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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01084)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The Board wishes to announce the consolidated audited financial results of the Group for the FY2023 as follows:

– Revenue amounted to RMB1,174.0 million, representing a decrease of 16.8%, as compared to RMB1,410.9 million for the FY2022, which was mainly due to a significant decrease in the selling prices of carrageenan products of the Group.

– Gross profit amounted to RMB37.6 million and the gross profit margin was 3.2%, representing a decrease of 90.2% and 24.0 percentage points, as compared to RMB384.1 million and 27.2%, respectively, for the FY2022. The decrease in the amount of gross profit and gross profit margin for the year was due to the significant decrease in revenue and the provision for inventory of carrageenan products amounted to RMB142.4 million.

– Loss for the FY2023 amounted to RMB85.4 million and the net loss margin was 7.3%, representing a decrease of 142.7% and 21.4 percentage points, respectively, as compared to the profit for the year of RMB199.9 million and the net profit margin of 14.1%, respectively, for the FY2022.

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

The board (the "**Board**") of directors (the "**Directors**") of Green Future Food Hydrocolloid Marine Science Company Limited (the "**Company**") is pleased to announce the consolidated audited financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**FY2023**"), together with the comparative figures for the year ended 31 December 2022 (the "**FY2022**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Note	As at 31 December		As at 1 January
		2023	2022	2022
		RMB'000	RMB'000 (Restated)	RMB'000 (Restated)
Assets				
Non-current assets				
Land use rights		**53,913**	54,873	55,936
Property, plant and equipment		**374,851**	401,428	412,184
Intangible assets		**66,890**	67,872	72,364
Prepayments for non-current assets		**3,449**	1,522	1,912
Deferred income tax assets		**47,816**	12,021	8,553
		546,919	537,716	550,949
Current assets				
Inventories		**784,998**	906,209	562,064
Trade and other receivables	8	**127,337**	208,340	162,598
Financial assets at fair value through profit or loss		**—**	—	4,521
Restricted cash		**11,749**	1,067	—
Cash and bank balances		**72,600**	37,675	109,421
		996,684	1,153,291	838,604
Total assets		**1,543,603**	1,691,007	1,389,553

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2023

	Note	As at 31 December		As at 1 January
		2023	2022	2022
		RMB'000	RMB'000 (Restated)	RMB'000 (Restated)
Equity				
Equity attributable to owners of the Company				
Share capital		**7,485**	7,444	7,406
Other reserves		**251,462**	261,617	284,470
Shares held for the share award scheme		**(10,274)**	(10,594)	(10,594)
Retained earnings		**496,570**	586,177	407,117
		745,243	844,644	688,399
Non-controlling interests		**8,869**	7,566	16,262
Total equity		**754,112**	852,210	704,661

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2023

	Note	As at 31 December 2023	As at 31 December 2022	As at 1 January 2022
		RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)
Liabilities				
Non-current liabilities				
Bank borrowings		**67,154**	88,615	77,038
Lease liabilities		**1,706**	2,850	4,734
Deferred income		**19,332**	19,875	23,023
Deferred income tax liabilities		**4,214**	4,485	5,127
		92,406	115,825	109,922
Current liabilities				
Trade and other payables	9	**161,185**	207,838	145,900
Bank borrowings		**531,965**	491,269	408,925
Lease liabilities		**1,144**	1,605	1,890
Current income tax liabilities		**2,791**	22,260	18,255
		697,085	722,972	574,970
Total liabilities		**789,491**	838,797	684,892
Total equity and liabilities		**1,543,603**	1,691,007	1,389,553

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 General information of the Group

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are in the business of manufacturing and sale of food manufacturing hydrocolloid products including carrageenan products, agar-agar products, blended products and konjac products in the People's Republic of China (the "**PRC**") and overseas.

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

The Company's shares have been listed on the main board of The Stock Exchange of Hong Kong Limited since 17 October 2019.

