China Boton Group Company Limited
中國波頓集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3318)

2022
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Ming Fan, *MH*
(Chairman & Chief Executive Officer)
Mr. Li Qing Long
Mr. Yang Ying Chun

Independent non-executive Directors

Mr. Ng Kwun Wan
Mr. Leung Wai Man, Roger
Mr. Zhou Xiao Xiong

COMMITTEES OF THE BOARD

Audit Committee

Mr. Ng Kwun Wan *(Chairman)*
Mr. Leung Wai Man, Roger
Mr. Zhou Xiao Xiong

Remuneration Committee

Mr. Ng Kwun Wan *(Chairman)*
Mr. Leung Wai Man, Roger
Mr. Zhou Xiao Xiong
Mr. Wang Ming Fan, *MH*

Nomination Committee

Mr. Leung Wai Man, Roger *(Chairman)*
Mr. Ng Kwun Wan
Mr. Zhou Xiao Xiong
Mr. Wang Ming Fan, *MH*

COMPANY SECRETARY

Mr. Ma Siu Kit

AUDITORS

PricewaterhouseCoopers

COMPANY WEBSITE

www.boton.com.hk

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Bank of China Limited – Shenzhen Branch
China Merchants Bank Co., Ltd. – Shenzhen Branch
HSBC Bank (China) Company Limited – Shenzhen Branch
Bank of Communications Co., Ltd. – Shenzhen Branch

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A-B, 37/F
Boton Technology Innovation Tower
368 Kwun Tong Road
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
3rd Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited
(Stock code: 3318)

On behalf of the Board of Directors (the "Board") of China Boton Group Company Limited (the "Company"), I am authorised to present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022.

BUSINESS OVERVIEW

Year 2022 was full of challenges. Various costs increased significantly due to the rising rates in coping with global inflation, European energy insecurity and the new strategies among various countries implementing or removing Covid-19 security control and measures. The global economic activities were expected to experience a broad-based and sharper-than-expected slowdown due to high inflation, the cost-of-living crisis, wars of Russia and Ukraine, tightening financial conditions in most regions, which affected international trade and domestic economy in both developed and developing countries. New policy should stay the course to restore price stability and to alleviate the cost-of-living pressures in order to maintain the consumption power of the people.

During the past year, the PRC government had promulgated the amendment of the "Regulations on the Implementation of the Tobacco Monopoly Law of the People's Republic of China" (中華人民共和國煙草專賣法實施條例). The e-Cigarette products were regulated with reference to the relevant provisions of traditional cigarettes from Year 2022 onwards. The "e-Cigarette Management Measures" issued by the State Tobacco Monopoly Administration became effective on 1 May 2022 which required all market practitioner to obtain the relevant licences for production, sales, transportation, import and export of e-Cigarette products. The State Administration for Market Regulation (Standard Committee) of the PRC has also issued mandatory national standards and supporting policies of "e-Cigarettes" effective from 1 October 2022 onwards.

The Group tried its best to work align with the new PRC policies and applied all necessary licences for e-Cigarette products segment during 2022. Eight subsidiaries of the Group had obtained licences from the State Tobacco Monopoly Administration* (國家煙草專賣局), among which, including: Shenzhen Boton Flavors & Fragrances Co., Ltd. (深圳波頓香料有限公司), China Flavors & Fragrances (Shenzhen) Co., Ltd. (中香香料(深圳)有限公司), Kimsun Technology (Huizhou) Co., Ltd. (吉盛科技(惠州)有限公司), Huizhou Kimree Technology Co., Ltd. (惠州市吉瑞科技有限公司) and Huizhou Babo Technology Co., Ltd. (惠州巴博科技有限公司). As a result, the Group had obtained a series of licences in respect of e-liquids, manufacturing of e-Cigarettes for own brands (also including original equipment manufacturing of electronic cigarettes for clients) and brand holding of e-Cigarettes. With the promulgation on the law relating to the aforesaid e-Cigarettes licences, the Group would accelerate the development of the e-Cigarette business to meet the electronic cigarette market expansion.

During the year ended 31 December 2022, the annual revenue of the Group amounted to RMB2,324.8 million approximately, representing a mild increase of 1.7% when compared to last year. Net profit amounted to RMB84.5 million, representing a tremendous decrease of 62.5% when compared to last year. The tremendous decrease was due to a one-off provision in the amount of RMB143.1 million made in relation to two litigations in the PRC as disclosed in the announcements dated 30 September 2022 and 10 March 2023 respectively. If, without taking into account the aforesaid provision, the net profit of the Group should amount to RMB227.6 million which representing a slight increase of 0.9% when compared to last year.

LOOKING AHEAD

The Group's vision is "the commitment to improve the quality of your life and becomes a symbol of quality!". Despite the high constraints in the business environment, the Directors, management and staffs of our Group work together to overcome the hurdle and cope with the challenges. We will continue to deploy a series of stringent cost control procedures within the Group and will also keep up to work align with four development goals, which include: high technology, high quality, high outset and high standard. We will continue our leading position in the PRC and will develop more innovative flavor and fragrance products and e-Cigarette products in our own brands and with our business partners as well. The senior management of the Group will promote our core corporate spirit and strive to enhance the shareholders' value of the Company in return for the persistence supports from our valued shareholders and investors.

APPRECIATION

On behalf of the Board, I would like to express our sincerest appreciation to all our shareholders, customers, suppliers, business associates for their persistent support. I would also like to thank my fellow Directors, our management and staff, who worked tirelessly during the past year, for their loyalty and dedication to the continuous success of the Group.

Wang Ming Fan
Chairman

Hong Kong
23 March 2023

PRINCIPAL BUSINESSES OF THE GROUP

During the year ended 31 December 2022, the Group was principally engaged in the research and development, manufacturing, trading and selling of extracts, flavors and fragrances. It also engaged in design and manufacturing of high-quality electronic cigarettes and the related products as well.

As one of the major flavors and fragrances manufacturers in the PRC, our flavors products are sold to wide range of manufacturers of different industries in the PRC and overseas, such as tobacco, beverages, daily foods, preserved food, savory and confectionery industries, and our fragrances products are sold to the manufacturers of cosmetics, perfumes, soaps, toiletries, hair care products, deodorant, detergent and air fresheners industries. For our electronic cigarette ("e-Cigarette") products, such as disposable e-Cigarettes, re-chargeable e-Cigarettes and e-Cigarette accessories, they are sold to the tobacco companies, independent e-Cigarette makers and other customers under various brands, covering end users from different countries globally.

BUSINESS REVIEW

The global economy was slowly recovering from the pandemic in the Year 2022. However, geographical tension among various countries led to trade sanctions affecting normal international trades while wars in Ukraine continued to interrupt food production and pushed up food and commodity prices. Energy crisis enlarged the geopolitical and economic uncertainties and exacerbated inflationary pressures globally. The deviation of public health policies, security control and measures among major countries further upended the fragile global economy and its growth pace.

In 2022, the PRC Government had revised the Regulations on the Implementation of the Tobacco Monopoly Law of the People's Republic of China (中華人民共和國煙草專賣法實施條例) and implemented new mandatory regulation to regulate all e-Cigarette products with reference to the relevant provisions of traditional cigarettes. All companies with e-Cigarette business are required to obtain licences from the PRC Government in respect of (a) manufacturing of tobacco products; (b) wholesale of tobacco products; (c) retail of tobacco products; (d) import and export of tobacco products business; and (e) marketing of foreign tobacco products.

Eight subsidiaries of the Group had obtained licences from the State Tobacco Monopoly Administration* (國家煙草專賣局). As a result, the Group had obtained a series of licences in respect of e-liquids, manufacturing of electronic cigarettes for own brands (also including original equipment manufacturing of electronic cigarettes for clients) and brand holding of electronic cigarettes. However, during the reporting period, there were new policies on the production, design and sales requirement imposed on all e-Cigarette products effective from 1 October 2022 which affected the sales of existing products. The e-Cigarette Products Segment would modify all e-Cigarette products to best fit the national standard requirements.

During the year ended 31 December 2022, the total revenue of the Group amounted to approximately RMB2,324.8 million (2021: RMB2,286.1 million), representing a slight increase of 1.7% when compared to last year. The Group's gross profit was decreased to approximately RMB786.9 million (2021: RMB892.3 million), representing a decrease of 11.8% when compared to last year and the Group's net profit for the review period was RMB84.5 million (2021: approximately RMB225.6 million) representing a tremendous decrease of 62.5% when compared to last year. The tremendous decrease was due to a one-off provision in the amount of RMB143.1 million made in relation to two litigations in the PRC as disclosed in the announcements dated 30 September 2022 and 10 March 2023 respectively. If, without taking into account the aforesaid provision, the net profit of the Group should amount to RMB227.6 million which representing a slight increase of 0.9% when compared to last year. The e-Cigarette Products Segment and the Flavor Enhancers Segment have contributed approximately 84.3% of the total revenue of the Group as at 31 December 2022 in aggregate.

Revenue

The Group recorded a total revenue of approximately RMB2,324.8 million, representing a slight increase of 1.7% (2021: RMB2,286.1 million) for the year ended 31 December 2022.

The breakdowns of the total revenue of the Group for the year ended 31 December 2022 (excluding intersegment revenue) were as follows:

	For the year ended 31 December				
	2022		2021		
	Revenue RMB (M)	**% of total revenue**	Revenue RMB (M)	% of total revenue	% change
Flavor enhancers	**795.9**	**34.2%**	729.2	31.9%	+9.1%
Food flavors	**171.7**	**7.4%**	165.5	7.2%	+3.7%
Fine fragrances	**149.8**	**6.5%**	138.3	6.1%	+8.3%
e-Cigarette products	**1,164.9**	**50.1%**	1,213.4	53.1%	-4.0%
Investment properties	**42.5**	**1.8%**	39.7	1.7%	+7.1%
Total	**2,324.8**	**100.0%**	2,286.1	100.0%	+1.7%

Flavor enhancers

The revenue of flavor enhancers amounted to approximately RMB795.9 million for the year ended 31 December 2022 (2021: RMB729.2 million), representing an increase of 9.1% when compared to last year and this segment had the continuous support from the existing customers brought about the stable growth of the sales of this segment in the tobacco industry. The Group would continue to deploy stringent cost control and enhance the growth momentum.

Food flavors

The food flavors segment recorded a revenue of approximately RMB171.7 million for the year ended 31 December 2022 (2021: RMB165.5 million), representing an increase of 3.7% when compared to last year. Due to the increase in sales of the existing local customers, the revenue of this segment had recorded an increase during the year ended 31 December 2022. The Group would continue to develop new flavors from the natural resources and to cater the expand of the market share in the industry.

Fine fragrances

The fine fragrances segment recorded a revenue of approximately RMB149.8 million for the year ended 31 December 2022 (2021: RMB138.3 million), representing an increase of 8.3% when compared to last year. The increase in the revenue of the fine fragrance segment was due to the cease of transportation control and increase in sales of the existing local customers during Year 2022.

e-Cigarette products

The revenue of e-Cigarettes (which comprised disposable e-Cigarettes and rechargeable e-Cigarettes) and its accessories amounted to approximately RMB1,164.9 million during the year ended 31 December 2022, representing a decrease of 4.0% from approximately RMB1,213.4 million of last year.

Investment properties

The revenue of this segment was approximately RMB42.5 million, representing an increase of 7.1% from approximately RMB39.7 million last year. The increase was due to the continuous stable leasing of the properties at Shenzhen which generated stable revenue during the year ended 31 December 2022.

Gross Profit

The operations recorded a gross profit of approximately RMB786.9 million for the year ended 31 December 2022 (2021: RMB892.3 million), representing a decrease of 11.8% when compared to last year and the gross profit margin also reduced from 39.0% in 2021 to 33.8% in 2022. Although the revenue of most business segments of the Group were maintained during the year ended 31 December 2022, the continuous increase in raw material costs during the severe economic environment reduced the gross profit margin. As a result, both gross profit and gross profit margin decreased during the year ended 31 December 2022.

Expenses

Selling and marketing expenses

Selling and marketing expenses amounted to approximately RMB102.1 million for the year ended 31 December 2022 (2021: RMB144.2 million) representing approximately 4.4% to revenue of the year (6.3% to revenue in 2021) and also representing a decrease of 29.2% when compared to last year. The decrease in these expenses was mainly attributable to the decrease in the advertising costs and the expenses of office, transportation and consultancy during the year under review.

Administrative expenses

Administrative expenses amounted to approximately RMB359.4 million for the year ended 31 December 2022 (2021: RMB359.0 million) representing approximately 15.5% to revenue of the year 2022 (15.7% to revenue in 2021) and also representing a slight increase of 0.1% when compared to last year.

Net impairment losses on financial assets

The Group had applied the expected credit losses for all trade receivables. There was a net impairment loss of RMB13.4 million for trade receivables of the Group during the reporting period (2021: RMB30.5 million).

Other income

Other income amounted to approximately RMB16.5 million for the year ended 31 December 2022 (2021: RMB6.8 million). The increase was mainly due to the increase in the PRC government grants of the Group during the year ended 31 December 2022.

Other losses - net

Other losses - net amounted to approximately RMB170.3 million for the year ended 31 December 2022 (2021: losses of RMB5.4 million). The losses were mainly due to the revaluation loss of the investment properties of the Group and a one-off provision of litigation claims in the amount of RMB143.1 million during the year ended 31 December 2022.

Finance costs - net

Finance costs - net amounted to approximately RMB45.8 million for the year ended 31 December 2022 (2021: RMB57.4 million) which mainly consisted of the interest expenses on borrowings obtained in the year. Due to the increase in interest income at the year ended 31 December 2022, that caused the decrease in the Finance costs - net.

Net Profit

Net profit for the year ended 31 December 2022 amounted to approximately RMB84.5 million (2021: RMB225.6 million), representing a significant decrease of 62.5% when compared to last year. The decrease was due to the implementation of new PRC regulation in the e-Cigarette products and the one-off provision of litigation claims during the year ended 31 December 2022. Net profit margin for the year decreased to approximately 3.6% (2021: 9.9%).

Principal risks and uncertainties

The Company is exposed to risks of unfavourable market conditions, uncertainty of business developments, changes in consumption trends, changes in the PRC property market, regional and local economies, changes in currency rates and interest rates as well as changes in the public policies, laws and regulations in different jurisdictions in relation to its businesses. These developments may or may not have material impact on the Group's financial condition and results of its operation. The Company will continue to implement prudent operational and financial policies in seeking to address the impact of these uncertain factors.

Environmental policies

For compliance of all the applicable national and regional laws and regulations in connection of the environment, to name a few of those laws, e.g. (i) the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), (ii) the Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), (iii) the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), (iv) the Law of the People's Republic of China on Prevention of Environmental Pollution Caused by Solid Waste (中華人民共和國固體廢物污染環境防治法), (v) the Administrative Measures of the Shenzhen Special Economic Zone on Permit for Pollutant Discharge (深圳經濟特區污染物排放許可證管理辦法), as well as to minimize the adverse impact of the Group's operation on the environment and natural resources, the Group has environmental policies and procedures in place and allocates resources for conservation of the environment.

Future Plans and Prospects

The corporate culture of the Group consists of "Four Transforms and Five Attitudes". Four Transforms mean: "new brand, new culture, new strength, new image" while Five Attitudes include: "attentive, concentration, carefulness, sincerity, care". The Group proposes "high technology, high quality, high outset and high standard" as core values and sets ambitious goals periodically in order to improve its competitiveness in the ever-changing market environment and to go forward to the international markets in the foreseeable future.

After the revised Regulations on the Implementation of the Tobacco Monopoly Law of the People's Republic of China (中華人民共和國煙草專賣法實施條例) and the implementation of new mandatory regulation to regulate all e-Cigarette products in 2022, all companies with e-Cigarette business must obtain licences from the State Tobacco Monopoly Administration* (國家煙草專賣局) in respect of (a) manufacturing of tobacco products; (b) wholesale of tobacco products; (c) retail of tobacco products; (d) import and export of tobacco products business; and (e) marketing of foreign tobacco products. Accordingly, eight subsidiaries of the Group had obtained the necessary licences in respect of e-liquids, manufacturing of e-Cigarettes for own brands (also including original equipment manufacturing of e-Cigarettes for clients) and brand holding of e-Cigarettes.

