated in the PRC are subject to CIT at the rate of 25% (2020: 25%), except for Fujian Province Lvqi Food Colloid Company Ltd. ("Lvqi (Fujian)"), Longhai City Donghaiwan Seaweed Breeding Comprehensive Development Company Limited ("Donghaiwan") and Lvqi Trading (Shanghai) Company Ltd. ("Lvqi (Shanghai)") which are subject to CIT at the preferential rate of 15%, 12.5% and 5% for 2021 and 2020, respectively.

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

Donghaiwan is qualified as an agricultural products enterprise and is subject to a CIT reduction of 50% as granted by the local tax bureau, and the CIT rate is 12.5% during 2021 and 2020.

Lvqi (Shanghai) is qualified as a small low-profit enterprise and is subject to CIT reduction of 75% as granted by the local tax bureau, and the CIT rate is 20% during 2021 and 2020.

(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 2021 and 2020, the holding companies of the Group's subsidiaries in the PRC are Hong Kong incorporated companies and are subject to a withholding income tax rate of 5%.

The Group's subsidiaries in the PRC have undistributed earnings totalled HK$513,433,000 as at 31 December 2021 (2020: HK$405,751,000), which, if paid out as dividends, would be subject to income tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entities are able to control the timing of distributions from their subsidiaries and the subsidiaries are not expected to distribute these profits in the foreseeable future.

11 INCOME TAX EXPENSE (Continued)

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

	2021 HK$'000	2020 HK$'000
Profit before income tax	**137,627**	87,589
Tax calculated at the applicable statutory tax rates in the respective regions	**36,528**	25,920
Adjustment for tax effect of:		
– Expenses not deductible for tax purpose	**357**	251
– Additional deduction of research and development expenses	**(1,536)**	(776)
– Overprovision of previous year	**(760)**	(1,295)
– Impact of preferential income tax	**(2,709)**	(2,032)
– Previously unrecognised tax losses utilised during the year	**—**	(2,161)
– Tax losses for which no deferred income tax asset was recognised	**1,820**	726
Tax charge	**33,700**	20,633

The weighted average applicable statutory tax rate for the year ended 31 December 2021 was 27% (2020: 30%). The effective tax rate for the year ended 31 December 2021 was 24% (2020: 24%).

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

	2021 HK$'000	2020 HK$'000
2023	**1,154**	1,154
2024	**705**	705
2025	**3,224**	3,224
2026	**4,981**	—
	10,064	5,083

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12 EARNINGS PER SHARE

(a) Basic and diluted earnings per share

	2021 HK$	2020 HK$
Basic earnings per share attributable to the ordinary equity holders of the Company	**0.127**	0.085
Diluted earnings per share attributable to the ordinary equity holders of the Company	**0.123**	0.084

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

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

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

	2021 HK$'000	2020 HK$'000
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company	**103,622**	68,902

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

	2021	2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (i)	**818,954,060**	806,036,787
Adjustments for calculation of diluted earnings per share:		
– Share options	**9,589,726**	11,076,047
– Treasury shares	**12,347,534**	4,577,705
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**840,891,320**	821,690,539

(i) The weighted average number of ordinary shares has been retrospectively adjusted for the effects of share options (note 23) and treasury shares (note 26).

13 DIVIDENDS

	2021 **HK$'000**	2020 HK$'000
Paid final dividend of HK2.5 cents (2020: HK5.0 cents) per ordinary share	**20,215**	40,820
Paid interim dividend of HK1.5 cents (2020: HK2.5 cents) per ordinary share	**12,125**	20,110
Total	**32,340**	60,930

Dividends relating to the years ended 31 December 2020, amounting to approximately HK$20,215,000, were paid in July 2021.

Dividends relating to the period ended 30 June 2021, amounting to approximately HK$12,125,000, were paid in October 2021.

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

	2021 **HK$'000**	2020 HK$'000
Proposed final dividend of HK2.5 cents (2020: HK2.5 cents) per ordinary share	**20,521**	20,410

A final dividend in respect of the year ended 31 December 2021 of HK2.5 cents (2020: HK2.5 cents) per share, amounting to a total of HK$20,521,000 (2020: HK$20,410,000), was proposed by the board of directors of the Company on 30 March 2022 (2020: 30 March 2021) and is subject to approval by the Company's shareholders in the forthcoming annual general meeting of the Company. The proposed dividend will be distributed out of the share premium account of the Company. These financial statements do not reflect this as dividend payable.

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14 LAND USE RIGHTS

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

	2021 HK$'000	2020 HK$'000
At 1 January	**62,470**	60,615
Acquisition of subsidiaries (Note 32)	**5,818**	—
Amortisation	**(1,484)**	(1,432)
Currency translation differences	**1,611**	3,287
At 31 December	**68,415**	62,470

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

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

In respect of the Group's land in Situbondo, Indonesia, which had net book value of HK$6,420,000 (2020: HK$6,479,000), the Group has been informed that the land will be acquired by the local government in the near future for use of the construction of a toll road. The Group is in the process of negotiation with the local government about the amount of compensation which is expected to be not less then the book value of the land, accordingly no impairment has been recognised for the year ended 31 December 2021.

As at 31 December 2021, land use rights of the Group with a total net book value of HK$30,439,000 (2020: HK$29,635,000) were pledged to secure borrowings of the Group as disclosed in notes 28.

15 PROPERTY, PLANT AND EQUIPMENT

	2021 HK$'000	2020 HK$'000
Property, plant and equipment (excluding right-of-use assets)	**496,420**	404,194
Right-of-use assets	**7,719**	8,850
	504,139	413,044

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Property, plant and equipment (excluding right-of-use assets)

	Buildings HK$'000	Production machineries HK$'000	Factory devices and equipment HK$'000	Vehicles, office furniture and fixtures HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 January 2021							
Cost	276,182	220,836	29,029	9,840	46,056	1,275	583,218
Accumulated depreciation	(67,204)	(84,328)	(19,152)	(7,959)	—	(381)	(179,024)
Net book amount	208,978	136,508	9,877	1,881	46,056	894	404,194
Year ended 31 December 2021							
Opening net book amount	208,978	136,508	9,877	1,881	46,056	894	404,194
Currency translation differences	7,369	4,748	121	93	177	130	12,638
Acquisition of subsidiary (Note 32)	13,383	13,410	299	558	879	—	28,529
Additions	36,913	1,260	875	2,938	54,186	657	96,829
Transfers upon completion	53,497	29,154	787	—	(83,438)	—	—
Disposals	—	(894)	(31)	(3)	—	—	(928)
Depreciation charge	(15,349)	(22,245)	(2,519)	(879)	—	(258)	(41,250)
Impairment loss	(1,319)	(2,273)	—	—	—	—	(3,592)
Closing net book amount	303,472	159,668	9,409	4,588	17,860	1,423	496,420
At 31 December 2021							
Cost	390,787	273,045	31,566	13,725	17,860	1,688	728,671
Accumulated depreciation	(85,976)	(111,070)	(22,157)	(9,137)	—	(265)	(228,605)
Accumulated impairment loss	(1,339)	(2,307)	—	—	—	—	(3,646)
Net book amount	303,472	159,668	9,409	4,588	17,860	1,423	496,420