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

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

2 Basis of preparation and changes in accounting policy and disclosures

2.1 Basis of preparation

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

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

(i) Change of presentation currency

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

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

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

2 Basis of preparation and changes in accounting policy and disclosures (continued)

2.1 Basis of preparation (continued)

(ii) Going concern

The Group incurred loss of RMB85.4 million for the year ended 31 December 2023 which included a provision on inventories of RMB142.4 million (before income tax) that was made to bring down inventories to their net realizable values as at 31 December 2023. The Group's current assets exceeded its current liabilities by approximately RMB300 million. The Group meets its day-to-day working capital requirements mainly through its operating cash flows and bank borrowings. In preparing the financial statements, the directors of the Company have considered the Group's net cash inflows from operating activities and available sources of financing from banks given the Group's good credit history and operating results in the past years. Having considered the above, the directors of the Company believe that the Group will have adequate funds to continue operation for the foreseeable future of not less than twelve months from period end date of these financial statements.

2.2 Changes in accounting policies

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

Standards	**Effective for accounting periods beginning on or after**
International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12	1 January 2023
Insurance contracts – HKFRS 17	1 January 2023
Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to HKAS 8	1 January 2023

2 Basis of preparation and changes in accounting policy and disclosures (continued)

2.2 Changes in accounting policies (continued)

(ii) Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards	**Effective for accounting periods beginning on or after**
Classification of Liabilities as current or non-current – Amendments to HKAS 1	1 January 2024
Non-current liabilities with covenants – Amendments to HKAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to HKAS 16	1 January 2024
Supplier finance arrangements – HKAS7 and Amendments to HKAS 7	1 January 2024
Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – HK Int 5 (Revised)	1 January 2024
Lack of Exchangeability – Amendments to HKFRS 21	1 January 2025
Sale or contribution of assets between an investor and its associate or joint venture - HKFRS 10 and Amendments to HKAS 28	To be determined

2 Basis of preparation and changes in accounting policy and disclosures (continued)

2.2 Changes in accounting policies (continued)

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

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

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

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

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

3 Revenue and segment information

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

(i) Manufacturing and sales of agar-agar;

(ii) Manufacturing and sales of carrageenan;

(iii) Manufacturing and sales of konjac products;

(iv) Manufacturing and sales of blended products; and

(v) Others, such as trading of milk powder and other operations.

The amounts provided to the chief operating decision maker with respect to total assets, total liabilities and capital expenditure are measured in a manner consistent with that of consolidated financial statements. The chief operating decision maker reviews the total assets, total liabilities and capital expenditure at Group level mainly because the manufacturing of the four categories of products of the Group is managed by the same management team and there are certain degree of sharing of production facilities and warehouses, therefore no segment information of total assets, total liabilities and capital expenditure information was presented.

3 Revenue and segment information (continued)

(a) Revenue and segment information

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

	Year ended 31 December 2023					
	Sales of agar-agar	Sales of carrageenan	Sales of konjac products	Sales of blended products	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised at a point-in time:						
Sales to customers	298,688	708,251	42,500	124,345	207	1,173,991
Cost of sales	(205,594)	(805,078)	(37,832)	(87,621)	(225)	(1,136,350)
Segment results	93,094	(96,827)	4,668	36,724	(18)	37,641
A reconciliation of results of reportable segments to loss for the year is as follows:						
Results of reportable segments						37,641
Other income						4,476
Other losses – net						(2,565)
Reverse of impairment losses on financial assets						3,168
Selling and distribution expenses						(17,770)
Administrative expenses						(97,349)
Finance income						397
Finance costs						(40,889)
Loss before income tax						(112,891)
Income tax expense						27,447
Loss for the year						(85,444)

3 Revenue and segment information (continued)

(a) Revenue and segment information (continued)

	Year ended 31 December 2022 (Restated)					
	Sales of agar-agar	Sales of carrageenan	Sales of konjac products	Sales of blended products	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised at a point-in time:						
Sales to customers	321,987	943,608	46,205	93,458	5,631	1,410,889
Cost of sales	(221,420)	(697,779)	(41,095)	(61,888)	(4,585)	(1,026,767)
Segment results	100,567	245,829	5,110	31,570	1,046	384,122
A reconciliation of results of reportable segments to profit for the year is as follows:						
Results of reportable segments						384,122
Other income						11,137
Other losses – net						(790)
Net impairment losses on financial assets						(380)
Selling and distribution expenses						(13,793)
Administrative expenses						(91,112)
Finance income						129
Finance costs						(27,724)
Profit before income tax						261,589
Income tax expense						(61,670)
Profit for the year						199,919

3 Revenue and segment information (continued)

(a) Revenue and segment information (continued)

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

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

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

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

3 Revenue and segment information (continued)

(b) Liabilities related to contracts with customers

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

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

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

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

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

3 Revenue and segment information (continued)

(c) Accounting policies on revenue recognition

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

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

4 Expenses by nature

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

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

4 Expenses by nature (continued)

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

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

(i) Non-audit service fees totalling RMB220,000 was incurred for assistance provided by the Company's auditor in connection with the Company's annual results announcement and the Company's environmental, social and governance report carried out by separate non-audit team of the Company's auditor (2022: RMB220,000).