The Group has obtained a series of licences in respect of e-liquids, manufacturing of electronic cigarettes for own brands (also including original equipment manufacturing of electronic cigarettes for clients) and brand holding of electronic cigarettes. The Group will modify, enhance and optimise all e-Cigarette products' design and production in order to best fit the national standard requirement according to new policies in the PRC. The Group believes that the e-Cigarette Products Segment will adjust its business direction and adopts new strategies to overcome those challenges and to regain its normal growth momentum in Year 2023. With the promulgation on the law relating to the Licence, the Group will accelerate the development of the e-Cigarette business to meet the global electronic cigarette market expansion from the Year 2023 onwards.

In conclusion, the Group strives to work align with our long term objectives, including green economy, decarbonization and resilience to maintain a sustainable growth of the Group and to carry on the Group's vision of "the commitment to improve the quality of your life and becomes a symbol of quality!".

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2022, the net current assets of the Group amounted to approximately RMB189.3 million (2021: RMB138.8 million). The increase in net current assets was mainly attributable to increase in inventories and cash in banks. The cash and deposit for bank borrowings of the Group amounted to RMB706.7 million (2021: RMB531.9 million). Accordingly, the current ratio of the Group was 1.1 (2021: 1.1).

The Group strives to adopt stringent credit control over the trade receivable and this can enhance the cash position of the Group and improves our liquidity and current ratio from time to time.

Total equity of the Group as at 31 December 2022 was approximately RMB3,262.1 million (2021: RMB3,169.6 million) mainly driven up by increase in other reserves and retained earnings. As at 31 December 2022, the Group had borrowings totalling approximately RMB1,665.9 million (2021: RMB1,395.9 million), therefore debt gearing ratio was 51.1% (total borrowings over total equity) (2021: 44.0%). The borrowings comprised (i) current bank borrowings and current portion of long term borrowings of approximately RMB917.5 million (2021: RMB706.3 million) and (ii) long-term borrowings of approximately RMB748.3 million (2021: RMB689.6 million). The borrowings are denominated in RMB, USD and HKD. As at 31 December 2022, the effective interest rates of the borrowings was 4.14% per annum.

The Group adopts a prudent approach in its financial management and maintains a sufficient financial position for its business operation throughout the year.

Financing

The Board considers that the financing pressure in front of the Group in connection of those acquisitions completed in 2016 will diminish in due course. With the business performance of the Group and the funds generated from business operations, the Group believes that it will be able to obtain additional financing with good terms when needs arise.

Capital Structure

The share capital of the Company comprised ordinary shares for the reporting period. The total number of issued shares of the Company was 1,080,512,146 ordinary shares as at 31 December 2022.

Foreign Exchange Risk and Interest Rate Risk

The Group had net exchange losses of approximately RMB3.6 million in 2022 (2021: net exchange losses of RMB6.3 million). The Group mainly operates in the PRC. Most of its transactions are basically denominated in RMB with some transactions in Korean Won, USD and HKD and some bank borrowings in HKD and USD. The Company shall monitor the exchange rate of RMB against the HKD, USD and Korean Won closely.

It is looking into the possibility of currency hedging and will take appropriate action when favourable opportunities arise. As at 31 December 2022, the Group had bank borrowings of a total of RMB1,665.9 million denominated in RMB, USD and HKD. Lending rates on bank borrowings denominated in RMB fluctuate with reference to The People's Bank of China Prescribed Interest Rate while bank borrowings denominated in HKD fluctuate with reference to the Hong Kong Inter-bank rates and fixed interest rates on those bank borrowings denominated in USD. The Group did not hedge its interest rate risk. The Board is of the opinion that the interest rate risk would not have material impact on the Group.

Capital Expenditure

During the year ended 31 December 2022, the Group invested approximately RMB169.6 million (2021: RMB111.2 million) in fixed assets, of which RMB13.5 million (2021: RMB6.3 million) was used for the purchase of plant and machinery. For the year ended 31 December 2022, the Group had capital commitments of approximately RMB28.2 million (2021: RMB155.0 million) in respect of fixed assets, which shall be funded by internal resources.

Charge on Group's Assets

As at 31 December 2022, the Group had charged: (i) its equity interests in some subsidiaries; (ii) certain buildings, warehouses and investment properties located at Shenzhen City owned by Shenzhen Boton (together with personal guarantee of Mr. Wang Ming Fan); (iii) the land use right of a PRC subsidiary in Hubei, PRC and (iv) a property located in Hong Kong as pledge of financing raised in the year under review.

Staff Policy

The Group had 1,464 employees in the PRC, Hong Kong and South Korea as at 31 December 2022 (2021: 1,674 employees in the PRC, Hong Kong and South Korea). The decrease in the number of employees was mainly attributable to the decrease in labour force in the production plant located in Fuzhou, Huizhou and Dongguan, the PRC. The Company appreciates talents and value staff as valuable asset of the Group. The Group offers a comprehensive and competitive remuneration, retirement schemes, a share option scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are in compliance with the rules and make contribution to a social insurance scheme in the PRC.

The Group and its employees in the PRC are also required to make contribution to fund the endowment insurance and unemployment insurance at rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme, as required under the Mandatory Provident Schemes Ordinance, for its employees in Hong Kong. The Group has also made contribution to the National Pension for its employees in South Korea pursuant to the National Pension Act of South Korea.

Material Investment

For the year ended 31 December 2022, the Group did not have material investment.

Contingent Liabilities

As at 31 December 2022, the Group did not have any significant contingent liabilities.

PROFIT GUARANTEE IN RELATION TO SHARE TRANSFER IN DONGGUAN BOTON

In the year of 2020, Shenzhen Boton Flavors and Fragrances Co., Ltd. ("SZ Boton"), an indirect wholly-owned subsidiary of the Company, and Champion Sharp International Investment Limited ("Champion"), a company directly wholly-owned by Mr. Wang Ming Fan (Chairman and Executive Director of the Company), acted as the vendors and had entered into an equity transfer agreement (the "Equity Transfer Agreement") with various senior management and general staffs of Boton Flavors and Fragances Co., Ltd. (previously known as Dongguan Boton Flavors and Fragrances Co., Ltd.) ("DG Boton"), a director and a connected person of the Company, who were as the purchasers of the transaction. Pursuant to the Equity Transfer Agreement, SZ Boton and Champion had conditionally agreed to sell to the purchasers 30% in aggregate of the equity interest in DG Boton to the aforesaid purchasers at the aggregate consideration of approximately RMB68,850,000 (equivalent to approximately HKD75,576,290) (the "Transaction").

Since the Company had announced the proposal to spin-off DG Boton and proposed to make arrangement so that DG Boton would become a joint stock limited company to qualify for the proposed A-Share listing on the Shenzhen Stock Exchange. To, inter alia, satisfy the aforesaid requirement, the Transaction was taken place and 30% of the entire equity interest of DG Boton were then proposed to be transferred by the vendors to the purchasers to facilitate its conversion to a joint stock limited company.

Each of the purchasers had unconditionally and irrevocably warranted to SZ Boton while certain purchasers had unconditionally and irrevocably warranted to Champion that DG Boton group would maintain an annual growth of not less than 10% of its revenue and net profit excluding extraordinary items (the "Profit Guarantee") in the five financial years after the completion date (the "Relevant Period"). If the Profit Guarantee could not be met in any two consecutive years during the Relevant Period, the purchasers must, within 30 days after the issue of the audited financial statement, transfer the respective equity interest (save and except the respective equity interest transferred from Champion to Mr. Qian Wu, Mr. Li Qing Long and Ms. Yang Yifan under the Equity Transfer Agreement) to the vendors at the consideration pursuant to the Equity Transfer Agreement.

The amount of the Profit Guarantee for the first financial year ended 31 December 2020 was calculated based on the revenue and net profit excluding extraordinary items stated in the audited report of DG Boton group for the financial year ended 31 December 2019. If there was any event of force majeure relating to natural disasters including flooding which might materially and adversely affect the achievement of the Profit Guarantee, subject to the approval of SZ Boton, the Profit Guarantee in the relevant financial year should be achieved in the subsequent financial year and the Relevant Period shall be extended accordingly. The Profit Guarantee shall survive the completion of the Transaction but shall be automatically terminated upon completion of the proposed spin-off and the proposed A-Share listing.

Table showed details of the Profit Guarantee during the Relevant Period:

Relevant Period	Relevant financial year end date	Guarantee for Revenue RMB	Guarantee for Net Profit (excluding any extraordinary items) RMB
1st financial year	2020.12.31	295,521,600	34,168,200
2nd financial year	2021.12.31	325,073,760	37,585,020
3rd financial year	2022.12.31	357,581,136	41,343,522
4th financial year	2023.12.31	393,339,250	45,477,874
5th financial year	2024.12.31	432,673,175	50,025,662

For the year ended 31 December 2021 (the second financial year), the net profit and the revenue of DG Boton amounted to RMB52,479,000 and RMB303,803,000 respectively. The Profit Guarantee for the net profit was fulfilled but the Profit Guarantee for the revenue was not yet fulfilled.

For the year ended 31 December 2022, the net profit and the revenue of DG Boton amounted to RMB57,103,000 and RMB321,588,000 respectively. Therefore, the Profit Guarantee for the net profit was fulfilled but the Profit Guarantee for the revenue was not yet fulfilled.

LEGAL PROCEEDINGS WITH TWO VENDORS OF AN ACQUISITION

The Company had a few legal proceedings in Hong Kong and the PRC against two vendors, Mr. Liu Qiuming and Mr. Xiang Zhiyong (the "Vendors"). Those legal proceedings arose were related to the acquisition of Kimree, Inc. and its subsidiaries from the Vendors in 2016 (the "Kimree Acquisition"). Since the Vendors had breached the non-competition clauses of a share purchase agreement in the Kimree Acquisition, the Company claimed, inter alia, for injunction order to restrain Mr. Liu Qiuming from committing acts in breach of the non-competition clauses and damages against the Vendors in 2020.

There were also other arguments between the Group and the Vendors which were undergone legal proceedings in the PRC. In 2016, Mr. Liu and Mr. Xiang as lenders and the Company as borrower entered into loan agreements pursuant to which the Company borrowed loans from Mr. Liu and Mr. Xiang respectively. In 2019, the parties had dispute in relation to the settlement method of the Loan. Subsequently in 2020, Mr. Liu and Mr. Xiang initiated legal proceedings against the Company for the repayment of the Loan in cash. The Shenzhen Intermediate People's Court of Guangdong Province (廣東省深圳市中級人民法院) ruled in favour of Mr. Liu and Mr. Xiang and the Company made appeals in 2021. The Higher People's Court of Guangdong Province (廣東省高級人民法院) dismissed the Company's appeal and the Company received the judgement of Mr. Liu in early September 2022. For Mr. Xiang's case, the Higher People's Court of Guangdong Province (廣東省高級人民法院) also dismissed the Company's appeal and the Company received the judgement of Mr. Xiang in February 2023. However, the Company would prepare to retrial against the verdicts of the Higher People's Court of Guangdong Province for the aforesaid litigation claims. Details of the legal proceedings were disclosed on the Company's announcements dated 13 August 2020, 30 September 2022 and 10 March 2023 respectively and Note 34 to the accounts.

COMPLETION OF DISCLOSEABLE TRANSACTION - ACQUISITION OF PROPERTY IN HONG KONG

In 2021, Best Fortune International Investment Limited ("Best Fortune", an indirect wholly-owned subsidiary of the Company) had executed a provisional agreement and a formal sale and purchase agreement with an independent vendor to acquire a property located at 37th Floor, No. 368 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong (the "Property") at the consideration of HK$156,335,000 in cash (the "Consideration"). The Property had an estimated saleable area of approximately 6,869 square feet for office and approximately 1,025 square feet on the roof floor and would be used as the headquarter of the Group in Hong Kong. Details of the Acquisition were disclosed in the Company's announcements dated 9 and 19 October 2021 respectively.

The Consideration for acquiring the Property were paid by way of cash and mortgage loan in the following manner: (i) a preliminary deposit of HK$15,633,500 had been paid by the Purchaser to the Vendor on the signing date of the provisional agreement and (ii) the balance of Consideration in the amount of HK$140,701,500 had been paid by the Group to the Vendor on 8 July 2022. The above acquisition was completed on 8 July 2022.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

On 30 September 2022, the Company had announced that the principal place of business in Hong Kong was changed to Flat A-B, 37/F., Boton Technology Innovation Tower, 368 Kwun Tong Road, Kowloon, Hong Kong with effect from 1 October 2022.

ACQUISITION OF LAND USE RIGHT IN THE PRC

On 9 December 2022, the Company and the Administrative Committee of Huizhou Zhongkai Hi-tech Industrial Development Zone* (惠州仲愷高新技術產業開發區管理委員會) entered into an investment agreement pursuant to which, inter alia, the Company would bid for the land use right of a piece of land located at Huizhou Zhongkai Hi-tech Industrial Development Zone, Guangdong Province, the PRC (the "Land") and subject to the successful bidding, would construct a headquarter and phase 2 of the intelligent manufacturing base of electronic vaporizer of the Group (the "Construction Project").

The Company had, through a newly established wholly owned subsidiary (the "Project Company"), bid for the land use right of the Land via "listing-for-sale" procedures (掛牌出讓). The Land had an aggregate gross site area of approximately 54,533 square metres and the land use right thereof would be granted for a term of 50 years for industrial use. The commencement of the Construction Project was subject to the successful bidding of the land use right. The Company undertook that the Project Company would be recognised as a High and New Technology Enterprises* (高新技術企業) within 5 years from its date of establishment. Details of the aforesaid acquisition were disclosed in the Company's announcement dated 9 December 2022.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. WANG Ming Fan (王明凡) MH, aged 56, has been an executive director and chief executive officer of the Company since April 2005, responsible for the daily operation of the Group and has been appointed as the Chairman of the Company since 25 October 2012. Mr. Wang holds directorship in subsidiaries across the Group; in particular, principal subsidiaries of the Company, namely, Shenzhen Boton, Dongguan Boton and Kimree. In addition, Mr. Wang is also the managing director and president of Shenzhen Boton and the chairman of Dongguan Boton. Mr. Wang has over 30 years of corporate management experience in the flavors and fragrances industry. Mr. Wang first joined the Group in 1996 as a general manager. Prior to joining the Group, he was the deputy general manager of 深圳聯海化工有限公司 (Shenzhen Lianhai Chemical Industrial Co., Ltd.) for approximately 10 years. Mr. Wang was accredited as one of the “Ten Outstanding Young People in the Nanshan District of Shenzhen” by 中共深圳市南山區委員會 (Nanshan District Committee, Shenzhen of China Communist) and 深圳市南山區政府 (Nanshan District Government, Shenzhen) in 2004 and the “Chinese Distinguished Privately Operated Science and Technology Entrepreneur” by 中華全國工商業聯合會 (All-China Federation of Industry & Commerce) and 中國民營科技實業家協會 (Chinese Privately Operated Science and Technology Industrialist Association) in 2004. He was the vice chairman of Shenzhen Federation of Young Entrepreneurs in March 2005 and was accredited as an Outstanding Entrepreneur by Guangdong Food Profession Association. Mr. Wang is a keen supporter of social service and constantly subsidizes and makes contributions to schools, poverty alleviation, charity and donation functions. He is now both a member of the 14th National Committee of Chinese People’s Political Consultative Conference (“CPPCC”) and the 13th CPPCC Guangxi Zhuang Autonomous Region Committee. He also serves as the Chief and Permanent Chairman of Federation of HK Guangxi Community Organizations and the Executive Vice Chairman of Federation of Hong Kong Shenzhen Associations and other important positions in several townsmen associations. Mr. Wang has been awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region in 2015 for recognition of his social service.

Mr. LI Qing Long (李慶龍), aged 62, has been an executive director of the Company since April 2005. Mr. Li has more than 30 years of R&D and production experience in the flavors and fragrances industries. Mr. Li joined the Group in March 1991 and now holds directorship in some subsidiaries of the Group, in particular, he is a director and a vice president of Shenzhen Boton. Mr. Li is responsible for the R&D and production of flavors and fragrances of the Group. He graduated from 上海輕工業專科學校 (Shanghai Light Industry Professional School) in 1982 with a major in 有機合成工藝 (organic synthesis process). Prior to joining the Group, he worked in 上海日用香精廠 (Shanghai Flavor and Fragrance Factory) for approximately 8 years.