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15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Property, plant and equipment (excluding right-of-use assets) (Continued)

	Buildings HK$'000	Production machineries HK$'000	Factory devices and equipment HK$'000	Vehicles, office furniture and fixtures HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 January 2020							
Cost	249,711	193,443	24,591	9,187	15,359	459	492,750
Accumulated depreciation	(50,626)	(62,256)	(15,005)	(7,291)	—	(268)	(135,446)
Net book amount	199,085	131,187	9,586	1,896	15,359	191	357,304
Year ended 31 December 2020							
Opening net book amount	199,085	131,187	9,586	1,896	15,359	191	357,304
Currency translation differences	12,735	8,510	599	146	2,589	50	24,629
Additions	3,079	4,411	2,292	774	45,659	758	56,973
Transfers upon completion	5,970	11,126	455	—	(17,551)	—	—
Disposals	—	(606)	(7)	(2)	—	—	(615)
Depreciation charge	(11,891)	(18,120)	(3,048)	(933)	—	(105)	(34,097)
Closing net book amount	208,978	136,508	9,877	1,881	46,056	894	404,194
At 31 December 2020							
Cost	276,182	220,836	29,029	9840	46,056	1,275	583,218
Accumulated depreciation	(67,204)	(84,328)	(19,152)	(7,959)	—	(381)	(179,024)
Net book amount	208,978	136,508	9,877	1,881	46,056	894	404,194

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets

	Lease of buildings HK$'000
At 1 January 2021	
Cost	**14,947**
Accumulated depreciation	**(6,097)**
Net book amount	**8,850**
Year ended 31 December 2021	
Opening net book amount	**8,850**
Currency translation differences	**160**
Additions	**867**
Disposals	**—**
Depreciation charge	**(2,158)**
Closing net book amount	**7,719**
At 31 December 2021	
Cost	**13,201**
Accumulated depreciation	**(5,482)**
Net book amount	**7,719**
At 1 January 2020	
Cost	8,967
Accumulated depreciation	(5,037)
Net book amount	3,930
Year ended 31 December 2020	
Opening net book amount	3,930
Currency translation differences	332
Additions	7,513
Disposals	(509)
Depreciation charge	(2,416)
Closing net book amount	8,850
At 31 December 2020	
Cost	14,947
Accumulated depreciation	(6,097)
Net book amount	8,850

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15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Other disclosures

(i) As at 31 December 2021, property, plant and machinery of the Group, including those held under leases (note 28), with a total net book value of HK$50,088,000 (2020: HK$44,239,000), were pledged as security for borrowings of the Group as disclosed in notes 28.

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

	2021 HK$'000	2020 HK$'000
Depreciation of property, plant and equipment (including right-of-use assets)		
– Cost of sales	**35,414**	30,331
– Selling and distribution expenses	**22**	27
– Administrative expenses	**7,972**	6,155
	43,408	36,513

(iii) During the year ended 31 December 2021, the Group capitalised interest on borrowings amounting to approximately HK$3,213,000 (2020: HK$1,397,000) on qualifying assets (note 10). Borrowing costs were capitalised at the weighted average rate of 5.39% (2020: 5.78%) per annum for the year ended 31 December 2021.

(iv) During the year ended 31 December 2021, the Group recognized impairment loss of HK$3,592,000 (2020: nil) from certain property, plant and equipment since the assets' carrying amount exceeds their recoverable amount (note 2.10).

16 INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks and licences HK$'000	Patents HK$'000	Relationship with customers HK$'000	Sea use rights HK$'000	Discharge rights HK$'000	Technology HK$'000	Total HK$'000
At 1 January 2021								
Cost	**27,907**	**1,546**	**12,759**	**15,258**	**440**	**17,801**	**—**	**75,711**
Accumulated amortisation	**—**	**(913)**	**(6,463)**	**(6,984)**	**(399)**	**(10,680)**	**—**	**(25,439)**
Net book amount	**27,907**	**633**	**6,296**	**8,274**	**41**	**7,121**	**—**	**50,272**
Year ended 31 December 2021								
Opening net book amount	**27,907**	**633**	**6,296**	**8,274**	**41**	**7,121**	**—**	**50,272**
Currency translation differences	**820**	**31**	**344**	**448**	**—**	**153**	**—**	**1,796**
Additions	**—**	**1,063**	**—**	**—**	**—**	**—**	**—**	**1,063**
Acquisition of subsidiaries (note 32)	**26,099**	**45**	**—**	**—**	**—**	**—**	**17,373**	**43,517**
Amortisation charge (note 8)	**—**	**(298)**	**(1,770)**	**(1,207)**	**(41)**	**(3,610)**	**(772)**	**(7,698)**
Disposal	**—**	**—**	**(443)**	**—**	**—**	**—**	**—**	**(443)**
Closing net book amount	**54,826**	**1,474**	**4,427**	**7,515**	**—**	**3,664**	**16,601**	**88,507**
At 31 December 2021								
Cost	**54,826**	**2,742**	**12,583**	**15,706**	**—**	**18,323**	**17,373**	**121,553**
Accumulated amortisation	**—**	**(1,268)**	**(8,156)**	**(8,191)**	**—**	**(14,659)**	**(772)**	**(33,046)**
Net book amount	**54,826**	**1,474**	**4,427**	**7,515**	**—**	**3,664**	**16,601**	**88,507**
At 1 January 2020								
Cost	26,219	1,118	11,987	14,334	383	16,723	—	70,764
Accumulated amortisation	—	(662)	(4,742)	(5,857)	(294)	(6,689)	—	(18,244)
Net book amount	26,219	456	7,245	8,477	89	10,034	—	52,520
Year ended 31 December 2020								
Opening net book amount	26,219	456	7,245	8,477	89	10,034	—	52,520
Currency translation differences	1,688	37	728	924	3	455	—	3,835
Additions	—	293	—	—	—	—	—	293
Amortisation charge (note 8)	—	(153)	(1,677)	(1,127)	(51)	(3,368)	—	(6,376)
Closing net book amount	27,907	633	6,296	8,274	41	7,121	—	50,272
At 31 December 2020								
Cost	27,907	1546	12,759	15,258	440	17,801	—	75,711
Accumulated amortisation	—	(913)	(6,463)	(6,984)	(399)	(10,680)	—	(25,439)
Net book amount	27,907	633	6,296	8,274	41	7,121	—	50,272