5 Income tax expense

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

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

5 Income tax expense (continued)

The Group's income tax comprises:

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

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

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

The Group's subsidiaries in Indonesia are subject to Indonesian profits tax at the rate of 22% (2022: 22%) on the estimated assessable profits for the year.

The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year with the certain concession. Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2021/2022 onwards, the first HK$2 million of assessable profits of one of the Group's companies incorporated in Hong Kong under Hong Kong profits tax during the year ended 31 December 2023 is subject to a tax rate of 8.25% (2022: 8.25%). The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5% (2022: 16.5%).

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

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group's subsidiaries operate. The Company's subsidiaries incorporated in the PRC are subject to CIT at the rate of 25% (2022: 25%), except for Fujian Province Lvqi Food Colloid Company Ltd. ("**Lvqi (Fujian)**") and Longhai City Donghaiwan Seaweed Breeding Comprehensive Development Company Limited ("**Donghaiwan**") which are subject to CIT at the preferential rate of 15% and 15% for 2023 and 2022, respectively.

Lvqi (Fujian) obtained the qualification of certified high and new technology enterprises and has been entitled to preferential income tax rate of 15% since 2015, subject to renewal of the qualification for every three years interval. The latest approval of the qualification is for the period from December 2021 to Decemer 2024.

Donghaiwan is qualified as an agricultural products enterprise and is subject to a CIT reduction of 50% as granted by the local tax bureau, and the CIT rate is 12.5% during 2023 and 2022.

5 **Income tax expense (continued)**

(iii) PRC withholding income tax

According to the CIT Law, a 10% withholding tax on dividends received/receivable will be levied on the PRC companies' immediate holding companies established out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies. During 2023 and 2022, the holding companies of the Group's subsidiaries in the PRC are Hong Kong incorporated companies and are subject to a withholding income tax rate of 5%.

The Group's subsidiaries in the PRC have undistributed earnings totalled RMB501,202,000 (2022: RMB619,115,000) as at 31 December 2023, which, if paid out as dividends, would be subject to income tax borne by their overseas holding companies. An assessable temporary difference exists, but no deferred income tax liability has been recognised as the parent entities are able to control the timing of distributions from their subsidiaries and the subsidiaries are expected to retain these profits for future development purpose and not to distribute the profits in the foreseeable future.

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

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

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

5 Income tax expense (continued)

(iii) PRC withholding income tax (continued)

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

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

6 (Loss)/Earnings per share

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

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

(Loss)/Earnings

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

6 (Loss)/Earnings per share (continued)

Shares

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

Basic and diluted (loss)/earnings per share

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

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

7 Dividends

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

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

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

No dividend relating to the year ended 31 December 2023 was proposed by the board of directors of the Company (2022: totaling RMB21,727,000).

8 Trade and other receivables

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

8 Trade and other receivables (continued)

(i) Ageing analysis of trade receivables

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

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

(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.

8 Trade and other receivables (continued)

(ii) Impairment of trade receivables (continued)

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

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

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

8 Trade and other receivables (continued)

(ii) Impairment of trade receivables (continued)

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

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

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

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

8 Trade and other receivables (continued)

(iii) Impairment of other financial assets at amortised cost

Other financial assets at amortised cost include other receivables.

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

The Group has assessed that the expected credit losses for these financial assets are not material under the 12 months expected losses method. Thus, no loss allowance provision was recognised during the year (2022: nil). The Group does not hold any collateral in relation to these other receivables.