Mr. YANG Ying Chun (楊迎春), aged 48, has been appointed as an executive director and financial controller of the Company on 5 January 2018. Mr. Yang was the financial controller and a vice president of the Group. He is also a director of Shenzhen Boton. He is responsible of the Group’s overall financial planning and management. Mr. Yang holds the postgraduate degrees in accounting and business administration field. He graduated from 天津財經大學 (Tianjin Finance University) and 蘭州大學管理學院 (Lanzhou University). Mr. Yang joined the Group since 2005 and has accumulated over 20 years experience in finance field. Prior to joining the Group, Mr. Yang worked with different companies as finance manager.

Independent non-executive Directors

Mr. LEUNG Wai Man, Roger (梁偉民), aged 66, has been an independent non-executive director of the Company since November 2005. Mr. Leung obtained a bachelor's degree of laws from The University of Hong Kong in 1981. Mr. Leung also obtained degree of Juris Doctor from The University of Western Ontario, Canada in 1990. He has been a practising solicitor in Hong Kong since 1984 and is now a partner of a law firm. Mr. Leung was admitted as a solicitor in England and Wales and Ontario, Canada. Mr. Leung has over 40 years of working experience in the legal field. He has served as a member of the Board of Review (Inland Revenue Ordinance) from 1997 to 2005 and has been serving as a China-Appointed Attesting Officer since January 2003. Mr. Leung is currently an independent non-executive director of Hi Sun Technology (China) Limited (stock code: 818).

Mr. ZHOU Xiao Xiong (周小雄), aged 62, has been an independent non-executive director of the Company since November 2005. Mr. Zhou obtained a bachelor's degree in 經濟信息管理系 (Economic Information Management) from the 中國人民大學 (Renmin University of China) in 1983. Mr. Zhou obtained a master degree in Master of Business Administration from 清華大學 (Tsinghua University) in 2008. Mr. Zhou has worked as senior management in a number of financial institutions in the PRC including 廣東證券有限公司 (Guangdong Securities Company Limited), 中國銀行股份有限公司 (Bank of China Limited), 中山證券有限責任公司 (Zhongshan Securities Company Limited), and 摩根大通期貨有限公司 (J.P. Morgan Futures Company Limited) in the PRC, and has over 30 years of experience in the fields of financial services and investment banking.

Mr. NG Kwun Wan (吳冠雲), aged 60, has been an independent non-executive director of the Company since December 2009. Mr. Ng obtained the Bachelor of Arts in Accounting and Finance from the Manchester Polytechnic in 1988 and the Master of Commerce majoring in Accounting from the University of New South Wales in 1990. Mr. Ng has been an associate member of the Hong Kong Institute of Certified Public Accountants since 1993. Mr. Ng has over 20 years of experience in the management, accounting and finance industry. From November 1994 to August 2004, Mr. Ng worked for New World Development (China) Limited and New World China Enterprises Projects Limited, both wholly owned subsidiaries of New World Development Company Limited (stock code: 17), and his last position held was deputy general manager. From September 2006 to March 2009, he worked as the general manager of industrial operations in the real estate department of Smart Faith Management Limited, a subsidiary of South China Holdings Company Limited (stock code: 413). Mr. Ng is currently an independent non-executive director of various listed companies in Hong Kong, including: Asia Energy Logistics Group Ltd (stock code: 351), CT Vision S.L. (International) Holdings Limited (stock code: 994), Zhongzhi Pharmaceutical Holdings Limited (stock code: 3737) and Sunray Engineering Group Ltd (stock code: 8616).

SENIOR MANAGEMENT

Mr. QIAN Wu (錢武), aged 58, is the managing director of Dongguan Boton. Mr. Qian used to be an executive director of the Company since March 2007 until 5 January 2018 when he resigned as a director of the Company to dedicate more of his time and efforts to his other working commitments within the Group. He joined the Group in October 1997 and is the chief supervisor of the applied technology and promotion center for food flavors of the Group. He graduated from 中國安徽機電學院 (Anhui Institute of Mechanical and Electrical Engineering) in 1990, with a major in industrial corporate management. Mr. Qian has over 30 years of research and development experience in the flavors and fragrances industries. Prior to joining the Group, Mr. Qian has worked in Wuhu Tobacco Factory for 12 years.

Mr. MA Siu Kit (馬兆傑), aged 53, is the secretary of the Company. Mr. Ma obtained a bachelor's degree in business (accountancy) from Queensland University of Technology, Australia in 1993. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Ma joined the Group in September 2005 bringing along to the Company his extensive accounting related experience from accounting firms and international companies. He is a seasoned professional in accounting with over 20 years of relevant experience. Mr. Ma is currently an independent non-executive director of eprint Group Limited (stock code: 1884) and China Kangda Food Company Limited (stock code: 834) respectively.

The Company recognises the importance of and is committed to maintaining high standards of corporate governance so as to enhance corporate transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. The Company believes that good corporate practice is essential for effective management, healthy corporate culture and successful business growth.

A. CORPORATE GOVERNANCE PRACTICES

The Company has adopted policies and applied procedures to ensure proper corporate governance and continuous improvement. These include maintaining a quality board comprising high calibre members, establishment of various board committees and implementation of effective internal systems and controls. The Company has complied with all the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2022, except for deviation from code provisions C.2.1. The following sections set out the Company's corporate governance practices by applying the principles of the CG Code and any deviations thereof during the year under review.

The Board has established the strategies and values of the Company in long term and makes periodical review so that the Company's culture are aligned. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance and alignment with the latest measures and standards set out in the CG Code.

B. BOARD OF DIRECTORS

(1) Board Composition

The Board members as at 31 December 2022 were:

Executive Directors

Mr. Wang Ming Fan *(Chairman and Chief Executive Officer)*
Mr. Li Qing Long
Mr. Yang Ying Chun

Independent Non-executive Directors

Mr. Leung Wai Man, Roger
Mr. Ng Kwun Wan
Mr. Zhou Xiao Xiong

The Board currently comprises six members, consisting of three Executive Directors and three Independent Non-executive Directors. More than one-third of the Board is represented by Independent Non-executive Directors with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Company and its shareholders as a whole.

The biographical details of all Directors are set out in the section of "Directors and Senior Management" on pages 14 to 16. Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" and otherwise disclosed in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and Chief Executive.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times. All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent Non-Executive directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Appointment and Re-election of Directors

All Directors are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association (the "Articles"). Any Director appointed either to fill a casual vacancy on the Board or as an addition to the Board shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

(2) Board Meetings and Attendance Records

The Board has held four teleconference meetings during the year ended 31 December 2022 at approximately quarterly intervals with full minutes kept by the company secretary. Attendance of each of the Directors is set out in the table below:

	Attendance
Mr. Wang Ming Fan	4/4
Mr. Li Qing Long	4/4
Mr. Yang Ying Chun	4/4
Mr. Leung Wai Man, Roger	4/4
Mr. Ng Kwun Wan	4/4
Mr. Zhou Xiao Xiong	4/4

(3) General Meetings and Attendance Records

The Company has held one general meeting during the year ended 31 December 2022 with full minutes kept by the company secretary. The attendance records of the Directors at the Company's annual general meeting of Year 2022 are set out below:

	Attendance
Mr. Wang Ming Fan	1/1
Mr. Li Qing Long	1/1
Mr. Yang Ying Chun	1/1
Mr. Leung Wai Man, Roger	1/1
Mr. Ng Kwun Wan	1/1
Mr. Zhou Xiao Xiong	1/1

(4) Roles and Functions

Prior to their respective appointments to the Board, each of the Directors was given an orientation on the Company's business strategies and operations. The Directors will receive, from time to time, further relevant training, particularly on applicable new laws, regulations and changing commercial risks which are relevant to the business and operations of the Group. The Directors will also be updated on the business of the Group through regular presentation and meetings.

The Board effectively leads and forms the long-term vision and strategic direction of the Group. Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group and approves the Group's corporate and strategic plans. The Board is also responsible for setting financial polices and strategies in pursuit of the Group's business goals. In addition, the Board reviews the financial performance of the Group, considers and approves investment proposals, nomination of directors to the Board and the appointment of key management personnel. These functions are carried out either directly by the Board or through Board committees such as Audit Committee, Nomination Committee and Remuneration Committee. Under appropriate circumstances and as and when necessary, Directors may obtain independent professional advice at the Company's expenses, ensuring that board procedures and all applicable rules and regulations are followed.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and senior management of the Group. The Board gives clear direction as to the power delegated to the management of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest with any substantial shareholder or a director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies. The Board reviews such practices on periodical basis to ensure that it remain appropriate to the needs of the Group.

(5) Accountability and Audit

The management of the Company provides such explanation and information to the Board so as to enable the Board to make informed assessment of the financial and other information tabled before any decision making by the Board. The Directors acknowledge their responsibility for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting interim and annual financial statements, and announcements to shareholders. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Directors consider that accounts of the Group have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the financial statements of the Company.

The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Independent Auditor's Report" on pages 38 to 44.

(6) Supply of and Access to Information

Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. All Directors have access to the advice and service of the Company Secretary and the Group Financial Controller to advise on corporate governance, risk management, statutory compliance, accounting and financial matters when necessary. The management has the obligation to supply the Board and its committees with adequate information in a timely manner to enable it to make informed decisions. Where any Director requires more information than is volunteered by the management, each Director has separate and independent access to the Group's senior management to make further enquires if necessary.

Directors have full access to information on the Group. The Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Board meetings.

(7) Continuous Professional Development

During the reporting year, the Directors have participated in continuous professional development to develop and refresh their knowledge and keep abreast of the latest developments of applicable rules and regulations in relation to the business of the Group to ensure making meaningful contribution to the Board. Directors have provided their training records to the Company Secretary for record.

During the year ended 31 December 2022, the Directors participated in the following trainings:

	Types of training	
Name of Directors	Attending seminars and/or conferences *	Reading materials on Various topics *
Executive Directors		
Mr. Wang Ming Fan	✓	✓
Mr. Li Qing Long	✓	✓
Mr. Yang Ying Chun	✓	✓
Independent Non-Executive Directors		
Mr. Leung Wai Man, Roger	✓	✓
Mr. Ng Kwun Wan	✓	✓
Mr. Zhou Xiao Xiong	✓	✓

* Topics include the latest Listing Rules, corporate governance matters and Prevention of Bribery Ordinance

C. CHAIRMAN AND CHIEF EXECUTIVE

In accordance with the CG Code provision C.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual to ensure a balance of power and authority. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of the Company are performed by Mr. Wang Ming Fan. The Board considers that the present structure is more suitable for the Company for it provides strong and consistent leadership in the planning and execution of long-term business plans and strategies of the Company.

The Directors will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including the separation of the roles of the chairman and chief executive officer, as and when necessary.

D. NON-EXECUTIVE DIRECTORS

During the year under review, the Company has met at all times the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of the independent non-executive directors possessing appropriate professional qualifications or accounting or related financial management expertise and representing at least one-third of the board. The Independent Non-executive Directors of the Company are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance, law and business. Their skills, expertise and number in the board ensure that strong independent views and judgement are brought in the Board's deliberations and that such views and judgement carry weight in the board's decision making process. Their presence and participation also enable the board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company. All Independent Non-executive Directors are financially independent from the Company and any of its subsidiaries.

All the Independent Non-executive Directors served in the year under review have given annual confirmation to the Company of their independence pursuant to Rule 3.13 of the Listing Rules. The Board is satisfied with the independence of each of the Independent Non-executive Directors.

E. BOARD COMMITTEES

The Board has three board committees, namely, Rumuneration Committee, Nomination Committee and Audit Committee.

(1) Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with the CG Code, which are available for view on the Company's website and the HKEXnews website.

As at 31 December 2022, the Remuneration Committee comprises Mr. Wang Ming Fan, an Executive Director and the three Independent Non-executive Directors, namely, Mr. Ng Kwun Wan, Mr. Leung Wai Man, Roger and Mr. Zhou Xiao Xiong. Mr. Ng Kwun Wan is the Chairman of the Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolution in respect of his own remuneration package.

The Company has adopted the model that the Remuneration Committee to make recommendations to the board on the remuneration packages of individual executive directors and senior management.

The Remuneration Committee is also responsible to make recommendations to the Board regarding the Company's remuneration policy and structure for all directors and senior management, establishment of a formal and transparent procedure for developing the relevant policies, review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives. The remuneration structure of the Board is as follows:

Each of Mr. Wang Ming Fan and Mr. Li Qing Long has entered into a service contract with the Company for a term of three years commencing on 9 December 2005, which shall continue thereafter unless and until terminated by either party giving not less than three months' notice in writing to the other party. There is no director service contract between the Company and Mr. Yang Ying Chun who was appointed as an executive Director with effect from 5 January 2018. All Independent Non-executive Directors have renewed service agreements in December 2021 for a term of 2 years. The remuneration of the Independent Non-executive Directors is in the form of a fixed fee. The remuneration of Executive Directors consists of salary, commission, housing reimbursement and allowances, bonus and performance awards that are dependent on the performance of the Group and of the Directors.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has a share option scheme in place. Such scheme provides incentive and enables the eligible persons (according to the scheme policy) to obtain an ownership interest in the Company and thus to reward to the participants who contribute to the success of the Group's operations. Details of the amount of Directors' and senior management's emoluments are set out in Notes 38 and 28 to the accounts.

The Remuneration Committee meets at least once a year. During the reporting year, the committee held one teleconference meeting for the review of the remuneration of Directors and senior management, as well as review of the Company's remuneration policy. Attendance of each member of the committee is set out in the table below:

	Attendance
Mr. Wang Ming Fan	1/1
Mr. Ng Kwun Wan	1/1
Mr. Leung Wai Man, Roger	1/1
Mr. Zhou Xiao Xiong	1/1

(2) Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code, which are available for view on the Company's website and the HKEXnews website.

As at 31 December 2022, the Nomination Committee comprises Mr. Wang Ming Fan, an Executive Director and the three Independent Non-executive Directors, namely Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and Mr. Ng Kwun Wan. Mr. Leung Wai Man, Roger is the Chairman of the Nomination Committee. Each member of the Nomination Committee shall abstain from voting on any resolution in respect of the assessment of his own performance or re-nomination as Director. The Nomination Committee shall meet at least twice a year.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on the appointment and re-appointment of Directors, and Board succession. A nomination policy setting out the current nomination practice, such as the criteria and procedures for the selection, appointment and re-appointment of the Directors, has been adopted by the Company. Under the policy, the Nomination Committee will evaluate potential candidates by considering various factors, including their professional expertise, industry and business experience, time commitments, potential contributions to board diversity, and material conflict of interest with the Group (if any). The Nomination Committee will also consider the independence of candidates if they will be appointed as Independent Non-Executive Directors. The Committee will then make recommendation of suitable candidates to the Board for consideration of appointment. In case of re-appointment of existing Directors who will retire at annual general meetings, the Committee will review the rotation and retirement of Directors and make recommendations to the Board accordingly.

The Nomination Committee is also responsible to review the structure, size and diversity (including but not limited to gender, age, cultural and education background, or professional experience) of the Board at least once annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

During the reporting year, the committee held two teleconference meetings for review of the structure, size and composition of the Board, review of the independence of Independent Non-executive Directors, and consideration of the re-election of directors at the annual general meeting of the Company held on 20 May 2022. Attendance of each member of the committee is set out in the table below:

	Attendance
Mr. Wang Ming Fan	2/2
Mr. Zhou Xiao Xiong	2/2
Mr. Leung Wai Man, Roger	2/2
Mr. Ng Kwun Wan	2/2

(3) Audit Committee

The Audit Committee was established with written terms of reference in compliance with the CG Code, which are available for view on the Company's website and the HKEXnews website.

The Audit Committee comprises all three Independent Non-executive Directors, namely, Mr. Ng Kwun Wan, the Chairman of the Audit Committee, Mr. Leung Wai Man, Roger and Mr. Zhou Xiao Xiong. Each member of the Audit Committee shall abstain from voting on any resolution in respect of matters in which he is interested.

The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal. It is also responsible of review of the Company's financial information and oversight of the Company's financial reporting system and internal control procedures. It also reviews the interim and annual results of the Company each year.