16 INTANGIBLE ASSETS (Continued)

During the year ended 31 December 2021, the amounts of amortisation expenses charged to cost of sales and administrative expenses were as follows:

	2021 HK$'000	2020 HK$'000
Amortisation of intangible assets		
– Cost of sales	**5,228**	3,474
– Administrative expenses	**2,470**	2,902
	7,698	6,376

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

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

(b) Impairment test for goodwill

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

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16 INTANGIBLE ASSETS (Continued)

(b) Impairment test for goodwill (Continued)

i. Goodwill from the acquisition of Lvqi (Fujian)

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

	2021	2020
Revenue annual growth rate		
– average of the forecast period	**3.5%**	5.1%
Average gross profit margins	**28.0%**	31.8%
Annual average capex expenditure (RMB'M)	**0.6**	0.9
Long term annual growth rate	**2.5%**	2.5%
Pre-tax discount rate	**14.5%**	14.8%

ii. Goodwill from the acquisition of PT Hongxin

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

	2021
Revenue annual growth rate	
– average of the forecast period	**24.7%**
Average gross profit margins	**21.2%**
Annual average capex expenditure (HKD'M)	**3.6**
Long term annual growth rate	**3.0%**
Pre-tax discount rate	**30.1%**

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17 PREPAYMENTS FOR NON-CURRENT ASSETS

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

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		2021 HK$'000	2020 HK$'000
(i)	Financial assets at amortised cost		
	Trade and other receivables excluding prepayments, deductible value-added tax and export tax rebate receivable (note 21)	**152,742**	152,034
	Cash and bank balances (note 22)	**133,832**	171,842
		286,574	323,876
(ii)	Financial assets at at fair value through profit or loss (note 19)	**5,529**	3,540
(iii)	Financial liabilities at amortised cost		
	Bank borrowings (note 28(a))	**594,377**	489,939
	Trade and other payables excluding non-financial liabilities (note 27)	**151,292**	115,573
	Lease liabilities (note 28(b))	**8,102**	8,998
		753,771	614,510

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Current assets		
Financial assets at fair value through profit or loss		
– Debt investment	**5,529**	3,540

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Movements are analysed as follows:

	2021 HK$'000	2020 HK$'000
Bank financial products		
At 1 January	**3,540**	—
Additions	**21,722**	11,242
Disposals	**(19,979)**	(7,978)
Gains on disposal (note 7)	**114**	68
Fair value gains (note 7)	**—**	17
Currency translation differences	**132**	191
As at the end of year	**5,529**	3,540

20 INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**203,801**	162,955
Finished goods	**483,655**	342,471
	687,456	505,426

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

During the year ended 31 December 2021, the cost of inventories recognised as expense and included in 'cost of sales', 'selling and distribution expenses' and 'administrative expenses' amounted to HK$742,709,000 (2020: HK$570,585,000).

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21 TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**149,865**	146,282
Loss allowance provision	**(4,274)**	(754)
	145,591	145,528
Prepayments for purchases of raw materials	**20,174**	25,251
Export tax rebate receivables and deductible value-added tax	**25,956**	20,070
Other receivables	**7,151**	6,506
	53,281	51,827
Total trade and other receivables	**198,872**	197,355

(i) Ageing analysis of trade receivables

The ageing analysis of the trade receivables as at the 31 December 2021 based on invoice date was as follows:

	2021 HK$'000	2020 HK$'000
Up to 30 days	**87,941**	75,553
31 to 90 days	**38,629**	39,768
91 to 180 days	**6,375**	6,608
181 to 365 days	**10,383**	12,909
Over one year	**6,537**	11,444
	149,865	146,282

21 TRADE AND OTHER RECEIVABLES (Continued)

(ii) Impairment of trade receivables

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

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

The loss allowance provision of trade receivables as at 31 December 2021 is as follows:

	Settled in 3 months HK$'000	Settled in 4-6 months HK$'000	Settled in 7-9 months HK$'000	Settled in 10-12 months HK$'000	Settled over 1 year HK$'000	Settled over 2 years HK$'000	Total HK$'000
At 31 December 2021							
Expected loss rate	**0.09%**	**0.38%**	**6.52%**	**11.95%**	**14.82%**	**100.00%**	**—**
Gross carrying amount	**126,569**	**6,375**	**7,162**	**3,222**	**3,968**	**2,569**	**149,865**
Loss allowance provision	**114**	**24**	**467**	**385**	**588**	**2,569**	**4,147**
Individually impaired receivables							**127**
Total provision							**4,274**
At 31 December 2020							
Expected loss rate	0.02%	0.06%	1.57%	3.06%	3.41%	—	—
Gross carrying amount excluding individually impaired receivables and notes receivables	109,002	5,200	11,766	1,143	11,304	—	138,415
Loss allowance provision	22	3	185	35	386	—	631
Individually impaired receivables							123
Total provision							754

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21 TRADE AND OTHER RECEIVABLES (Continued)

(iii) Impairment of other financial assets at amortised cost

Impairment losses are recognised in profit or loss within net impairment losses on financial assets. Receivables for which an impairment provision was recognised are written off against the provision 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.

As at 31 December 2021, the loss allowance provision for trade receivables are reconciled to the opening loss allowance for that provision as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**(754)**	(617)
Increase in loss allowance recognised in profit or loss during the year	**(3,515)**	(128)
Currency translation differences	**(5)**	(9)
At 31 December	**(4,274)**	(754)

During the year ended 31 December 2021, the following losses were recognised in profit or loss in relation to impaired receivables.