(iv) Fair values of trade and other receivables

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

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

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

9 Trade and other payables

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

Trade payables are usually paid within 90 days of recognition. The ageing analysis of trade payables as at 31 December 2023 based on invoice date was follows:

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

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

9 Trade and other payables (continued)

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

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

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

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

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

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

Business prospects

Although the global economy will still be subject to uncertainties in the near future, the Group will strive to improve its performance and investment return by leveraging on its strengths in the business scale as industry leader, technical expertise built on the continuous pursuit of excellence, as well as product innovativeness as the core values founded inside every member of the Group.

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

Ongoing investment in research and development

The Group sets out a long-term goal in offering products carrying higher level of product technology which enables it to differentiate further from its competitors in meeting the changing needs of customers. Through the ongoing investments in the research and development capability, the Group is able to enhance products mix and hence profitability in a sustainable manner. For instance, quick-dissolve agar-agar used in dairy products and deep-processed carrageenan products used in bakery products are the products with ample market potential and the Directors believe that these products shall become key contributors to the enhancement of the Group's profit margin in the foreseeable future. Furthermore, the konjac gum has become a key ingredient of various health foods for its rich soluble dietary fibers, and its development is on the momentum. As for the daily necessities, the markets for gel-type air fresheners and beauty products, such as face masks and food wrapping membrane made of 100% bio-degradable materials were further developed during the year. The Directors expect that the diversity in the end products and the applications will be key areas for the Group's expansion in the future.

Complementary strategies for product and market

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

Diversification of production facilities

In terms of the Group's effort to diversify the geographical location of the production facilities as well as ongoing endeavor in cost-reductions, the Group has completed the acquisition of a majority equity interest in PT Hongxin Algae International ("**PT Hongxin**"), a company incorporated in Indonesia engages principally in the manufacture of semi-refined carrageenan with clear advantages in lower operating cost and proximity to seaweed resources, in 2021. During the year, the Group has only partial use of PT Hongxin's production capacity in light of the temporary decrease in demand from the customer side. However, given the cost advantages of as well as potential tax efficiency gained on sales originating from Indonesia, the Directors shall push forward the expansion of PT Hongxin's production capacity in the foreseeable future and maximise output from the Group at the same time promote its scale advantages in the long run.

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

FINANCIAL REVIEW

Revenue

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Costs - Net

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

Income Tax Expenses

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

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

(Loss)/Profit Attributable to Owners of the Company

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

Liquidity and Financial Resources

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

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

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

Net Current Assets

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

Borrowings

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

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

Interest Rate Risk

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

Pledge of Assets

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

Capital Expenditures

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

Commitments

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

Lease Liabilities

Lease liabilities are related to buildings of the Group.

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

Subsequent Event

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

Contingent Liabilities

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the FY2023 as set forth in this preliminary announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

2023 FINAL DIVIDEND

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITGAL ASSETS

As part of the Group's business strategy of diversifying production facilities geographically for enhancement of cost competitiveness, the Group has been investing further in the expansion of production capacity of PT Hongxin is expected to be continued in 2024.

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

CHANGE IN THE PRESENTATION CURRENCY

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

TREASURY POLICIES AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group adopts a conservative approach for cash management and investment on funds. The Group's receipts and payments were denominated in RMB and USD with limited foreign exchange risk exposure in the latter. Besides, as the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government, the Directors consider that there is no significant exposure on RMB-denominated assets. The Group will closely monitor foreign exchange exposure and will consider hedging should the need arises. During the FY2023, the Group did not use any financial instrument for hedging purpose

EMPLOYEES AND REMUNERATION POLICY

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

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

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

Prior to the listing of the Company on the Stock Exchange, 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. On 14 June 2023, the Board accepted the exercise of an aggregate of 4,432,000 share options by the participants of the Pre-IPO Share Option Scheme involving a total of 4,432,000 ordinary shares (the "**Shares**"), and the Shares issued on 21 June 2023. Save as disclosed above, no option had been granted, exercised, lapsed or cancelled during the FY2023 under the Pre-IPO Share Option Scheme.

The Group adopted the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") on 25 September 2019. During the FY2023, no option had been granted, exercised, lapsed or cancelled under the Post-IPO Share Option Scheme.