The Audit Committee is also responsible to develop, review and monitor the policies and practices on corporate governance of the Group and to make recommendations to the Board, to review and monitor the Company's policies and practices on legal and regulatory compliance, to review and monitor the code of conduct and ethical behaviour applicable to the Directors and employees and the training and continuous professional development of Directors and senior management, and to review the Company's compliance with the Code and disclosures in the corporate governance reports.

The Audit Committee shall have full discretion to invite any Director or Executive Officer to attend its meetings. In addition, the Audit Committee shall have independent access to external auditors without the presence of management at least once a year.

The Audit Committee held three teleconference meetings with the following summary of work performed during the reporting year:

– making recommendations to the Board on the re-appointment of the external auditors of the Company;

– meeting with the external auditor to discuss the general scope of their audit work and report;

– review of the internal control and risk management systems of the Company;

– review and monitor the Company's compliance with the Company's whistleblowing policy;

– review of the Company's financial and accounting policies and practices; and

– review of the unaudited interim results for the six months ended 30 June 2022 and the audited financial statement of Year 2021.

Attendance of each member of the Audit Committee is set out in the table below:

	Attendance
Mr. Ng Kwun Wan	3/3
Mr. Leung Wai Man, Roger	3/3
Mr. Zhou Xiao Xiong	3/3

F. COMPANY SECRETARY

The Company Secretary, Mr. Ma Siu Kit, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully abreast of the relevant legislative, regulatory and corporate governance developments relating to the Group.

The Company Secretary reports to the Chairman and Chief Executive Officer, plays an essential role in the relationship between the Company and its Shareholders, and assists the Board in discharging its obligations to Shareholders pursuant to the Listing Rules.

During the year, Mr. Ma has attended relevant professional seminars to update his skills and knowledge. He is in compliance of the Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

G. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry, all Directors confirmed their compliance with the required standard set out in the Model Code during the year under review.

H. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Company's assets and stakeholders' interests, as well as for reviewing the effectiveness of the systems through the support of internal audit and the Audit Committee.

The Board conducted annual review of the Company's risk management and internal control systems through engaging Centurion ZD CPA Limited, Certified Public Accountants as the Company's internal auditors. During the reporting year, the internal auditors have performed annual review and assessment of the effectiveness of the Company's risk management and internal control systems which implemented material controls covering the financial, operational, compliance and risk management aspects of the Group and reported to the Board. The Board considered that internal audits have been implemented and provided the Board with reasonable assurance that the processes of the Company operate as designed, the risk management and internal control systems of the Group are effective and adequate.

I. AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

During the year under review, the remuneration paid/payable to the Company's independent auditors, PricewaterhouseCoopers, is set out as follows:

	Fee paid/ payable RMB'000
Nature of service	
Audit services	
Annual audit of accounts	7,480
Non-audit services	—
	7,480

J. DIVERSITY

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience, having due regard for the benefits of diversity of the Board.

According to Rule 13.92, the Stock Exchange of Hong Kong Limited will not consider diversity to be achieved for a single gender board. Henceforth, the Board is planning to improve the gender diversity at board level and across the workforce, and is in the process of seeking one or more suitable candidates of different gender to join the Board as Director(s) on or before 31 December 2023.

The Board also plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

The Board constantly examines and reviews its composition in terms of its size and diversity, with a view of determining the impact of the number upon effectiveness, deciding on what it considers an appropriate size for the Board, to facilitate effective decision making, and recognises the benefits of diversity in the boardroom to broaden its horizon and capitalize on the different cultural and educational background, gender, age, professional training and industry experiences of the Directors in forming corporate strategies for the long-term development of the Company. The composition of the Board will be reviewed at least once annually by the Nomination Committee to ensure that the Board has the appropriate mix of expertise, experience and diversity.

The Board also believes that diversity is an economic driver of competitiveness for companies, contributing to business success and shareholder value and is committed to nurturing an environment in which equal opportunity and diversity are recognised as being essential to the performance of the company and incorporated into our day-to-day business. We recognise that people bring different skills and qualities to the workplace and strive to value people's differences and create an inclusive workplace culture. Promotion of diversity also broadens the pool for recruitment of high-quality employees and board members, enhances employee retention, encourages greater innovation and improves our corporate image and reputation.

The Company conducts business activities such as hiring, promotion and compensation of people, without regard to race, color, ethnicity, religion, national origin, gender, gender identity or expression, sexual orientation, family or marital status, dependents, genetics, disability, age, social origin or political views. All recruitment, job assignment, remuneration and benefits, training, and promotions are based on merit, performance and potential using objective criteria.

As of 31 December 2022, the Group employed 594 female staff (40.6% of the total workforce (including senior management).

K. SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene extraordinary general meeting

Pursuant to the Company's Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the 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; and 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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(2) Procedures by which enquiries may be put to the Board

The Company encourages shareholders' participation at AGMs and all shareholders are given the opportunity to voice their view and to direct enquiries regarding the Group to Directors, including the chairperson of each of the Board Committees. Shareholders are welcome to send in enquires they may have to the Board to the Company's head office and principal place of business in Hong Kong: Flat A-B, 37/F., Boton Technology Innovation Tower, 368 Kwun Tong Road, Kowloon, Hong Kong for the attention of the Company Secretary.

(3) Procedures for shareholders to put forward proposals at a general meeting

Shareholders could put forward proposals at a general meeting to the Company, for the Board's consideration pursuant to the Company's Articles of Association, in writing by post to the Company's head office and principal place of business in Hong Kong: Flat A-B, 37/F., Boton Technology Innovation Tower, 368 Kwun Tong Road, Kowloon, Hong Kong for the attention of the Company Secretary.

L. INVESTOR RELATIONS

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders via HKEXnews website by publishing announcements and news releases. The Company ensures that price-sensitive information is publicly released, and is announced on an immediate basis where required under the Listing Rules of the Stock Exchange of Hong Kong Limited. When an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the investing public have fair access to the information.

(1) Shareholders' Communication Policy

The Company has set up an effective communication channel with investors. It carries out investor relationship maintenance work under the principles of openness and fairness and with a proactive attitude while conforming to the rules. As part of its regular review, the Board has reviewed its policies in regard to the shareholders' communication for the year ended 31 December 2022 and is of the view that they are effective and adequately implemented.

(2) Constitutional Documents

There was no change to the Company's constitutional documents during the year ended 31 December 2022. A copy of the latest consolidated version of the Company's Memorandum of Association and the Articles is available for view on the Company's website and the HKExnews website.

On 23 March 2023, the board of directors of the Company proposed to amend the existing amended and restated memorandum and articles of association of the Company (the "Existing M&A") and to adopt the second amended and restated memorandum and articles of association of the Company (the "New M&A") in order to (i) bring the Existing M&A in line with the relevant requirements of the applicable laws of the Cayman Islands and the Listing Rules; and (ii) make some other housekeeping improvements. The proposed amendments and the proposed adoption of the New M&A would be subject to the approval of the shareholders of the Company by way of a special resolution at the forthcoming annual general meeting of the Company to be held on 19 May 2023. Details of the proposed amendments and the proposed adoption of the New M&A, would be disclosed in a circular dated 18 April 2023.

(3) Dividend Policy

The Company has adopted a dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits as dividends to the shareholders. In determining the dividend amount, the Board will take into account a number of factors such as the Group's financial performance, future capital expenditures and financial position as well as the general economic and business conditions. The policy will be reviewed from time to time so as to keep in line with the future prospects and capital requirements of the Group and the changes in market conditions.

(4) Annual General Meeting

The Annual General Meeting (AGM) allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions on each substantially separate matter to the shareholders for their consideration and approval. Members of the Audit, Remuneration and Nomination Committees and the external auditor also attend the AGM to answer questions from shareholders. The external auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders concerning the Company's financial statements. The Company's Articles allow a member of the Company to appoint one or two proxies to attend and vote at general meetings.

AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 21 clear days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required to be disclosed under the Listing Rules. All registered shareholders of the Company will receive annual and interim reports, circulars and notices of general meetings by post. Notice of the forthcoming AGM shall be made available on HKEXnews website on 18 April 2023.

The chairman of the AGM exercises his power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for conducting a poll are explained at the meeting prior to the polls being taken and the share registrar of the Company acts as the scrutineer for the vote-taking at the meeting. Voting results are available on the websites of the Company and the Stock Exchange of Hong Kong Limited on the day after the AGM.

AGM will be held on 19 May 2023.

The Directors present the annual report and the audited accounts for the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 12 to the accounts.

BUSINESS REVIEW

A fair review of the Group's businesses comprising analysis of the Group performance during the year under review using financial key performance indicators, description of the principal risks and uncertainties facing the Group, are set out in the section of "Management Discussion and Analysis" in this annual report. No important events affecting the Company that have occurred since the end of the reporting year. The Company shall continue to develop the e-Cigarette business in the PRC and other countries and carry on research on the possibility of applying e-Cigarette vaporizer in the healthcare field. Further information as required by Schedule 5 of the Companies Ordinance (Cap. 622) of Hong Kong comprising the Company's environmental policies and performance, the Company's compliance with the relevant laws and regulations that have a significant impact on the Company, are set out in the "Environmental, Social and Governance Report" of the Company for 2022 ("ESG Report"). The "Management Discussion and Analysis" and the "Corporate Governance Report" and the "ESG Report" form part of this Directors' Report.

The ESG Report will be published on the websites of the Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.boton.com.hk.

RESULTS AND APPROPRIATIONS

Details of the Group's result for the year ended 31 December 2022 are set out in the consolidated income statement on pages 47 to 48.

The Board does not recommend payment of any dividend in respect of the year ended 31 December 2022 (2021: nil).

DIVIDEND POLICY

Any declaration and payment of future dividend under the dividend policy of the Company are subject to the Board's determination which would be in best interests of the Group and the shareholders of the Company as a whole. The Board has the sole discretion as to the declaration and payment of dividends. In proposing any dividend payout, the Board shall take into account the following factors:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Group;

(c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(d) any restrictions on payment of dividends that may be imposed by the Group's contracting parties;

(e) the Group's expected working capital requirements and future expansion plans;

(f) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(g) any other factors that the Board may deem appropriate.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 6 to the accounts.

SHARE CAPITAL

The share capital of the Company consists of ordinary shares with par value of HKD0.10 each only. As at 31 December 2022, the share capital of the Company comprised of 1,080,512,146 ordinary shares.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in Note 18 and Note 19 to the accounts and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution as calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB602.1 million (2021: RMB733.1 million). This includes the Company's share premium account. The Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Wang Ming Fan *(Chairman and Chief Executive Officer)*
Mr. Li Qing Long
Mr. Yang Ying Chun

Independent Non-executive Directors

Mr. Leung Wai Man, Roger
Mr. Ng Kwun Wan
Mr. Zhou Xiao Xiong

Pursuant to Article 87(1) of the Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting. Accordingly, Mr. Li Qing Long and Mr. Leung Wai Man, Roger shall retire by rotation and, being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographies of Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 14 to 16 of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation of independence from each of its Independent Non-executive Directors. The Company considers that each of them to be independent and has met the guidelines set out in Rule 3.13 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association no. 167 (the "Article"), the directors of the Company shall be entitled to be indemnified out of the assets and profits of the Company from and against all loss or liabilities (to the fullest extent permitted by the Companies Ordinance (Chapter 622)) which he may incur or sustain in or about the execution of the duties in respect of their offices or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

Up to the date of this report, the Company does not grant any permitted indemnity in favour of any directors of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2022, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to (a) Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; or (b) Section 352 of the SFO, to be entered in the register required to be kept by the Company under such provision, or (c) the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions — Ordinary Shares

(i) Interests in the Shares and underlying shares of the Company

	Number of Shares				
Name of Director	Personal Interests	Family Interests	Corporate Interests	Total	Percentage of aggregate interests to the total number of Shares in issue
Mr. Wang Ming Fan(Note 1)	336,555,052	25,262,431	367,638,743	729,456,226	67.51%
Mr. Yang Ying Chun(Note 2)	2,000,000	—	—	2,000,000	0.19%

Notes:

1. The family interests of 25,262,431 Shares represents the shares held by Ms. Yang Yifan, the spouse of Mr. Wang Ming Fan as at 31 December 2022.

   The corporate interests of 367,638,743 Shares represents the total of (i) 348,320,509 Shares held by Creative China Limited ("Creative China") and (ii) 19,318,234 Shares held by Full Ashley Enterprises Limited ("Full Ashley"). Creative China is owned as to 41.19% by Mr. Wang Ming Fan whereas Full Ashley is a private company which is wholly-owned by Mr. Wang Ming Fan. By virtue of the SFO, Mr. Wang Ming Fan is deemed to be interested in (i) all the 348,320,509 Shares held by Creative China, being 32.24% of the issued share capital of the Company; and (ii) all the 19,318,234 Shares held by Full Ashley, being 1.79% of the issued share capital of the Company.

2. Mr. Yang Ying Chun, holds a personal interest of 2,000,000 Shares of the Company, being 0.19% of the issued share capital of the Company.

(ii) Interests in Boton Flavors and Fragrances Co., Ltd. (波頓香料股份有限公司) (previously known as "Dongguan Boton Flavors and Fragrances Company Limited (東莞波頓香料有限公司)") ("Dongguan Boton"), an associated corporation (as defined in the SFO) of the Company

Name of Director	Amount of paid-up registered capital of Dongguan Boton	Percentage of registered capital of Dongguan Boton
Mr. Wang Ming Fan	approximately RMB28,324,550	approximately 33.323%
Mr. Li Qing Long	approximately RMB1,275,000	approximately 1.5%

Notes:

1. The total paid-up registered capital of Dongguan Boton is approximately RMB85,000,000.

2. (i) Mr. Wang Ming Fan held 33.323% (RMB28,324,550) equity interest by his wholly owned company, Champion Sharp International Investment Limited.

   (ii) There were 9.98% (RMB8,483,000) equity interest held by Ms. Yang Yifan (the spouse of Mr. Wang) and 0.8884% (RMB755,140) equity interest held by Mr. Wang through two PRC limited partnership where Mr. Wang acted as general partner.

(iii) Interests in the shares of Creative China, an associated corporation (as defined in the SFO) of the Company

Name of Director	Class and number of shares held in associated corporation	Percentage of issued shares
Mr. Wang Ming Fan	4,559 ordinary shares	41.19%
Mr. Li Qing Long	436 ordinary shares	3.94%

Save as disclosed above, none of the Directors or chief executive of the Company is aware of any other Director or chief executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at 31 December 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

At no time during the financial year under review was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' and Chief Executives' interests in Securities" above, the following shareholders had notified the Company of its relevant interests in the issued share capital of the Company.

Long Positions — Ordinary Shares (Note 1)

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Percentage of issued shares
Mr. Wang Ming Fan(Note 2)	Beneficial owner, family interest and interest in controlled corporations	729,456,226	67.51%
Creative China Limited(Note 3)	Beneficial owner	348,320,509	32.24%
Full Ashley Enterprises Limited(Note 4)	Beneficial owner	19,318,234	1.79%

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. By virtue of the SFO, Mr. Wang Ming Fan is deemed to be interested in: (a) 25,262,431 Shares being held by Ms. Yang Yifan, the spouse of Mr. Wang; (b) 348,320,509 Shares being held by Creative China (which is duplicated in the interests described in Note 3); and (c) 19,318,234 Shares being held by Full Ashley (which is duplicated in the interests described in Note 4). Together with his personal shareholding of 336,555,052 Shares, Mr. Wang Ming Fan was taken to be interested in 729,456,226 shares (approximately 67.51% of the total issued share capital of the Company) as at 31 December 2022.

3. Creative China is owned as to 41.19% by Mr. Wang Ming Fan, as to 28.11% by Mr. Wong Ming Bun (a former director of the Company), as to 10.01% by Mr. Wang Ming Qing, as to 9.86% by Mr. Wang Ming You (a former director of the Company), as to 6.89% by Mr. Qian Wu (a former director of the Company) and as to 3.94% by Mr. Li Qing Long. As at 31 December 2022, Mr. Wang Ming Fan and Mr. Li Qing Long were Directors of the Company and also directors of Creative China. Mr. Qian Wu resigned as a director of the Company with effect from 5 January 2018 but remains as a director of Creative China.