	2021 HK$'000	2020 HK$'000
Individually impaired receivables	**—**	171
Provision for impairment according to the expected credit losses matrix	**(3,515)**	(299)
Net impairment losses	**(3,515)**	(128)

21 TRADE AND OTHER RECEIVABLES (Continued)

(iii) Impairment of other financial assets at amortised cost (Continued)

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 (2020: 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:

	2021 HK$'000	2020 HK$'000
USD	**41,604**	53,761
RMB	**152,395**	141,611
HK$	**1,141**	542
Other currencies	**3,732**	1,441
	198,872	197,355

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22 CASH AND BANK BALANCES

	2021 HK$'000	2020 HK$'000
Cash and cash equivalents		
– Cash on hand	**293**	185
– Cash in banks	**133,539**	106,657
	133,832	106,842
Restricted cash – cash in banks	**—**	65,000
Total of cash and bank balances	**133,832**	171,842

The restricted cash are deposits held at bank as deposit for issue of letter of guarantee and pledged for bank borrowings of the Group as at 31 December 2020. The guarantee and pledge were released in January 2021.

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

	2021 HK$'000	2020 HK$'000
RMB	**68,517**	38,481
USD	**61,830**	64,027
HK$	**1,902**	69,333
IDR	**1,583**	1
	133,832	171,842

23 SHARE CAPITAL

	Share capital	Number of shares HK$'000
Authorised:		
At 1 January 2020 till 31 December 2021	50,000,000,000	500,000
Issued:		
At 1 January 2020	800,000,000	8,000
Shares issued upon exercise of share options	16,392,000	164
At 31 December 2020	816,392,000	8,164
Shares issued upon exercise of share options	4,432,000	44
At 31 December 2021	820,824,000	8,208

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 8 May 2020, the Company issued a total of 16,392,000 ordinary shares of HK$0.01 par value at HK$0.01 each to three employees of the Group, a former non-controlling shareholder of a subsidiary of the Group and a personal consultant to certain directors of the Company who were grant share options pursuant to the pre-IPO share option scheme (Note 24).

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

24 EQUITY-SETTLED SHARE-BASED PAYMENT

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

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

The equity-settled share-based payment expenses charged to the consolidated statement of profit or loss during the year ended 31 December 2021 are as follows:

	2021 HK$'000	2020 HK$'000
Employee benefit expenses (note 9)	**2,878**	3,629

As at 31 December 2021, the remaining unamortised fair value of share options transferred to the three employees amounted to approximately HK$4,128,000 which will be charged to the consolidated statement of profit or loss in the future.

The following assumptions were used to calculate the fair values of the shares transferred by using income approach – expected cash flow discount method:

	26 February 2018
Long term annual growth rate	3%
Weighted-average cost of capital	18%

Weighted-average cost of capital is determined with reference to a set of comparable companies in the industry.

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24 EQUITY-SETTLED SHARE-BASED PAYMENT (Continued)

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

	2021	2020
As at 1 January	**17,728,000**	34,120,000
Exercised during the period	**(4,432,000)**	(16,392,000)
	13,296,000	17,728,000

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 2021	Number of share options outstanding 2020	Vesting period and maximum % of exercisable share options	Exercise period	Exercise price
Options granted to three employees	9 August 2018	**13,296,000**	17,728,000	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

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25 OTHER RESERVES

	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Statutory reserves HK$'000	Currency translation differences HK$'000	Total HK$'000
At 1 January 2021	**270,100**	**(39,509)**	**64,347**	**47,504**	**21,389**	**363,831**
Currency translation differences	**—**	**—**	**—**	**—**	**25,723**	**25,723**
Dividend paid (note 13)	**(32,340)**	**—**	**—**	**—**	**—**	**(32,340)**
Capital contribution	**—**	**—**	**(3,943)**	**—**	**—**	**(3,943)**
Transaction with non-controlling interests	**—**	**—**	**28**	**—**	**—**	**28**
Equity-settled share-based payment (note 24)	**—**	**—**	**2,878**	**—**	**—**	**2,878**
Profit appropriation to statutory reserves	**—**	**—**	**—**	**11,841**	**—**	**11,841**
At 31 December 2021	**237,760**	**(39,509)**	**63,310**	**59,345**	**47,112**	**368,018**
At 1 January 2020	331,030	(39,509)	60,718	38,171	(23,619)	366,791
Currency translation differences	—	—	—	—	45,008	45,008
Dividend paid (note 13)	(60,930)	—	—	—	—	(60,930)
Equity-settled share-based payment (note 24)	—	—	3,629	—	—	3,629
Profit appropriation to statutory reserves	—	—	—	9,333	—	9,333
At 31 December 2020	270,100	(39,509)	64,347	47,504	21,389	363,831

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.

26 TREASURY SHARES

	2021 Number of shares	2021 HK$'000	2020 Number of shares	2020 HK$'000
Treasury shares	**12,490,000**	**12,582**	12,240,000	12,297

The movements are as follows:

	Number of shares	HK$'000
At 1 January 2020	—	—
Buy-back of shares	12,240,000	12,297
At 31 December 2020	12,240,000	12,297
Buy-back of shares	250,000	285
At 31 December 2021	12,490,000	12,582

The Group bought back a total of 250,000 (2020: 12,240,000) of the Company's shares during year 2021. The total consideration paid to buy back these shares was HKD285,000 (2020: HKD12,297,000), which has been deducted from equity attributable to the owners of the Company.

27 TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**95,979**	65,622
Payables for property, plant and equipment	**23,750**	17,229
Amount due to a third party	**22,016**	23,764
Contract liabilities - advance receipts from customers	**12,440**	6,528
Employee benefit payables	**9,632**	8,353
Other taxes payable	**5,084**	1,557
Amount due to a related party (note 34)	**—**	106
Others	**9,547**	8,852
	178,448	132,011

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27 TRADE AND OTHER PAYABLES (Continued)

Trade payables are usually paid within 90 days of recognition. The ageing analysis of trade payables as at 31 December 2021 based on invoice date was follows:

	2021 HK$'000	2020 HK$'000
0-90 days	**93,095**	64,991
91-180 days	**276**	610
181-360 days	**125**	21
over 360 days	**2,483**	—
	95,979	65,622

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:

	2021 HK$'000	2020 HK$'000
RMB	**98,490**	83,428
USD	**67,965**	48,522
HK$	**679**	61
IDR	**11,314**	—
	178,448	132,011

28 BANK BORROWINGS AND LEASE LIABILITIES

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings (a)						
– secured	**97,100**	**94,224**	**191,324**	124,048	28,398	152,446
– unsecured	**403,053**	**—**	**403,053**	337,493	—	337,493
	500,153	**94,224**	**594,377**	461,541	28,398	489,939
Lease liabilities (b)						
– unsecured	**2,312**	**5,790**	**8,102**	1,961	7,037	8,998
Total borrowings	**502,465**	**100,014**	**602,479**	463,502	35,435	498,937
Total secured borrowings	**97,100**	**94,224**	**191,324**	124,048	28,398	152,446
Total unsecured borrowings	**405,365**	**5,790**	**411,155**	339,454	7,037	346,491
Total borrowings	**502,465**	**100,014**	**602,479**	463,502	35,435	498,937

(a) Bank borrowings

The bank borrowings of the Group as at 31 December 2021 and were secured by the pledge of the Group's land use rights, buildings and restricted cash as follows:

	2021 HK$'000	2020 HK$'000
Land use rights (note 14)	**30,439**	29,635
Buildings (note 15)	**50,088**	44,239
Restricted cash (note 22)	**—**	65,000
Total assets pledged as security	**80,527**	138,874

For the year ended 31 December 2021, the weighted average effective interest rate on bank borrowings was 4.44% (2020: 5.21%) per annum.