The Group adopted the share award scheme (the "**Share Award Scheme**") on 10 July 2020. During the FY2023, 544,000 Shares have been purchased on-market by the trustee (the "**Trustee**") of the Share Award Scheme as part of the shares pool under the Share Award Scheme (FY2022: Nil) and the total consideration paid for the purchased Shares was approximately HK$482,000.00 (FY2022: Nil) which was funded by the Company's internal resources. An aggregate of 860,000 awarded shares vested during the FY2023. Save as disclosed above, no awarded share has been granted, vested, lapsed or cancelled during the FY2023 under the Share Award Scheme.

EVENT AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE

The Company believes that good corporate governance can enhance its overall effectiveness, and thus create additional value for the Shareholders. The Company is committed to maintaining high standards and has applied the principles that are set forth in the Corporate Governance Code (the "**CG Code**") in Part 2 of Appendix C1 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company's corporate governance practices are based on these principles. The Board believes that good corporate governance standards are essential in contributing to the provision of a framework for the Company to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies, and enhance transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices during the FY2023.

In the opinion of the Directors, the Company has complied with all the code provisions of the CG Code and to a large extent the recommended best practices in the CG Code during the FY2023, except for the deviation from code provision C.2.1 of the CG Code as described below.

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

Audit committee

The audit committee (the "**Audit Committee**") of the Board consists of three independent non-executive directors, namely Mr. HO Kwai Ching, Mark, Mr. NG Man Kung and Mr. HU Guohua. Mr. HO Kwai Ching, Mark currently serves as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advise in respect of financial reporting at least at half-year intervals, and oversee the risk management policies and internal control procedures of the Group constantly. The Audit Committee has adopted the terms of reference which are in line with the applicable code provisions in the CG Code. The Audit Committee has reviewed the Group's annual results for the FY2023, the consolidated audited financial statements for the FY2023 and this announcement.

Directors' dealings in the shares of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by the Directors. All Directors are aware of the requirements under the Model Code. During the FY2023, one of the former non-executive Directors, Mr. GUO Songsen ("**Mr. GUO**"), received an email enquiry (the "**Email Enquiry**") from Hong Kong Securities and Futures Commission ("**SFC**") on his dealings in the shares (the "**Shares**") of the Company during the period from 25 February 2022 to 22 February 2023. Mr. GUO, through his legal representative, replied to the Email Enquiry on 14 July 2023. Before the receipt of the Email Enquiry, Mr. GUO did not inform any member of the Board and the company secretary of the Company of his dealings in the Shares, which was in breach of the provisions of the Model Code as adopted by the Company as the required standards for securities transactions by the Directors. The Directors and the company secretary have been informed of the Share dealing transactions following the receipt from SFC of the follow-up email on the Email Enquiry on 4 July 2023.

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

On 30 March 2022, the Company published its annual results announcement for the year ended 31 December 2021 and accordingly, the Blackout Period (the "**2022 Blackout Period**") commenced from 29 January 2022 and ended on 30 March 2022. On 30 March 2023, the Company also published its annual results announcement for the FY2022 and accordingly, the Blackout Period (the "**2023 Blackout Period**") commenced from 29 January 2023 and ended on 30 March 2023.

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

In order to avoid similar incidents from happening in the future, the Company has engaged the Company's legal advisor and other course providers to provide adequate trainings on the relevant statutory and regulatory to all Directors reiterating on the importance of complying with the Listing Rules, the Model Code and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") in dealings in the Shares in February 2024. The Directors have also engaged independent internal control consultant to implement other stringent requirements for the purpose ensuring that no Director would be involved in any dealings in the Shares in contravention of the Listing Rules, the Model Code and the SFO.

Saved as disclosed above, having made specific enquiries to the Directors, the Directors confirmed that they had complied with the required standard of dealings as set forth in the Model Code throughout the FY2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITEIS OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the FY2023.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**Annual General Meeting**") will be held on Friday, 7 June 2024. For the purpose of determining Shareholder's eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 3 June 2024.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the FY2023 containing all the information required by Appendix D2 to the Listing Rules and other applicable laws and regulations will be published on the websites of the Company (www.greenfreshfood.com) and the Stock Exchange (www.hkexnews.hk) and despatched to the Shareholders in due course.

By order of the Board
GREEN FUTURE FOOD HYDROCOLLOID MARINE SCIENCE COMPANY LIMITED
CHAN Kam Chung
Chairman and Chief Executive Officer

Hong Kong, 27 March 2024

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