4. Full Ashely is a private company which is wholly-owned by Mr. Wang Ming Fan who has a duty of disclosure under SFO in the issued share capital of the Company as Director of the Company, therefore Full Ashley is taken to have a duty of disclosure in relation to the Shares of the Company under the SFO.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2022.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wang Ming Fan and Mr. Li Qing Long has entered into a service contract with the Company for a term of three years commencing on 9 December 2005, which shall continue thereafter unless and until terminated by either party giving not less than three months' notice in writing to the other party. There is no director service contract between the Company and Mr. Yang Ying Chun who was appointed as an executive Director with effect from 5 January 2018.

Each of the independent non-executive Directors has renewed his service agreement with the Company for a term of two years commencing on 17 December 2021 and either the Company or the independent non-executive Directors may terminate the respective appointment by giving not less than one month's notice in writing to the other party.

None of the Directors of the Company has entered into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATIONS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and those of the five highest paid individuals in the Group are set out in Notes 38 and 28 to the accounts, respectively.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in Note 36 to the Consolidated Financial Statements headed "Significant Related Party Transactions" and the section headed "Continuing Connected Transactions" below, no contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

CONNECTED TRANSACTION

(i) On 12 June 2020, Shenzhen Boton Flavors and Fragrances Co., Ltd. ("SZ Boton"), an indirect wholly-owned subsidiary of the Company, and Champion Sharp International Investment Limited ("Champion"), a company directly wholly-owned by Mr. Wang Ming Fan (Chairman and Executive Director of the Company), acted as the vendors and had entered into an equity transfer agreement (the "Equity Transfer Agreement") with various senior management and general staffs of Boton Flavors and Fragrances Co., Ltd (previously known as Dongguan Boton Flavors and Fragrances Co., Ltd.) ("DG Boton") and a director or connected person of the Company, who were as the purchasers of the transaction. Pursuant to the Equity Transfer Agreement, SZ Boton and Champion had conditionally agreed to sell to the purchasers 30% in aggregate of the equity interest in DG Boton to the aforesaid purchasers at the aggregate consideration of approximately RMB68,850,000 (equivalent to approximately HKD75,576,290) (the "Transaction").

With reference to the announcement of the Company dated 10 October 2018 in relation to the Proposed Spin-off of DG Boton and the Proposed A-Share Listing of DG Boton on the Shenzhen Stock Exchange, it was a legal requirement that DG Boton must be a joint stock limited company to qualify for the Proposed A-Share Listing. To, inter alia, satisfy the aforesaid requirement, the Transaction was taken place and 30% of the entire equity interest of DG Boton were then proposed to be transferred by the vendors to the purchasers to facilitate its conversion to a joint stock limited company.

In addition, each of the purchasers had unconditionally and irrevocably warranted to SZ Boton while certain purchasers had unconditionally and irrevocably warranted to Champion that DG Boton group would maintain an annual growth of not less than 10% of its revenue and net profit excluding extraordinary items (the "Profit Guarantee") in the five financial years after the completion date (the "Relevant Period"). If the Profit Guarantee could not be met in any two consecutive years during the Relevant Period, the purchasers must, within 30 days after the issue of the audited financial statement, transfer the respective equity interest (save and except the respective equity interest transferred from Champion to Mr. Qian Wu, Mr. Li Qing Long and Ms. Yang Yifan under the Equity Transfer Agreement) to the vendors at the consideration pursuant to the Equity Transfer Agreement.

The amount of the Profit Guarantee for the first financial year ended 31 December 2020 was calculated based on the revenue and net profit excluding extraordinary items stated in the audited report of DG Boton group for the financial year ended 31 December 2019. If there was any event of force majeure relating to natural disasters including flooding which might materially and adversely affect the achievement of the Profit Guarantee, subject to the approval of SZ Boton, the Profit Guarantee in the relevant financial year should be achieved in the subsequent financial year and the Relevant Period shall be extended accordingly. The Profit Guarantee shall survive the completion of the Transaction but shall be automatically terminated upon completion of the Proposed Spin-off and the Proposed A-Share Listing.

Since various senior management staffs were directors or connected persons of the Company and/or DG Boton. The Transaction constituted a connected transaction under the Listing Rules of Hong Kong. As the applicable percentage ratios exceeded 0.1% but were less than 5%, the Transaction was subject to the reporting and announcement requirements but were exempt from the independent Shareholders' approval and circular requirements under Chapter 14A of the Listing Rules.

(ii) In July 2022, Shenzhen Shengchuangda Biotechnology Co., Ltd. (深圳市聖創達生物科技有限公司), a wholly owned subsidiary of the Group had disposed 34% of equity interests of its subsidiary Huizhou Babo Technology Co., Ltd. (惠州巴博科技有限公司) to a company, Shenzhen Hanyun Holding Consulting Co., Ltd. (深圳市韓雲控股諮詢有限公司) whose beneficial owner was Mr. Han Sang Un, a minority shareholder of the Korean subsidiaries of the Group, holding 49% of equity interests. The consideration was RMB1,700,000. Pursuant to the Chapter 14A.76 (1) (c), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the aforesaid connected transaction was a de minimis transaction.

Save as disclosed above, during the year of 2022, the Directors confirm that the Group does not have other connected transaction and continuing connected transaction as defined under the Listing Rules and have therefore complied with the disclosure requirement in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the financial year, none of the Directors, the controlling shareholder of the Company and their respective close associates (as defined in the Listing Rules) has any interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years is set out on page 115 of this annual report. This summary does not form part of the audited consolidated financial statements.

DETAILS OF INVESTMENT PROPERTIES

A list of properties held for investment of the Group is set out on page 116 of this annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

SHARE OPTIONS

The Company has share option scheme of the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the "Participants" (as defined in the scheme) and for such other purposes as the Board may approve from time to time. Participants include but not limited to, directors and employees (whether full-time or part-time) of each member of the Group. In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

The share option scheme adopted by the Company on 25 November 2005 has been terminated upon adoption of a new share option scheme ("New Share Option Scheme") by ordinary resolution of shareholders passed at the annual general meeting of the Company held on 8 May 2015 (the "Effective Date"). Prior to the termination of the old scheme, a total of 58,000,000 share options were granted to five grantees to subscribe to 58,000,000 shares of the Company which were lapsed before the year ended 31 December 2017. Upon termination of the old scheme, no further options of the old scheme can be offered thereunder but the provisions of the scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to its termination and options granted prior to such termination shall continue to be valid and exercisable.

Subject to the terms and conditions of the New Share Option Scheme, the maximum numbers of shares in respect of the options may be granted under the New Share Option Scheme shall not exceed 10% of the Shares in issue as at the adoption date (i.e. 62,878,388 shares) and shall remain in force for a period of ten years from the Effective Date unless otherwise cancelled or amended. There were no options granted and no outstanding options in the year under review under the New Share Option Scheme since its adoption, as at 31 December 2022 and up to the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate revenue from sales of goods attributable to the Group's five largest customers accounted for 29.9% of the Group's total revenue and the revenue from sales of goods attributable to the Group's largest customer was approximately 8.1% of the Group's total revenue. Among the major customers of the Group, some are e-Cigarette distributors and manufacturer who have been dealing with the Group for 1 year or more approximately and some are manufacturers of tobacco and fine fragrance products in the PRC and who have been dealing with the Company for over 10 years. The credit period granted to customers is between 30 days to 360 days, calculation based on and starting from the date of invoice. The Group had no problem of subsequent collection of trade receivables in the year under review. The Group recognises risk associated with reliance on major customers and will continue to adopt prudent credit policies and maintain tight collection management to mitigate such risks.

During the year, the aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 36.0% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 10.1% of the Group's total purchases. Some of the major suppliers of the Group are manufacturers of e-Cigarette who have been dealing with the Group for 1 year approximately and some are producers of raw materials of flavors and fragrances and who have been dealing with the Company ranging from 4 years to over 10 years. The credit period granted by the suppliers is between 30 days to 180 days, calculation based on and starting from the date of invoice. The Group recognises risk associated with reliance on major supplier and will continue to source and diversify its chain of supplies carefully to, at the same time, not to forgo the quality of raw materials used.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with the CG Code throughout the year ended 31 December 2022, as set out in Appendix 14 of the Listing Rules save for the deviation as disclosed in the Corporate Governance Report from pages 17 to 28, which provide further information on the Company's corporate governance practices.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions (the "Model Code"). All directors of the Company have confirmed that, following specific enquiry by the Company, they have compiled with the required standard set out in the Model Code throughout the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. PricewaterhouseCoopers as auditors of the Company, the Board confirms that there has been no change in auditors of the Company since 9 March 2005, date of incorporation.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 15 May 2023 to 19 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited on 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 12 May 2023.

On behalf of the Board

Wang Ming Fan
Chairman

Hong Kong
23 March 2023

pwc 羅兵咸永道

To the Shareholders of China Boton Group Company Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Boton Group Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 45 to 114, comprise:

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

Our opinion

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

BASIS FOR OPINION

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

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

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.

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KEY AUDIT MATTERS

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

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

- Goodwill impairment assessment
- Assessment of the fair value of investment properties
- Assessment of the expected credit losses on trade receivables
- Provisions for litigation claims

Key Audit Matters	How our audit addressed the Key Audit Matters
1. Goodwill impairment assessment	
Refer to Note 4 (Critical accounting estimates and judgments) and Note 9 (Intangible assets) to the consolidated financial statements. Goodwill of approximately RMB1,626 million was recognised by the Group as a result of the acquisition of 100% interest of Kimree, Inc. (RMB427 million) in April 2016 and the acquisition of the business of four tobacco companies (RMB1,199 million) in July 2016. Management had to perform impairment assessment of the goodwill balance as at 31 December 2022. To assess impairment, management had to identify the cash-generating unit ("CGU") for the allocation of goodwill. Value-in-use approach was being used for impairment assessment. Management has identified each CGU from one of the operating segments of the Group and performed assessment on the impairment of goodwill. We focus on this area due to the significance of the balance and the key judgments adopted by management in preparation of the forecast.	Our audit procedures included: (i) We obtained an understanding of the management's internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. (ii) We obtained management's future cash flow forecasts, tested the mathematical accuracy of the underlying value-in-use calculations and agreed them to the approved financial budget and future forecast. We also compared historical actual results to those budgeted to assess the quality of management's forecasts. (iii) We reviewed management's identification of each CGU by assessing active market exists for the products of the businesses. (iv) We compared the valuation model (value-in-use calculations based on future discounted cash flows) used by the Group to those outlined in the relevant accounting standard. (v) We assessed management's assumptions on the long-term growth rates and gross margin in the forecast with the historical results and approved budget and the discount rate with reference to the cost of capital of the Group. (vi) We performed sensitivity analysis around the long-term growth rates and the discount rate of the cash flow forecasts, and assessed the degree to which these assumptions would need to alter before an impairment conclusion was triggered; and (vii) We assessed the adequacy of the Group's disclosures related to goodwill impairment assessment in notes to the consolidated financial statements. Based on the above, we found that assumptions used by management in assessing whether or not there was an impairment of goodwill at year end were supportable by the available evidences and information.

Key Audit Matters	How our audit addressed the Key Audit Matters
2. Assessment of the fair value of investment properties	
Refer to Note 4 (Critical accounting estimates and judgments) and Note 8 (Investment properties) to the consolidated financial statements. As at 31 December 2022, the Group's investment properties were measured at fair value of RMB637 million. RMB20.9 million fair value loss of the total investment properties for the year then ended, were recorded in the consolidated income statement. Fair value of the investment properties were determined by the Group based on the valuation performed by an external valuer using the income approach and the direct comparison method. We focused on this area due to the significance of the investment properties and the use of key assumptions in the valuation. Those key assumptions included term yields, reversionary yields, fair market rents and estimated price per square meter.	Our audit procedures included: (i) We obtained an understanding of the management's internal control and assessment process of the fair value of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. (ii) We evaluated the competency, capabilities and objectivity of the external valuer engaged by the Group. (iii) We obtained the valuation report of the investment properties and assessed the appropriateness of the valuation method used. (iv) We used our internal valuation experts in assessing the reasonableness of the key assumptions applied in the valuation, including term yields, reversionary yields, fair market rents and estimated price per square meter. We compared those inputs used in the valuation to our internally developed benchmarks which were based on our research of the comparable market information in connection with the Group's investment properties. (v) We performed sensitivity analysis on the change in the growth rate of rental income and yields, and assessed the degree of the change of these assumptions on the valuation of the investment properties; and (vi) We assessed the adequacy of the Group's disclosures related to the assessment of the fair value of investment properties in notes to the consolidated financial statements. We found that the assumptions used in the fair value valuation were supportable by the available evidences and information.

Key Audit Matters	How our audit addressed the Key Audit Matters
3. Assessment of the expected credit losses on trade receivables	
Assessment of the expected credit losses on trade receivables Refer to Note 4 (Critical accounting estimates and assumptions) and Note 15 (Trade and other receivables) to the consolidated financial statements. As at 31 December 2022, gross trade receivables amounted to RMB913 million, which represented approximately 14% of the total assets of the Group. Management has estimated the expected credit losses ("ECL") on trade receivables and a loss allowance for the gross trade receivables of RMB86 million was made as at 31 December 2022. Management estimated the ECL on trade receivables based on estimation about risk of default and expected credit loss rates. Management applied judgments in making the estimation and selecting the inputs used in the ECL calculation, based on the customers' settlement history, financial position of major customers as well as forward looking information. We considered this area a key audit matter due to the magnitude of the balance of trade receivables as well as the significant judgments and estimates involved in the estimation of the related ECL given the complexity of the methodology and subjectivity of significant assumptions used.	Our audit procedures included: (i) We obtained an understanding of the management's internal control and assessment process over the estimation of the ECL on trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity. (ii) We evaluated and tested management's key controls in relation to the estimation of the ECL. (iii) We assessed the appropriateness of the ECL provisioning methodology adopted by management based on our understanding on the Group's business and credit control process and the credit risk characteristics of the trade receivables. (iv) We tested, on a sample basis, the accuracy of ageing analysis of trade receivables by tracing to sales invoices and receipts. (v) We evaluated the financial position of major customers by checking to relevant information and evaluated the appropriateness of management's assessment of forward looking information with reference to our understanding of the Group's business and industry and external macroeconomic data; and (vi) We checked the mathematical accuracy of the calculation of ECL. Based on the above, we considered that the significant judgments and estimates made by management, and the methodology and significant assumptions used in relation to the assessment of the ECL on trade receivables were supportable by available evidence.

Key Audit Matters	How our audit addressed the Key Audit Matters
4. Provisions for litigation claims	
Refer to Note 4 (Critical accounting estimates and judgments) and Note 34 (Litigation Claims) to the consolidated financial statements. The Group was subject to the Litigation Claims (as defined in Note 34) amounted to approximately RMB 143.1 million as at 31 December 2022. Provisions are recognised when management considers the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where management considers it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. We identified the provisions for the Litigation Claims against the Group as a key audit matter because significant management judgments based on legal advice, where appropriate, is required to assess whether the probability of a material outflow of economic benefits will occur and whether a provision should be recognised.	Our audit procedures included. (i) We assessed the processes and entity level controls over identifying and monitoring the Litigation Claims. (ii) We discussed with management regarding the developments, the latest status and verdicts of the Litigation Claims. (iii) We interviewed with the external legal counsel engaged by the Group on the latest status and verdicts of the Litigation Claims, and evaluated the competency and capabilities of the external legal counsel. (iv) We obtained written legal opinion from the external legal counsel on the Litigation Claims. (v) We tested whether provisions held against the Litigation Claims are appropriate; and (vi) We assessed whether in notes to the consolidated financial statements have appropriately disclosed the Litigation Claims. Based on the work performed, we considered that the significant judgments made by management, and the provisions recorded and disclosures made were supportable by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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 Michael W. H. Chan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2023

CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December 2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,499,035**	1,499,250
Right-of-use assets	7	**119,906**	129,196
Investment properties	8	**637,000**	547,900
Intangible assets	9	**1,768,882**	1,817,799
Deferred income tax assets	23	**39,800**	20,663
Prepayments for the purchase of property, plant and equipment	15	**33,754**	57,347
		4,098,377	4,072,155
Current assets			
Inventories	14	**360,818**	223,272
Trade and other receivables	15	**1,272,681**	1,484,322
Deposits for bank borrowings	24	**273,728**	201,377
Financial assets at fair value through profit or loss	11	**12,387**	—
Cash	16	**433,015**	330,484
		2,352,629	2,239,455
Total assets		**6,451,006**	6,311,610
EQUITY			
Attributable to owners of the Company			
Share capital	17	**101,522**	101,522
Share premium	17	**1,292,432**	1,292,432
Other reserves	19	**417,095**	381,616
Retained earnings	18	**1,164,644**	1,137,445
		2,975,693	2,913,015
Non-controlling interests		**286,427**	256,554
Total equity		**3,262,120**	3,169,569

CONSOLIDATED BALANCE SHEET (continued)

(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Note	2022	2021
LIABILITIES			
Non-current liabilities			
Deferred government grants	21	**36,323**	37,128
Deferred income tax liabilities	23	**95,253**	96,073
Borrowings	24	**748,344**	689,620
Lease liabilities	7	**6,376**	11,884
Other non-current liabilities	22	**139,218**	206,725
		1,025,514	1,041,430
Current liabilities			
Trade and other payables	22	**1,025,274**	1,171,935
Contract liabilities		**87,442**	82,028
Lease liabilities	7	**5,312**	7,008
Current income tax liabilities		**127,800**	133,305
Borrowings	24	**917,544**	706,335
		2,163,372	2,100,611
Total liabilities		**3,188,886**	3,142,041
Total equity and liabilities		**6,451,006**	6,311,610

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

The financial statements on pages 45 to 114 were approved by the Board of Directors on 23 March 2023 and were signed on its behalf.