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28 BANK BORROWINGS AND LEASE LIABILITIES (Continued)

(b) Lease liabilities

Lease liabilities are related to buildings of the Group.

	2021 HK$'000	2020 HK$'000
Minimum lease payments:		
Within one year	**2,714**	2,426
Later than 1 year and no later than 5 years	**5,640**	6,757
Over 5 years	**511**	1,158
	8,865	10,341
Future finance charges	**(763)**	(1,343)
Total lease liabilities	**8,102**	8,998
Payable:		
Within one year	**2,312**	1,961
Over one year	**5,790**	7,037
Total lease liabilities	**8,102**	8,998

(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.

28 BANK BORROWINGS AND LEASE LIABILITIES (Continued)

(c) Other disclosures (Continued)

(iii) Repayment periods

At 31 December 2021, the Group's bank borrowings and lease liabilities were repayable as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year	**502,465**	463,502
Between 1 and 2 years	**32,606**	5,690
Between 2 and 5 years	**66,910**	28,645
Over 5 years	**498**	1,100
	602,479	498,937

(iv) Denomination currency

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

	2021 HK$'000	2020 HK$'000
USD	**144,000**	128,512
RMB	**381,716**	317,555
HK$	**76,763**	52,870
	602,479	498,937

(v) Undrawn borrowing facilities

The Group had the following undrawn borrowing facilities as at 31 December 2021:

	2021 HK$'000	2020 HK$'000
Bank borrowings, at floating rates		
– Expiring within one year	**80,247**	146,488

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29 DEFERRED INCOME

	2021 HK$'000	2020 HK$'000
Deferred income on government grants	**28,160**	31,096

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:

	2021 HK$'000	2020 HK$'000
At 1 January	**31,096**	28,799
Additions	**—**	4,047
Released to other income (note 6)	**(3,792)**	(3,630)
Currency translation differences	**856**	1,880
At 31 December	**28,160**	31,096

30 DEFERRED INCOME TAX

	2021 HK$'000	2020 HK$'000
Deferred income tax assets	**10,461**	11,746
Deferred income tax liabilities	**(6,270)**	(1,803)
	4,191	9,943

(a) Deferred income tax assets

	2021 HK$'000	2020 HK$'000
The balance comprises temporary differences attributable to:		
Deferred income (note 29)	**5,553**	6,123
Unrealised profit of intra-group sales	**3,160**	2,262
Provision of loss allowance (note 21)	**1,523**	1,131
Accrued employee benefits	**151**	163
Provision of PPE	**74**	—
Tax losses	**—**	2,067
Total deferred income tax assets	**10,461**	11,746
Set-off of deferred tax income liabilities pursuant to set-off provisions	**—**	—
Net deferred income tax assets	**10,461**	11,746

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30 DEFERRED INCOME TAX (Continued)

(a) Deferred income tax assets (Continued)

The movements in deferred income tax assets are as follows:

	Deferred income HK$'000	Unrealised profit HK$'000	Tax losses HK$'000	Provision of loss allowance HK$'000	Accrued employee benefits HK$'000	Share-based payment expenses HK$'000	Provision of PPE HK$'000	Total HK$'000
At 1 January 2021	**6,123**	**2,262**	**2,067**	**1,131**	**163**	**—**	**—**	**11,746**
Credited/(charged) to the statement of profit or loss	**(739)**	**898**	**(2,096)**	**363**	**(17)**	**—**	**(7)**	**(1,598)**
Currency translation differences	**169**	**—**	**29**	**29**	**5**	**—**	**—**	**232**
Acquisition of subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**81**	**81**
At 31 December 2021	**5,553**	**3,160**	**—**	**1,523**	**151**	**—**	**74**	**10,461**
At 1 January 2020	5,868	479	—	1,041	600	1,927	—	9,915
Credited/(charged) to the statement of profit or loss	(116)	1,783	1,956	32	(450)	(1,927)	—	1,278
Currency translation differences	371	—	111	58	13	—	—	553
At 31 December 2020	6,123	2,262	2,067	1,131	163	—	—	11,746

(b) Deferred income tax liabilities

	2021 HK$'000	2020 HK$'000
The balance comprises temporary differences attributable to:		
Intangible assets	**(4,636)**	(1,559)
Property, plant and equipment	**(931)**	(171)
Land use rights	**(703)**	(73)
Total deferred income tax liabilities	**(6,270)**	(1,803)
Set-off of deferred tax income assets pursuant to set-off provisions	**—**	—
Net deferred income tax liabilities	**(6,270)**	(1,803)

30 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities (Continued)

The movements in deferred income tax liabilities are as follows:

	Land use rights HK$'000	Property, plant and equipment HK$'000	Intangible Assets HK$'000	Total HK$'000
At 1 January 2021	**(73)**	**(171)**	**(1,559)**	**(1,803)**
Credited to the statement of profit or loss	**25**	**43**	**574**	**642**
Currency translation differences	**(5)**	**(22)**	**(177)**	**(204)**
Acquisition of subsidiaries	**(650)**	**(781)**	**(3,474)**	**(4,905)**
At 31 December 2021	**(703)**	**(931)**	**(4,636)**	**(6,270)**
At 1 January 2020	(66)	(141)	(1,586)	(1,793)
Credited to the statement of profit or loss	2	15	391	408
Currency translation differences	(9)	(45)	(364)	(418)
At 31 December 2020	(73)	(171)	(1,559)	(1,803)