Wang Ming Fan
Director

Li Qing Long
Director

CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December 2022	2021
Revenue	5	**2,324,807**	2,286,102
Cost of sales	27	**(1,537,943)**	(1,393,765)
Gross profit		**786,864**	892,337
Selling and marketing expenses	27	**(102,121)**	(144,193)
Administrative expenses	27	**(359,424)**	(359,034)
Net impairment losses on financial assets	3.1(b)	**(13,438)**	(30,494)
Other income	25	**16,472**	6,795
Other losses – net	26	**(170,290)**	(5,444)
Operating profit		**158,063**	359,967
Finance income	29	**16,526**	3,995
Finance costs	29	**(62,375)**	(61,434)
Finance costs – net		**(45,849)**	(57,439)
Profit before income tax		**112,214**	302,528
Income tax expense	30	**(27,733)**	(76,975)
Profit for the year		**84,481**	225,553
Attributable to:			
Owners of the Company		**48,317**	183,512
Non-controlling interests		**36,164**	42,041
		84,481	225,553
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	31	**0.04**	0.17

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2022**	2021
Profit for the year		**84,481**	225,553
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation gain on transfer of owner-occupied property to investment properties, gross of tax	8	**12,499**	—
Tax on revaluation gain on transfer of owner-occupied property to investment properties	23	**(1,875)**	—
		10,624	—
Items that may be reclassified to profit or loss			
Currency translation differences		**2,838**	(1,090)
Total comprehensive income for the year		**97,943**	224,463
Attributable to:			
Owners of the Company		**57,635**	185,676
Non-controlling interests		**40,308**	38,787
Total comprehensive income for the year		**97,943**	224,463

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2022	101,522	1,292,432	381,616	1,137,445	2,913,015	256,554	3,169,569
Comprehensive income							
Profit for the year	–	–	–	48,317	48,317	36,164	84,481
Other comprehensive income							
Revaluation gain on transfer of owner-occupied property to investment properties, gross of tax (Note 8)	–	–	12,499	–	12,499	–	12,499
Tax on revaluation gain on transfer of owner-occupied property to investment properties (Note 23)	–	–	(1,875)	–	(1,875)	–	(1,875)
Currency translation differences	–	–	(1,306)	–	(1,306)	4,144	2,838
Total comprehensive income	–	–	9,318	48,317	57,635	40,308	97,943
Transaction with owners							
Share-based payments (Note 20)	–	–	2,529	–	2,529	2,241	4,770
Disposal of a subsidiary (Note 13)	–	–	–	–	–	(7,862)	(7,862)
Disposal of equity interests in a subsidiary without change of control (Note 12)	–	–	(1,715)	–	(1,715)	3,415	1,700
Acquisition of equity interests in a subsidiary from non-controlling interests (Note 12)	–	–	4,229	–	4,229	(8,229)	(4,000)
Appropriation to reserves	–	–	21,118	(21,118)	–	–	–
	–	–	26,161	(21,118)	5,043	(10,435)	(5,392)
Balance at 31 December 2022	101,522	1,292,432	417,095	1,164,644	2,975,693	286,427	3,262,120

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	101,522	1,292,432	353,723	977,133	2,724,810	215,526	2,940,336
Comprehensive income							
Profit for the year	–	–	–	183,512	183,512	42,041	225,553
Other comprehensive income							
Currency translation differences	–	–	2,164	–	2,164	(3,254)	(1,090)
Total comprehensive income	–	–	2,164	183,512	185,676	38,787	224,463
Transaction with owners							
Share-based payments	–	–	2,529	–	2,529	2,241	4,770
Appropriation to reserves	–	–	23,200	(23,200)	–	–	–
	–	–	25,729	(23,200)	2,529	2,241	4,770
Balance at 31 December 2021	101,522	1,292,432	381,616	1,137,445	2,913,015	256,554	3,169,569

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December 2022	2021
Cash flows from operating activities			
Cash generated from operations	33(a)	**243,605**	433,501
Income tax paid		**(55,070)**	(101,174)
Interest paid		**(58,781)**	(55,094)
Net cash generated from operating activities		**129,754**	277,233
Cash flows from investing activities			
Purchase of property, plant and equipment		**(169,628)**	(111,184)
Addition of right-of-use assets		**—**	(1,721)
Purchase of intangible assets		**(372)**	(290)
Proceeds from disposals of property, plant and equipment	33(b)	**4,064**	1,490
Payments for the acquisition of the business of tobacco companies		**(45,003)**	—
Interest received		**5,744**	3,995
Addition of financial assets at fair value through profit and loss		**(12,387)**	—
Net cash used in investing activities		**(217,582)**	(107,710)
Cash flows from financing activities			
New borrowings	33(c)	**1,412,826**	626,717
Repayment of borrowings	33(c)	**(1,142,893)**	(679,293)
Increase in deposits for bank borrowings		**(72,350)**	(38,500)
Principal elements of lease payments		**(6,995)**	(6,035)
Acquisition of equity interests in a subsidiary from non-controlling interests	12	**(4,000)**	—
Net cash generated from/(used in) financing activities		**186,588**	(97,111)
Net increase in cash		**98,760**	72,412
Cash at beginning of year		**330,484**	263,486
Effects of exchange rate changes on cash		**3,771**	(5,414)
Cash at end of year		**433,015**	330,484

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

1. GENERAL INFORMATION

China Boton Group Company Limited (the "Company") and its subsidiaries (together the "Group") manufacture and sell flavors, fragrances and e-cigarettes products mainly in the People's Republic of China (the "PRC") and Asia. The Company was incorporated in the Cayman Islands on 9 March 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is: Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman KY1-1111, Cayman Islands.

On 9 December 2005, shares of the Company were listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these 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 consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The areas involving a higher degree of judgments 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 policy and disclosures

(a) 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 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to HKFRS 3
- Covid-19 Related Rent Concessions beyond 30 June 2021 - Amendment to HKFRS 16 (March 2021) (the "HKFRS 16 Amendment (March 2021)")
- Amendments to AG 5 Merger Accounting for Common Control Combinations.

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations that have been issued but are not yet effective for the financial year beginning on or after 1 January 2022 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Insurance Contracts	Amendments to HKFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current	Amendments to HKAS 1	1 January 2023
Disclosure of Accounting Policies	Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates	Amendments to HKAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Amendments to HKAS 12	1 January 2023
Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	HK Int 5 (2020)	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Amendments to HKAS 28 and HKFRS 10	To be determined

These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

(a) Merger accounting

The consolidated financial statements incorporate the financial statements 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 common control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, whichever is shorter, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

(b) Subsidiaries

A subsidiary is an entity (including a structured entity) 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) Subsidiaries (continued)

The Group applies the acquisition method to account for non-common control business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.7).

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of subsidiaries to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends 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.

2.3 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-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors that make strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation

(a) 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"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other losses – net'.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial 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. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

All property, plant and equipment except for construction in progress are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is property, plant and equipment on which construction work has not been completed and stated at cost. Cost includes acquisition and construction expenditure incurred, interest and other direct costs attributable to the development. Depreciation is not provided on construction in progress until the related asset is completed for intended use.

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 the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	20 - 40 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	3 - 5 years
Leasehold improvements	5 years

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

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 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other losses - net', in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation loss or gain in 'other losses - net'.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Customer relationships and non-competition agreement

Customer relationships and non-competition agreement acquired in a business combination are recognised at fair value at the acquisition date. The customer relations and non-competition agreement have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from 10 to 15 years over the expected life of the intangible assets.

(c) Patents, formula and trademark

Patents, Formula and Trademark include purchased technology and skills acquired from third parties. They have a finite useful life and carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the technology and skills over their estimated useful life of 8 to 10 years.

(d) Computer software

The amount mainly comprises acquired computer software. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 2 to 5 years on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Research and development expenditure

Research expenditures is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development cost previously recognised as an expense is not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that subject to amortisation are reviewed 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Other financial assets

(a) Classification

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

- those to be measured at amortised cost. the expenditure attributable to the intangible asset during its development can be reliably measured.

The classification depends on the entity'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.

(b) 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.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at 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.

(d) Impairment

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, see note 3.1 (b) for further details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is 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, insolvency or bankruptcy of the company or the counterparty.

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash

In the consolidated statement of cash flows, cash includes cash in hand and deposits held at call with banks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Deposits for bank borrowings

Deposits for bank borrowings represent deposits held by the bank in a segregated account as security for borrowings from the bank.

2.17 Share capital

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

2.18 Share-based payments

Share-based payments represented differences between consideration and the amount representing 30% equity interest of the fair value of Boton Flavors and Fragrances Co., Ltd. (previously known as "Dongguan Boton Flavors and Fragrances Company Limited"), an indirect non-wholly owned subsidiary of the Company ("Dongguan Boton") by an independent professionally qualified valuer, was amortised over five years, and recognised as part of employee benefit expense and equity in the share-based payment reserve. Information relating to this agreement is set out in Note 20.

2.19 Perpetual subordinated convertible securities

Perpetual subordinated convertible securities issued by the Company gives the right to the holder to convert those securities into a fixed number of the Company's shares at any time at a fixed exercise price per share. The perpetual subordinated convertible securities have no maturity date and are redeemable. These securities are equity instruments.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Government grants

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its 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.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised 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, the deferred income tax is 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 substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax asset and liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The contributions are recognised as employee benefit expense when they are due.

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in derivative financial instruments.

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 end of the reporting period.

2.25 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Revenue recognition

Sales of goods

Revenue from the sale of good directly to the customers is recognised at the point that the control of the inventory have passed to the customers, which is primarily upon the acceptance of the products by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The Group collects cash or bank acceptance notes from the customers before or upon deliveries of products through banks. Cash or bank acceptance notes collected from the customers before product delivery is recognised as contract liabilities.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income

Rental income from investment properties leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease.

2.27 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all 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.

2.28 Dividend distribution

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

2.29 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign currency risks, mainly with respect to US dollar ("USD") and HK dollar ("HKD"). Exchange rate fluctuations and market trends have always been the concern of the Group. Foreign currency hedging of the Group has been managed by our chief financial officer, and overseen by the Group's chief executive officer. In accordance with our hedging needs and the then foreign exchange situation, the Group's chief financial officer would gather and analyse information regarding various hedging instruments and determine stop-loss thresholds. The Group's chief financial officer would then obtain quotations from various banks as to the financial instrument and present such quotations to the Group's chief executive officer, who would then evaluate and make a decision as to whether to enter into the relevant hedging agreement. No hedging contract has been entered into during the year. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The carrying amounts of USD and HKD denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	2022	2021
Assets		
HKD	**17,644**	19,753
USD	**100,784**	43,924
Liabilities		
HKD	**445,309**	323,214
USD	**162,500**	219,438

If RMB had strengthened/weakened by 5% against USD and HKD, with all other variable held constant, the profit before income tax would have been higher/(lower) as follows:

	2022		2021	
	higher/(lower) on profit before income tax if exchanges rates change by		higher/(lower) on profit before income tax if exchanges rates change by	
	+5%	**-5%**	+5%	-5%
HKD	**21,383**	**(21,383)**	15,173	(15,173)
USD	**3,086**	**(3,086)**	8,776	(8,776)

(All amounts in Renminbi thousands unless otherwise stated)

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 issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing short-term deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term deposits are not expected to change significantly.

For the year ended 31 December 2022, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post tax profit would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings Details of changes are as follows:

	2022	2021
(Decrease)/increase		
– 0.5% higher	**(4,805)**	(4,421)
– 0.5% lower	**4,805**	4,421

The interest rates and terms of repayment of borrowings of the Group are disclosed in Note 24

(iii) Price risk

The Group is not exposed to equity securities price risk because the Group did not invest in equity investment during the year. The Group is not exposed to commodity price risk. Fluctuation in price of raw materials is normally passed on to customers.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash, contractual cash flows of debt instruments and deposits with banks, as well as credit exposures to customers, including outstanding receivables.

The Group is exposed to credit risk mainly in relation to its cash and trade and other receivables.

(i) Risk management and Security

For cash, management manages the credit risk by placing all the bank deposits in state-owned financial institutions or reputable banks which are all high-credit-quality financial institutions.

To manage the credit risk in respect of trade and other receivables, the Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral from the customers on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintains a provision for doubtful accounts and actual losses incurred have been within management's expectations.

(ii) Impairment of financial assets

The Group formulates the credit losses of cash and cash equivalents, deposit for bank borrowings and trade and other receivables using ECL models according to HKFRS 9 requirements.

Cash and cash equivalents and deposit for bank borrowings

While cash and cash equivalents and deposit for bank borrowings are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Trade and other receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance 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.

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade and other receivables (continued)

The expected loss rates are estimated base on the roll rate approach considering the invoice days of trade receivables and contract assets across historical years and the corresponding historical credit losses experienced within the 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 to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables:

Traditional Flavors

	Current	Between 1 to 90 days past due	Between 91 to 360 days past due	More than 360 days past due	Total
As at 31 December 2022					
Expected loss rate	**1.98%**	**7.39%**	**35.37%**	**100%**	**—**
Gross carrying amount– trade receivables	**415,484**	**66,338**	**52,872**	**11,124**	**545,818**
Loss allowance	**8,228**	**4,901**	**18,702**	**11,124**	**42,955**
As at 31 December 2021					
Expected loss rate	1.85%	5.83%	41.85%	100%	—
Gross carrying amount– trade receivables	284,238	47,028	28,587	23,216	383,069
Loss allowance	5,258	2,741	11,963	23,216	43,178

e-Cigarette Products

	Current	Between 1 to 90 days past due	Between 91 to 360 days past due	More than 360 days past due	Total
As at 31 December 2022					
Expected loss rate	**0.37%**	**2.05%**	**7.17%**	**100%**	**—**
Gross carrying amount– trade receivables	**102,545**	**73,334**	**161,746**	**29,582**	**367,207**
Loss allowance	**382**	**1,504**	**11,592**	**29,582**	**43,060**
As at 31 December 2021					
Expected loss rate	0.63%	2.30%	13.56%	100%	—
Gross carrying amount– trade receivables	561,829	98,566	38,336	18,391	717,122
Loss allowance	3,548	2,263	5,197	18,391	29,399

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

The closing loss allowances for trade receivables as at 31 December 2022 reconcile to the opening loss allowances as follows:

	2022	2021
Opening loss allowance as at 1 January	72,577	48,325
Increase in trade receivables loss allowance recognised in profit or loss during the year	13,438	30,494
Receivables written off during the year as uncollectible	—	(6,242)
At 31 December	86,015	72,577

Trade receivables is written off when there is no reasonable expectation of recovery. 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 360 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 December 2022, the Group has assessed that the expected loss rate for other receivables was immaterial. Thus, no loss allowance for other receivables was recognised.

(c) Liquidity risk

The Group has adequate cash to finance its operating activities. The Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and through having available sources of financing.

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

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total	Carrying amount
As at 31 December 2022							
Trade and other payables (excluding other taxes payable and salaries payable)	417,906	534,006	150,000	—	—	1,101,912	1,091,130
Borrowings	352,902	376,111	366,901	515,325	86,957	1,698,196	1,665,888
Lease liabilities	1,464	4,392	4,509	2,254	—	12,619	11,688
	772,272	914,509	521,410	517,579	86,957	2,812,727	2,768,706
As at 31 December 2021							
Trade and other payables (excluding other taxes payable and salaries payable)	373,993	665,016	—	206,725	—	1,245,734	1,245,734
Borrowings	323,927	393,515	374,446	388,092	—	1,479,980	1,395,955
Lease liabilities	1,752	5,256	5,288	6,596	—	18,892	18,892
	699,672	1,063,787	379,734	601,413	—	2,744,606	2,660,581

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. The gearing ratios at 31 December 2022 and 2021 were as follows:

	2022	2021
Borrowings (Note 24)	**1,665,888**	1,395,955
Total equity	**3,262,120**	3,169,569
Gearing ratio	**51.1%**	44.0%

The increase in the gearing ratio during 2022 resulted primarily from the increase of borrowings net of increased in total equity during the year.

3.3 Fair value estimation

The table below analyses the Group's investment properties carried at fair value as at 31 December 2022 and 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- 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).

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

See Notes 8 and 11 for disclosures of the investment properties and wealth management products that are measured at fair value.

	Fair value measurements at 31 December 2022 using			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
– Investment properties in the PRC	–	–	637,000	637,000
– Wealth management products	–	12,387	–	12,387

	Fair value measurements at 31 December 2021 using			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
– Investment properties in the PRC	–	–	547,900	547,900

The Group's policy is to recognise transfer into and transfer out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1, 2 and 3 during the year. Please refer to Note 8 for the valuation methodology and sensitivity analysis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual value of property, plant and equipment

The Group's management determines the estimated useful lives and residual value of its property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives and residual value of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives and residual value is less than previously estimated residual value, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(b) Impairment of trade receivables

The Group makes allowance for impairment of trade receivables based on an assessment about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the 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. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.

(c) Investment properties valuation

The Group's certain investment properties are located in areas where there are no active property market, in such cases, the fair value is estimated by the external valuer, which involves a number of key assumptions, including term yields, reversionary yields, fair market rents and estimated price per square meter. The assumptions require the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of investment and fair value gain on investment properties in the period in which such estimate has been changed.

(d) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment annually or, whenever there is an indication of impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on the value in use. These calculations require the use of estimates (Note 9).

(e) Share-based payments

The Group's management determines the share-based payments to the directors and employees of Dongguan Boton with reference to the fair value of Dongguan Boton estimated by the external valuer, which involves a number of key assumptions. The assumptions require the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will have impact to the share-based payments. Information about the valuation of Dongguan Boton is provided in Note 20.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(f) Fair value of financial assets through profit or loss

The fair value of financial assets through profit or loss that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for wealth management products that are not traded in active markets.

(g) Provisions for litigation claims

The Group is exposed to the risk of litigation claims in the course of its normal operations. The Group considers each instance separately in accordance with legal advice and will make provision and/or disclose information as appropriate. Changes in the assumptions around the likelihood of an outflow of economic resources or the estimation of any obligation would change the values recognised in the consolidated financial statements.

4.2 Critical judgments in applying the Company's accounting policies

(a) Building ownership rights certificates

As at 31 December 2022, ownership certificates for the buildings with carrying values of approximately RMB176,031,000 (2021: RMB188,362,000) had not yet been obtained by the Group.

The directors concluded that there is no legal restriction for the Group to apply for and obtain the building ownership certificates. Also, the directors estimate that the Group is able to obtain the certificates in due course and will endeavour to speed up the application process of obtaining the certificates.

(b) Recognition of deferred income tax assets

Significant judgments are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences can be utilised. The outcome of their actual utilisation may be different.

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business from a product perspective. The Group is organised into five segments during the year:

- Flavor enhancers;
- Food flavors;
- Fine fragrances;
- e-Cigarette products; and
- Investment properties.

The chief operating decision-makers assess the performance of the segments based on the profit before income tax and profit for the year. The e-Cigarette products comprised disposable e-Cigarettes and rechargeable e-Cigarettes and its accessories.

The segment information for the year ended 31 December 2022 is as follows:

	Flavor enhancers	Food flavors	Fine fragrances	e-Cigarette products	Investment properties	Unallocated	Total segments
Segment revenue	802,900	171,743	149,846	1,164,858	42,510	–	2,331,857
Inter-segment revenue	(7,050)	–	–	–	–	–	(7,050)
Revenue from external customers	795,850	171,743	149,846	1,164,858	42,510	–	2,324,807
Timing of revenue recognition							
At a point in time	795,850	171,743	149,846	1,164,858	–	–	2,282,297
Over time	–	–	–	–	42,510	–	42,510
Other income	11,263	1,031	1,158	2,793	–	227	16,472
Other (losses)/gains – net	(501)	216	244	(6,208)	(20,900)	(143,141)	(170,290)
Operating profit/(loss)	203,900	48,414	17,202	40,585	(258)	(151,780)	158,063
Finance income	4,201	262	271	998	–	10,794	16,526
Finance costs	(41,068)	–	–	(7,954)	–	(13,353)	(62,375)
Finance costs – net	(36,867)	262	271	(6,956)	–	(2,559)	(45,849)
Profit/(loss) before income tax	167,033	48,676	17,473	33,629	(258)	(154,339)	112,214
Income tax (expense)/credit	(22,402)	(6,782)	(2,264)	(19,427)	39	23,103	(27,733)
Profit/(loss) for the year	144,631	41,894	15,209	14,202	(219)	(131,236)	84,481
Depreciation and amortisation	80,086	5,148	6,292	22,881	–	19,430	133,837
Net impairment losses (reversal of net impairment losses) on financial assets	(6,940)	3,115	3,602	13,661	–	–	13,438
Write-downs of inventories to net realisable value	755	(89)	(101)	50	–	–	615

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION (continued)

The segment information for the year ended 31 December 2021 is as follows:

	Flavor enhancers	Food flavors	Fine fragrances	e-Cigarette products	Investment properties	Unallocated	Total segments
Segment revenue	731,924	165,526	138,277	1,213,356	39,714	–	2,288,797
Inter-segment revenue	(2,695)	–	–	–	–	–	(2,695)
Revenue from external customers	729,229	165,526	138,277	1,213,356	39,714	–	2,286,102
Timing of revenue recognition							
At a point in time	729,229	165,526	138,277	1,213,356	–	–	2,246,388
Over time	–	–	–	–	39,714	–	39,714
Other income	3,104	782	736	2,173	–	–	6,795
Other (losses)/gains – net	109	(142)	–	489	(5,900)	–	(5,444)
Operating profit/(loss)	208,223	48,998	13,508	92,884	11,910	(15,556)	359,967
Finance income	2	261	185	322	–	3,225	3,995
Finance costs	(29,225)	(686)	(570)	502	–	(31,455)	(61,434)
Finance costs – net	(29,223)	(425)	(385)	824	–	(28,230)	(57,439)
Profit/(loss) before income tax	179,000	48,573	13,123	93,708	11,910	(43,786)	302,528
Income tax (expense)/credit	(30,130)	(7,418)	(1,799)	(38,513)	(1,786)	2,671	(76,975)
Profit/(loss) for the year	148,870	41,155	11,324	55,195	10,124	(41,115)	225,553
Depreciation and amortisation	80,531	6,382	6,732	23,236	–	19,430	136,311
Net impairment losses on financial assets	3,642	3,683	2,766	20,403	–	–	30,494
Write-downs of inventories to net realisable value	454	448	471	1,882	–	–	3,255

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION (continued)

Breakdown of revenue is as follows:

Analysis of revenue by category	2022	2021
Sales of goods	**2,282,297**	2,246,388
Rental income	**42,510**	39,714
	2,324,807	2,286,102

Analysis of revenue from external customers by geographic location	2022	2021
The PRC	**1,781,734**	1,928,015
Europe	**3,414**	2,205
United States	**10,028**	9,846
Asia	**525,109**	345,472
Others	**4,522**	564
	2,324,807	2,286,102

The total of non-current assets other than deferred tax assets located in the PRC is RMB4,058,577,000 (2021: RMB4,051,492,000).

(All amounts in Renminbi thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
Year ended 31 December 2021								
Opening net book amount	–	1,376,068	25,719	10,102	11,448	6,061	82,306	1,511,704
Additions	8,408	21,401	6,345	2,390	7,393	173	18,257	64,367
Disposals	–	–	–	(289)	(13)	–	–	(302)
Transfers from other fixed assets	–	24,913	6,800	–	–	–	(31,713)	–
Depreciation	–	(61,699)	(6,588)	(1,945)	(5,303)	(984)	–	(76,519)
Closing net book amount	8,408	1,360,683	32,276	10,258	13,525	5,250	68,850	1,499,250
At 31 December 2021								
Cost	8,408	1,631,652	84,987	42,475	110,728	29,330	68,850	1,976,430
Accumulated depreciation	–	(270,969)	(52,711)	(32,217)	(97,203)	(24,080)	–	(477,180)
Net book amount	8,408	1,360,683	32,276	10,258	13,525	5,250	68,850	1,499,250

	Freehold Land	**Buildings**	**Plant and machinery**	**Motor vehicles**	**Furniture, fixtures and equipment**	**Leasehold improvements**	**Construction in progress**	**Total**
Year ended 31 December 2022								
Opening net book amount	**8,408**	**1,360,683**	**32,276**	**10,258**	**13,525**	**5,250**	**68,850**	**1,499,250**
Additions	**–**	**142,257**	**13,467**	**424**	**7,749**	**162**	**27,158**	**191,217**
Disposal of a subsidiary	**–**	**(5,213)**	**–**	**(336)**	**(89)**	**(284)**	**(4,089)**	**(10,011)**
Disposals	**–**	**–**	**(4,004)**	**(1,153)**	**(2,390)**	**–**	**–**	**(7,547)**
Transfers from other fixed assets	**–**	**3,370**	**10,221**	**–**	**–**	**–**	**(13,591)**	**–**
Transfers to investment properties (Note 8)	**–**	**(97,501)**	**–**	**–**	**–**	**–**	**–**	**(97,501)**
Depreciation	**–**	**(61,982)**	**(5,585)**	**(1,835)**	**(5,032)**	**(1,939)**	**–**	**(76,373)**
Closing net book amount	**8,408**	**1,341,614**	**46,375**	**7,358**	**13,763**	**3,189**	**78,328**	**1,499,035**
At 31 December 2022								
Cost	**8,408**	**1,674,565**	**104,671**	**41,410**	**115,998**	**29,208**	**78,328**	**2,052,588**
Accumulated depreciation	**–**	**(332,951)**	**(58,296)**	**(34,052)**	**(102,235)**	**(26,019)**	**–**	**(553,553)**
Net book amount	**8,408**	**1,341,614**	**46,375**	**7,358**	**13,763**	**3,189**	**78,328**	**1,499,035**

Depreciation expense of RMB9,801,000 (2021: RMB9,188,000) has been charged to cost of sales, RMB697,000 (2021: RMB991,000) to selling and marketing expenses and RMB65,875,000 (2021: RMB66,340,000) to administrative expenses.

As at 31 December 2022, ownership certificates of buildings with carrying values of approximately RMB176,031,000 (2021: RMB188,362,000) had not yet been obtained by the Group.

As at 31 December 2022, the Group's bank borrowings were secured over property, plant and equipment with the carrying amounts of RMB601,016,000 (2021: RMB476,490,000) (Note 24).

As at 31 December 2022, the Group's interests in land use rights represent freehold land in Korea.

(All amounts in Renminbi thousands unless otherwise stated)

7. LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2022	2021
Right-of-use assets		
Land use rights	109,170	112,025
Buildings	10,736	16,706
Vehicles	–	465
	119,906	129,196
Lease liabilities		
Current	5,312	7,008
Non-current	6,376	11,884
	11,688	18,892

The lease periods of the land use rights are mainly 50 years. The remaining lease periods of the Group's land use rights mainly range from 35 to 42 years (2021: 36 to 43 years).

As at 31 December 2022, the Group's bank borrowings were secured over land use rights with the carrying amounts of RMB55,250,000 (2021: Nil) (Note 24).

The movement of right-of-use assets is analysed as follows:

Opening net book amount as at 1 January 2021	138,201
Additions	1,721
Depreciation and amortisation	(10,726)
Closing net book amount as at 31 December 2021	129,196
Opening net book amount as at 1 January 2022	**129,196**
Disposal of a subsidiary	(209)
Depreciation and amortisation	(9,081)
Closing net book amount as at 31 December 2022	**119,906**

(All amounts in Renminbi thousands unless otherwise stated)

7. LEASES (continued)

(b) Amounts recognised in the statement of profit or loss:

	2022	2021
Depreciation and amortisation charge of right-of-use assets:		
Land use rights	**2,855**	3,122
Buildings	**5,761**	6,675
Vehicles	**465**	929
	9,081	10,726
Interest expenses (included in finance costs — net)	**822**	1,184
Expenses relating to short-term leases (included in cost of sales, selling and marketing expenses and administrative expenses) (Note 27)	**15,471**	15,175

The total cash outflow for leases in 2022 was RMB7,817,000 (2021: RMB7,219,000).

8. INVESTMENT PROPERTIES

	2022	2021
At fair value		
Opening balance at 1 January	**547,900**	553,800
Transfer from property, plant and equipment (Note 6)	**97,501**	—
Revaluation gain on transfer of owner-occupied property to investment properties, gross of tax (Note 19)	**12,499**	—
Net loss from fair value adjustment, gross of tax (Note 26)	**(20,900)**	(5,900)
Closing balance at 31 December	**637,000**	547,900

As at 31 December 2022, the Group's bank borrowings were secured over investment properties with the carrying amounts of RMB611,200,000 (2021: RMB519,000,000) (Note 24).

(All amounts in Renminbi thousands unless otherwise stated)

8. INVESTMENT PROPERTIES (continued)

(a) Amounts recognised in profit and loss for investment properties are as follows:

	2022	2021
Rental income from lease	42,510	39,714
Direct operating expenses from property that generated rental income	(926)	(928)
Fair value loss recognised in other losses – net	(20,900)	(5,900)
	20,684	32,886

As at 31 December 2022, the Group's had no unprovided contractual obligations for future repairs and maintenance.

(b) Leasing arrangements

Certain investment properties have been leased to tenants under long-term operating leases with rentals payable monthly.

Minimum lease receivables under non-cancellable operating leases of investment properties not recognised in the financial statements are as follows:

	2022	2021
Not later than one year	18,443	16,605
Later than one year and not later than five years	150,722	146,967
Later than five years	8,602	10,752
	177,767	174,324

The investment properties of the Group are mainly situated in the Boton Technology Park, Leli Road, Nanshan District and Allied Plaza located in Futian District, Shenzhen City, Guangdong Province, the PRC.

(All amounts in Renminbi thousands unless otherwise stated)

8. INVESTMENT PROPERTIES (continued)

(c) Fair values of investment properties

The revaluation loss is included in 'Other losses – net'.

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2022, at the date of transfer, and at 31 December 2021 by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to their highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the board of directors.

Valuation techniques

For investment properties which fair value hierarchy level is Level 3, the valuations were determined using discounted cash flow projections based on significant unobservable inputs. These inputs include:

Market rent	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease(s), other contracts and external evidence such as current market rents for similar properties;
Term yield	Reflecting the security of the existing tenancies as compared to the market level;
Reversionary yield	Based on actual location, size and quality of the property and taking into account market data at the valuation date.

The key assumptions used for investment properties market value calculations are as follows

	2022	2021
Market rent	**RMB54-101/ month/sq.m.**	RMB51-108/ month/sq.m.
Term yield	**2%-6%**	2%-6%
Reversionary yield	**4%-7%**	4%-7%

If market rent had been 5% higher/lower than management's estimates as at 31 December 2022, the value of investment properties will increase/decrease by RMB24,000,000.