31 CASH FLOW INFORMATION

(a) Cash generated from operations

	2021 HK$'000	2020 HK$'000
Profit before income tax	**137,627**	87,589
Adjustments for		
– Amortisation of land use rights (note 14)	**1,484**	1,432
– Depreciation of property, plant and equipment (note 15)	**43,408**	36,513
– Amortisation of intangible assets (note 16)	**7,698**	6,376
– Impairment loss of property, plant and equipment (note 15)	**3,592**	—
– Net impairment losses on financial assets (note 21)	**3,515**	128
– Equity-settled share-based payment expenses (note 24)	**2,878**	3,629
– Finance costs – net	**19,440**	25,983
– Amortisation of deferred income (note 6)	**(3,792)**	(3,630)
– Foreign exchange gains on operating activities	**(3,400)**	(1,126)
– Losses on disposal of property, plant and equipment and patents	**1,131**	145
– Financial assets at fair value through profit or loss (note 7)	**(114)**	(85)
Changes in working capital:		
– Inventories	**(156,893)**	(153,492)
– Trade and other receivables	**2,797**	28,526
– Trade and other payables	**26,533**	9,586
Cash generated from operations	**85,904**	41,574

31 CASH FLOW INFORMATION (Continued)

(b) Total debt reconciliation

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

	2021 HK$'000	2020 HK$'000
Net debt		
Bank borrowings – repayable within one year	**500,153**	461,541
Bank borrowings – repayable after one year	**94,224**	28,398
Lease liabilities – repayable within one year	**2,312**	1,961
Lease liabilities – repayable after one year	**5,790**	7,037
Amount due to a third party	**22,016**	23,764
Total debt	**624,495**	522,701
Cash and bank balances	**(133,832)**	(171,842)
Financial assets at fair value through profit or loss	**(5,529)**	(3,540)
Net debt	**485,134**	347,319
Gross debt – fixed interest rates	**333,630**	252,193
Gross debt – variable interest rates	**268,849**	246,744
Amounts due to a third party	**22,016**	23,764
Total debt	**624,495**	522,701
Cash and bank balances	**(133,832)**	(171,842)
Financial assets at fair value through profit or loss	**(5,529)**	(3,540)
Net debt	**485,134**	347,319

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31 CASH FLOW INFORMATION (Continued)

(b) Total debt reconciliation (Continued)

Liabilities from financing activities

	Convertible bond due after 1 year HK$'000	Bank borrowings due within 1 year HK$'000	Bank borrowings due after 1 year HK$'000	Lease liabilities due within 1 year HK$'000	Lease liabilities due after 1 year HK$'000	Amount due to a third party HK$'000	Total HK$'000
Total debt as at 1 January 2021	**—**	**461,541**	**28,398**	**1,961**	**7,037**	**23,764**	**522,701**
Cash flows - principal	**—**	**24,541**	**69,923**	**(2,343)**	**—**	**(1,748)**	**90,373**
Cash flows - interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange adjustments	**—**	**8,167**	**1,807**	**35**	**133**	**—**	**10,142**
Other non-cash movements	**—**	**5,904**	**(5,904)**	**2,659**	**(1,380)**	**—**	**1,279**
Total debt as at 31 December 2021	**—**	**500,153**	**94,224**	**2,312**	**5,790**	**22,016**	**624,495**
Total debt as at 1 January 2020	29,547	284,879	59,276	1,427	2,741	—	377,870
Cash flows - principal	(30,179)	102,538	24,732	(2,621)	—	23,764	118,234
Cash flows - interest	(763)	—	—	—	—	—	(763)
Foreign exchange adjustments	—	16,565	1,949	62	294	—	18,870
Other non-cash movements	1,395	57,559	(57,559)	3,093	4,002	—	8,490
Total debt as at 31 December 2020	—	461,541	28,398	1,961	7,037	23,764	522,701

32 BUSINESS COMBINATION

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

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

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

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

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

	Fair value HK$'000
Cash and cash equivalents	**1,857**
Inventories	**2,485**
Trade and other receivables	**2,603**
Land use rights (note 14)	**5,818**
Intangible assets (note 16)	**17,418**
Property, plant and equipment (note 15)	**28,529**
Deferred income tax assets	**81**
Current income tax liabilities	**(2,226)**
Deferred income tax liabilities	**(4,905)**
Trade and other payables (note 27)	**(10,247)**
Total identifiable net assets at fair value	**41,413**
Less: Non-controlling interest	**(7,512)**
Fair value of identifiable net assets acquired	**33,901**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

32 BUSINESS COMBINATION (Continued)

iii Goodwill arising on acquisition:

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

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

iv Net cash outflow during the year on the acquisition:

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

v Transaction with non-controlling interest

On 15 April 2021, the group acquired an additional 0.17% of the issued shares of PT Hongxin for HK$43,000. Immediately prior to the purchase, the carrying amount of the existing 18.14% non-controlling interest in PT Hongxin was HK$7,512,000. Accordingly, the Group recognised a decrease in non-controlling interests of HK$71,000 and a increase in equity attributable to owners of the parent of HK$28,000, the difference of HK$28,000 was recorded as movement in non-controlling interests within equity.

Had the combinations taken place on 1 January 2021, the contributions from PT Hongxin to the Group's consolidated revenue and net losses for the year ended 31 December 2021 were HK$5,679,000 and HK$3,644,000, respectively.

33 COMMITMENTS

Capital commitments

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

	2021 HK$'000	2020 HK$'000
Contracted but not recognised as liabilities:		
Property, plant and equipment	**10,916**	54,052

34 RELATED PARTY TRANSACTIONS

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

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

		2021 HK$'000	2020 HK$'000
(i)	Rental expenses		
	– Mr. Guo Dongxu	–	401
(ii)	Purchase of office premises		
	– Mr. Guo Dongxu	–	33,271

On 15 December 2017, the Group's subsidiary in the PRC entered into a lease agreement to lease office premises in Xiamen city from Mr. Guo Dongxu, a director of the Company, for three years from 1 January 2018 to 31 December 2020. On 14 December 2020, the Group's subsidiary entered into a purchase agreement with Mr. Guo Dongxu to purchase the office premises that the Group had leased and other office premises at the same location at a total consideration of HK$33,271,000. A prepayment amounting to HK$11,882,000 was made to Mr. Guo Dongxu as at 31 December 2020. The purchase was completed in February 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

34 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

	2021 HK$'000	2020 HK$'000
(iii) Amounts repaid to related parties		
– Mr. Guo Dongxu	**21,593**	301
(iv) Key management compensation		
Salaries and bonus	**9,001**	7,713
Other benefits	**182**	117
Share-based payment expenses	**2,878**	3,629
	12,061	11,459

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 employee services.

(b) Balances with related parties

	2021 HK$'000	2020 HK$'000
Amount due to a related party:		
– Mr. Guo Dongxu	**—**	106
Prepayment to a related party:		
– Mr. Guo Dongxu	**—**	11,882

35 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director of the Company paid/payable by the Group for the year ended 31 December 2021 is set out as follows:

Name of directors	Fees HK$'000	Salaries HK$'000	Bonus HK$'000	Other benefits HK$'000	Total HK$'000
Year ended 31 December 2021					
Chairman:					
Mr. Chan Kam Chung	**—**	**1,000**	**—**	**18**	**1,018**
Executive directors:					
Mr. Chan Shui Yip	**—**	**867**	**—**	**18**	**885**
Mr. Guo Dongxu	**—**	**863**	**—**	**15**	**878**
Mr. She Xiaoying	**—**	**182**	**—**	**7**	**189**
Non-executive directors:					
Mr. Hu Guohua	**—**	**180**	**—**	**—**	**180**
Mr. Ho Kwai Ching, Mark	**—**	**180**	**—**	**—**	**180**
Mr. Ng Man Kung	**—**	**180**	**—**	**—**	**180**
Mr. Guo Songsen	**—**	**233**	**—**	**3**	**236**
	—	**3,685**	**—**	**61**	**3,746**
Year ended 31 December 2020					
Chairman:					
Mr. Chan Kam Chung	—	1,000	—	18	1,018
Executive directors:					
Mr. Chan Shui Yip	—	799	—	18	817
Mr. Guo Dongxu	—	751	—	4	755
Mr. She Xiaoying	—	159	—	5	164
Non-executive directors:					
Mr. Hu Guohua	—	180	—	—	180
Mr. Ho Kwai Ching, Mark	—	180	—	—	180
Mr. Ng Man Kung	—	180	—	—	180
Mr. Guo Songsen	—	147	—	—	147
	—	3,396	—	45	3,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

35 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

Other than the remunerations disclosed above, there were no retirement benefits, termination benefits paid or payable to any director during the year or at any time during the year (2020: nil).

During the year, the Company provided no consideration to third parties for making available director's services (2020: 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 2021 or at any time during the year (2020: nil).

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 2021 or at any time during the year (2020: nil).

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

36 SUBSIDIARIES

The principal subsidiaries of the Group as at 31 December 2021 are as follows:

Company name	Principal country/ place of operation and date of incorporation	Issued/ registered capital	Effective interest held 2021	Effective interest held 2020	Principal activities
Directly held:					
Green Source Limited 綠源有限公司	BVI, 20 July 2015	USD1	**100%**	100%	Investment holding
Keen Field Limited 啟泰有限公司	BVI, 22 July 2015	USD1	**100%**	100%	Investment holding
Wealth Creation Limited 恒宇有限公司	BVI, 22 July 2015	USD1	**100%**	100%	Investment holding
Green Tactics Limited 綠韜有限公司	BVI, 17 August 2020	USD10,000	**100%**	100%	Investment holding
Indirectly held:					
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
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

36 SUBSIDIARIES (Continued)

Company name	Principal country/ place of operation and date of incorporation	Issued/ registered capital	Effective interest held		Principal activities
			2021	2020	
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%**	—	Investment holding
Green Fresh (Fujian) Foodstuff Co., Ltd. 綠新(福建)食品有限公司	PRC 8 November 2007	USD25,380,000	**100%**	100%	Manufacturing and sales of carrageenan, agar-agar and blended products
Fujian Province Lvqi Food Colloid Company Ltd. 福建省綠麒食品膠體有限公司	PRC, 18 March 2009	RMB50,000,000	**100%**	100%	Manufacturing and sales of agar-agar and blended products
Lvbao (Quanzhou) Biochemistry Company Ltd. 綠寶(泉州)生化有限公司	PRC, 14 May 1999	HK$26,880,000	**100%**	100%	Manufacturing and sales of carrageenan and blended products
Shiyanhaiyi Konjac Products Company Ltd. 十堰海乙魔芋製品有限公司	PRC, 7 September 2012	RMB20,000,000	**100%**	100%	Manufacturing and sales of konjac products
Longhai City Donghaiwan Seaweed Breeding Comprehensive Development Company Limited 龍海市東海灣海藻養殖綜合開發有限公司	PRC, 16 July 2012	RMB10,000,000	**100%**	100%	Manufacturing and sales of seaweed

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

36 SUBSIDIARIES (Continued)

Company name	Principal country/ place of operation and date of incorporation	Issued/ registered capital	Effective interest held 2021	Effective interest held 2020	Principal activities
Lvqi (Xiamen) Marine Biotechnology Company Ltd .綠麒(廈門)海洋生物科技有限公司	PRC, 4 June 2013	RMB5,000,000	**100%**	100%	Research and development center
Xiamen Sanji Technology 廈門三冀科技有限公司	PRC, 26 August 2021	RMB10,000,000	**100%**	–	Technical Research; manufacture and sales of specialized chemical products and bio-based materials
PT. Greenfresh Biotechnology Indonesia	Indonesia, 12 August 2016	USD1,200,000	**100%**	100%	Investment holding
PT Hongxin Algae International	Indonesia, 14 September 2012	IDR45,172,000,000	**82.03%**	–	Manufacture and sales of semi-refined Carrageenan Products
Lvqi Trading (Shanghai) Company Ltd. (note 39) 綠麒商貿(上海)有限公司	PRC, 9 February 2018	RMB10,000,000	**61%**	61%	Trading company
Brilliant Bioscience(Shanghai) Co., Ltd 晟溪生物科技 (上海) 有限公司	PRC, 2 March 2020	RMB15,000,000	**51%**	51%	R&D,Marketing and Trading of Deep-Processed Agar-Agar and Blended Products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

37 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

(a) Balance sheet of the Company

	Note	As at 31 December	
		2021 HK$'000	2020 HK$'000
Assets			
Non-current assets			
Investment in subsidiaries		**131,588**	128,710
Current assets			
Amounts due from subsidiaries		**159,284**	99,224
Other receivables		**435**	247
Cash and bank balances		**19,514**	88,449
		179,233	187,920
Total assets		**310,821**	316,630
Equity			
Share capital	23	**8,208**	8,164
Other reserves		**304,196**	333,658
Treasury shares		**(12,582)**	(12,297)
Accumulated losses		**(69,990)**	(63,589)
Total equity		**229,832**	265,936
Liabilities			
Current liabilities			
Bank borrowings		**54,609**	30,000
Amounts due to subsidiaries		**26,187**	20,581
Other payables		**193**	113
		80,989	50,694
Total liabilities		**80,989**	50,694
Total equity and liabilities		**310,821**	316,630

The balance sheet of the Company was approved by the board of directors of the Company on 30 March 2022 and was signed on its behalf by:

CHAN Kam Chung
Director

CHAN Shui Yip
Director

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

(b) Reserve movements of the Company

	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Total HK$'000	Accumulated losses HK$'000
At 1 January 2021	**154,561**	**115,539**	**63,558**	**333,658**	**(63,589)**
Dividend paid	**(32,340)**	**—**	**—**	**(32,340)**	—
Equity-settled share-based payment	**—**	**—**	**2,878**	**2,878**	—
Losses for the year	**—**	**—**	**—**	**—**	**(6,401)**
At 31 December 2021	**122,221**	**115,539**	**66,436**	**304,196**	**(69,990)**
At 1 January 2020	215,491	115,539	59,929	390,959	(57,439)
Dividend paid	(60,930)	—	—	(60,930)	—
Equity-settled share-based payment	—	—	3,629	3,629	—
Losses for the year	—	—	—	—	(6,150)
At 31 December 2020	154,561	115,539	63,558	333,658	(63,589)

38 CONTINGENCIES

As at 31 December 2021, there were no significant contingencies for the Group and the Company.

39 EVENTS AFTER THE BALANCE SHEET DATE

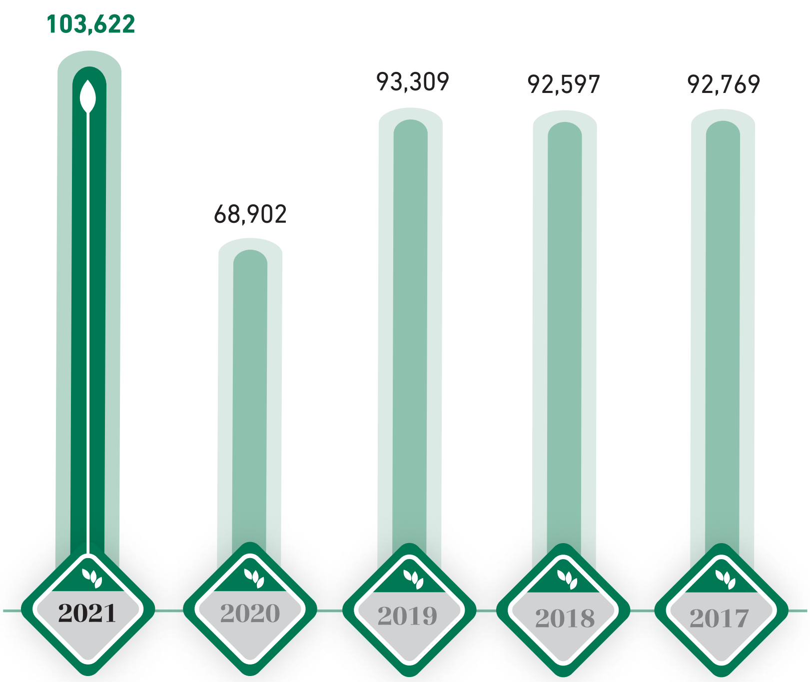
On 25 March 2022, the Group entered into an equity acquisition agreement to acquire a total of 39% equity interests in Lvqi Trading (Shanghai) Company Ltd. ("Lvqi (Shanghai)"), a 61% non-wholly owned subsidiary of the Group, from the non-controlling shareholders of Lvqi (Shanghai), at cash considerations totalled RMB1,563,000 (equivalent to approximately HK$1,918,000). Lvqi (Shanghai) would became a wholly-owned subsidiary of the Company when the transaction is completed.

On the same date, the Group entered into an equity disposal agreement to dispose the 51% equity interests in Brilliant Bioscience (Shanghai) Co., Ltd. ("Brilliant Shanghai"), a non-wholly owned subsidiary of the Group, to the non-controlling shareholder of Junxi Industrial, at a cash consideration of HK$12.7 million. Brilliant Shanghai would cease to be a member of the Group when the transaction is completed.

FIVE YEARS FINANCIAL SUMMARY

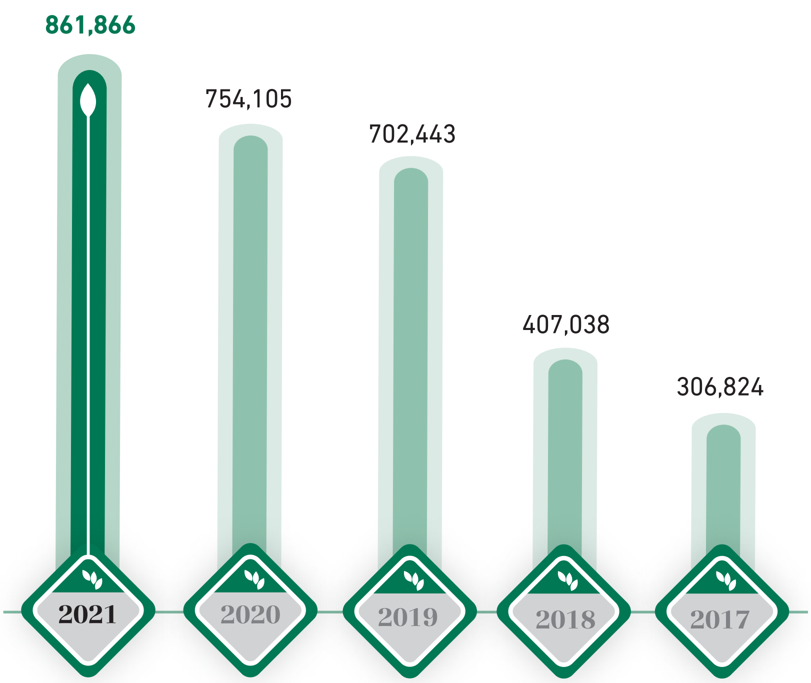
RESULTS (YEAR ENDED 31 DECEMBER)

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



NET ASSETS (AS AT 31 DECEMBER)

Net assets (HK$'000)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. GUO Songsen

Independent non-executive Directors

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

COMPANY SECRETARY

Mr. SO Chi Man

AUTHORISED REPRESENTATIVES

Mr. CHAN Kam Chung
Mr. SO Chi Man

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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

LEGAL ADVISER

Squire Patton Boggs

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Chai Wan
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Zhangzhou
Fujian Province
China

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PRC

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STOCK CODE

01084