(All amounts in Renminbi thousands unless otherwise stated)

9. INTANGIBLE ASSETS

	Goodwill	Customer relationships	Patents, Formula and Trademark	Development costs	Non-competition agreement	Computer software	Total
Year ended 31 December 2021							
Opening net book amount	1,625,741	162,420	55,258	13,083	12,131	1,059	1,869,692
Additions	–	–	65	–	–	206	271
Impairments	–	–	–	–	(3,098)	–	(3,098)
Amortisation charge	–	(29,886)	(12,890)	(4,539)	(1,375)	(376)	(49,066)
Closing net book amount	1,625,741	132,534	42,433	8,544	7,658	889	1,817,799
At 31 December 2021							
Cost	1,625,741	298,857	112,604	22,693	18,476	4,026	2,082,397
Accumulated amortisation	–	(166,323)	(70,171)	(14,149)	(7,720)	(3,137)	(261,500)
Impairments	–	–	–	–	(3,098)	–	(3,098)
Net book amount	1,625,741	132,534	42,433	8,544	7,658	889	1,817,799
Year ended 31 December 2022							
Opening net book amount	**1,625,741**	**132,534**	**42,433**	**8,544**	**7,658**	**889**	**1,817,799**
Additions	**–**	**27**	**302**	**–**	**–**	**43**	**372**
Disposal of a subsidiary	**–**	**–**	**(906)**	**–**	**–**	**–**	**(906)**
Amortisation charge	**–**	**(29,886)**	**(12,274)**	**(4,539)**	**(1,375)**	**(309)**	**(48,383)**
Closing net book amount	**1,625,741**	**102,675**	**29,555**	**4,005**	**6,283**	**623**	**1,768,882**
At 31 December 2022							
Cost	**1,625,741**	**298,884**	**112,000**	**22,693**	**18,476**	**4,069**	**2,081,863**
Accumulated amortisation	**–**	**(196,209)**	**(82,445)**	**(18,688)**	**(9,095)**	**(3,446)**	**(309,883)**
Impairments	**–**	**–**	**–**	**–**	**(3,098)**	**–**	**(3,098)**
Net book amount	**1,625,741**	**102,675**	**29,555**	**4,005**	**6,283**	**623**	**1,768,882**

Amortisation of RMB48,383,000 (2021: RMB49,066,000) is included in administrative expenses.

(All amounts in Renminbi thousands unless otherwise stated)

9. INTANGIBLE ASSETS (continued)

(a) Goodwill

Goodwill arose from the acquisition of 100% interest of Kimree, Inc. ("Kimree") on 26 April 2016 and the businesses of Shenzhen Huiji Company Limited ("Huiji"), Shenzhen Da Herong Spice Company Limited ("Da Herong"), Guangzhou Fangyuan Spice Company Limited ("Fangyuan"), Hainan Central South Island Spice and Fragrance Company Limited ("Central South") (collectively "Four Businesses") on 29 July 2016.

Goodwill is monitored by management at the level of the flavor enhancers and e-Cigarette products operating segments identified in Note 5.

A segment-level summary of the goodwill allocation is presented below.

	At 31 December 2022 and 31 December 2021		
	Flavor enhancers	**e-Cigarette products**	**Total**
Acquisition of equity interest in Kimree	—	426,373	426,373
Acquisition of Four Businesses	1,199,368	—	1,199,368
	1,199,368	426,373	1,625,741

The recoverable amount of a CGU is determined based on value-in-use calculations. Those calculations use pre-tax cash flow projections based on financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for fair value less costs to sell and value-in-use calculations are as follows:

	e-Cigarette products		Flavor enhancers	
	2022	2021	**2022**	2021
Growth rate	**7%**	5%	**3%**	5%
Terminal growth rate	**3%**	3%	**3%**	3%
Gross margin	**22%**	21%	**62%**	65%
Discount rate	**12%**	12%	**15%**	14%

These assumptions have been used for the analysis of each CGU within the operating segment.

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

The directors of the Company consider that no impairment charge was required after performing the impairment assessment for the year (2021: Nil).

If the growth rate had been 1% lower than management's estimates as at 31 December 2022, the Group would still have recognised no impairment loss on the goodwill.

If the discount rate had increased by 1% as at 31 December 2022, the Group would still have recognised no impairment loss on the goodwill.

(All amounts in Renminbi thousands unless otherwise stated)

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	As at 31 December	
	2022	2021
Assets as per balance sheet		
Trade and other receivables (excluding prepayments)	**995,425**	1,134,306
Deposit for bank borrowings	**273,728**	201,377
Cash	**433,015**	330,484
Total	**1,702,168**	1,666,167

	2022	2021
Liabilities as per balance sheet		
Trade and other payables (excluding non-financial liabilities)	**1,091,130**	1,245,734
Borrowings	**1,665,888**	1,395,955
Lease liabilities	**11,688**	18,892
Total	**2,768,706**	2,660,581

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
Fair value of wealth management products	**12,387**	-

Investments in wealth management products mainly represented investments in certain financial instruments issued by commercial banks which had no guaranteed returns. The fair values of these investments were determined based on the statements provided by the counter parties.

The ranges of expected return rates of these products as at 31 December 2022 were 0.4% – 6.3%.

(All amounts in Renminbi thousands unless otherwise stated)

12. SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2022:

Name	Place of incorporation and kind of legal entity	Authorised/ registered capital	Paid up capital	Interest held	Principal activities
Directly held:					
CFF Holdings Limited	British Virgin Islands, limited liability company	HKD389,500 divided into 38,950,000 shares of HKD0.01 each	HKD300	100%	Investment holding
Boton Investments Limited	British Virgin Islands, limited liability company	50,000 shares of a single class with par value of USD1 each	USD1	100%	Investment holding
Neland Development Limited	British Virgin Islands, limited liability company	50,000 shares of a single class with par value of USD1 each	USD100	100%	Investment holding
Kimree, Inc.	Cayman Islands, limited liability company	5,000,000,000 shares of a single class with par value of USD0.00001 each	USD1,000	100%	Investment holding
Indirectly held:					
Shenzhen Boton Flavors & Fragrances Co., Ltd. ("Shenzhen Boton") #	The PRC, limited liability company	RMB420,000,000	RMB420,000,000	100%	Manufacture and sale of flavors and fragrances
Boton Flavors and Fragrances Co., Ltd. (previously known as "Dongguan Boton Flavors and Fragrances Co., Ltd.") ("Dongguan Boton") (Note (a)) *	The PRC, company limited by shares	RMB85,000,000	RMB85,000,000	53%	Manufacture and sale of flavors and fragrances
Boton (Shanghai) Biotechnologies Co., Ltd.@	The PRC, limited liability company	RMB30,000,000	RMB11,000,000	100%	Research and sale of flavors and fragrances
Kimree Holdings (HK) Co., Limited ("Kimree Holdings")	Hong Kong, limited liability company	1 share of a single class with par value of HKD1 each	HKD1	100%	Trading of e-Cigarette products
Kimsun Technology (Huizhou) Co., Ltd. ("Kimsun Huizhou")#	The PRC, limited liability company	RMB20,000,000	RMB20,000,000	100%	Manufacture and sale of e-Cigarette products
Huizhou Kimree Technology Co., Ltd. ("Kimree Huizhou")@	The PRC, limited liability company	RMB10,000,000	RMB10,000,000	100%	Trading of e-Cigarette products
Geakon Technology (Huizhou) Co., Ltd. ("Geakon Huizhou")@	The PRC, limited liability company	RMB60,000,000	RMB60,000,000	100%	Trading of e-Cigarette products
Shenzhen Ygreen Technology Co.,Ltd. ("Ygreen") @	The PRC, limited liability company	RMB1,000,000	RMB1,000,000	51%	Manufacture and sale of e-Cigarette products

(All amounts in Renminbi thousands unless otherwise stated)

12. SUBSIDIARIES (continued)

The following is a list of principal subsidiaries at 31 December 2022: (continued)

Name	Place of incorporation and kind of legal entity	Authorised/ registered capital	Paid up capital	Interest held	Principal activities
Indirectly held: (Continued)					
Shenzhen Huashang Biotechnology Co.,Ltd. ("Huashang Biotechnology")@	The PRC, limited liability company	RMB10,000,000	RMB9,900,000	91%	Trading of e-Cigarette products
Boton Flavors and Fragrances (Hong Kong) Limited	Hong Kong, limited liability company	HKD10,000 divided into 10,000 shares of HKD1 each	HKD1	100%	Trading
Best Fortune International Investment Limited	Hong Kong, limited liability company	HKD10,000 divided into 10,000 shares of HKD1 each	HKD100	100%	Investment holding
China Flavors & Fragrances (Shenzhen) Co., Ltd. #	The PRC, limited liability company	HKD15,000,000	HKD15,000,000	100%	Manufacture and sale of e-Cigarette products
Shenzhen Huachang Industrial Co., Ltd. ("Huachang")@	The PRC, limited liability company	RMB9,803,921	–	51%	Trading of e-Cigarette products
PT DBFF Boton Indonesia Co., Ltd. ("PT DBFF Boton")	Indonesia, limited liability company	USD3,400,000	USD3,400,000	53%	Manufacture and sale of flavors and fragrances
Hubei Boton Biological Technology Co., Ltd.@	The PRC, limited liability company	RMB500,000,000	–	100%	Research of flavors and fragrances
Boton Medical Co., Ltd. ("Boton Medical")	Incheon, Korea, limited liability company	KRW 550,000,000	KRW 550,000,000	51%	Pharmaceutical wholesale and retail
Mons Co., Ltd. ("Mons")	Incheon, Korea, limited liability company	KRW 100,000,000	KRW 100,000,000	51%	Trading of e-Cigarette products
Top Brave Investment Limited	British Virgin Islands, limited liability company	50,000 shares of a single class with par value of USD1 each	USD100	100%	Investment holding
Kings Joe Holdings Limited	British Virgin Islands, limited liability company	50,000 shares of a single class with par value of USD1 each	USD100	100%	Investment holding
Fuzhou Ygreen Technology Co., Ltd. ("Fuzhou Ygreen")@	The PRC, limited liability company	RMB20,000,000	RMB7,450,000	51%	Manufacture and sale of e-Cigarette products
Shenzhen Shengchuangda Biotechnology Co., Ltd#	The PRC, limited liability company	HKD20,000,000	–	100%	Investment holding
Huizhou Babo Technology Co., Ltd. ("Huizhou Babo")#	The PRC, limited liability company	RMB5,000,000	RMB5,000,000	66%	Manufacture and sale of e-Cigarette products

Registered as wholly foreign owned enterprises under PRC law
@ Registered as wholly domestic owned enterprises under PRC law
* Registered as company limited by shares (Hong Kong-Macau-Taiwan investments, not yet listed) under PRC law

(All amounts in Renminbi thousands unless otherwise stated)

12. SUBSIDIARIES (continued)

(a) Shenzhen Boton had transferred to the directors and senior management of Dongguan Boton approximately 15.9% of the equity interests of Dongguan Boton at a consideration of RMB36,490,500 for the proposed spin-off of Dongguan Boton and the proposed A-Share Listing of Dongguan Boton on the Shenzhen Stock Exchange. The completion of the transfer is subject to the profit and guarantee and undertakings of Dongguan Boton in the coming five financial years commencing year ended 31 December 2020. As the equity transfer was not complete as at 31 December 2022, Shenzhen Boton continued to hold 53% of the registered capital of Dongguan Boton and Shenzhen Boton is entitled to take control of Dongguan Boton. Please refer to Note 20 for details.

(b) Material non-controlling interests

The total non-controlling interests for the year is RMB286,427,000 (2021: RMB256,554,000), which is attributed to Dongguan Boton, Fuzhou Ygreen, Ygreen, Huizhou Babo, Huashang Biotechnology, Huachang, Kimree Korea Co., Ltd. (“Kimree Korea”), PT DBFF Boton, Mons and Boton Medical.

Summarised financial information on subsidiary with material non-controlling interests

Set out below are the summarised financial information for the subsidiaries that have non-controlling interests that are material to the Group.

Summarised balance sheet

	Dongguan Boton		Kimree Korea and Mons		Fuzhou Ygreen and Huizhou Babo	
	2022	2021	**2022**	2021	**2022**	2021
Current						
Assets	**275,403**	211,807	**78,661**	114,503	**347,297**	459,351
Liabilities	**(116,066)**	(122,034)	**(17,557)**	(74,405)	**(227,525)**	(349,624)
Total current net assets	**159,337**	89,773	**61,104**	40,098	**119,772**	109,727
Non-current						
Assets	**254,458**	263,290	**5,907**	17,136	**7,395**	2,136
Liabilities	**—**	—	**—**	(28)	**—**	—
Total non-current net assets	**254,458**	263,290	**5,907**	17,108	**7,395**	2,136
Net assets	**413,795**	353,063	**67,011**	57,206	**127,167**	111,863

(All amounts in Renminbi thousands unless otherwise stated)

12. SUBSIDIARIES (continued)

(b) Material non-controlling interests (continued)

Summarised income statement

	Dongguan Boton		Kimree Korea and Mons		Fuzhou Ygreen and Huizhou Babo	
	2022	2021	**2022**	2021	**2022**	2021
Revenue	**321,589**	303,803	**291,030**	190,806	**362,521**	475,416
Profit/(loss) before income tax	**66,149**	61,696	**22,727**	(55,005)	**19,615**	141,923
Income tax expense	**(9,046)**	(9,217)	**(3,630)**	(2,729)	**(4,315)**	(36,058)
Total comprehensive income/(loss)	**57,103**	52,479	**19,097**	(57,734)	**15,300**	105,865
Total comprehensive income/(loss) allocated to non-controlling interests	**26,838**	24,665	**9,358**	(28,290)	**4,977**	52,768

Summarised statements of cash flows

	Dongguan Boton		Kimree Korea and Mons		Fuzhou Ygreen and Huizhou Babo	
	2022	2021	**2022**	2021	**2022**	2021
Cash flows generated from/ (used in) operating activities						
Cash generated from/ (used in) operations	**40,610**	73,274	**3,055**	46,788	**7,592**	24,736
Interest (paid)/income	**—**	(684)	**—**	42	**—**	6
Income tax paid	**(7,403)**	(9,456)	**(3,630)**	(2,729)	**(2,747)**	(6,794)
Net cash generated from/ (used in) operating activities	**33,207**	63,134	**(575)**	44,101	**4,845**	17,948
Net cash used in investing activities	**(13,916)**	(2,043)	**(23,331)**	(7,505)	**(5,922)**	(2,178)
Net cash (used in)/generated from financing activities	**—**	(50,647)	**—**	229	**7,450**	5,000
Net increase/(decrease) in cash	**19,291**	10,444	**(23,906)**	36,825	**6,373**	20,770
Cash at beginning of year	**49,051**	38,777	**55,356**	18,807	**20,770**	—
Effects of currency translation on cash	**168**	(170)	**953**	(276)	**19**	—
Cash at end of year	**68,510**	49,051	**32,403**	55,356	**27,162**	20,770

(c) Disposal of equity interests in a subsidiary without change of control

In July 2022, the Group disposed 34% of equity interests of its subsidiary, Huizhou Babo, to a company controlled by a non-controlling interest. The differences between the consideration of RMB1,700,000 and 34% equity interests in the net assets of Huizhou Babo on the date of disposal of RMB1,715,000 is included in other reserves of the Group.

The above related party transaction is also a connected transaction under Chapter 14A of the Listing Rules.

(All amounts in Renminbi thousands unless otherwise stated)

12. SUBSIDIARIES (continued)

(d) Acquisition of equity interests in a subsidiary from non-controlling interests

In May 2022, the Group acquired 40% additional equity interests of a subsidiary, Huashang Biotechnology from non-controlling interest. the differences between the consideration of RMB4,000,000 and the 40% equity interests in the net assets acquired of RMB4,229,000 is included in other reserves of the Group.

13. DISPOSAL OF A SUBSIDIARY

	2022
Consideration	
Cash	5,984
Net book value	(16,045)
Non-controlling interests	7,862
Loss on disposal of a subsidiary (Note 26)	(2,199)

In May 2022, the Group disposed 51% equity interest of its subsidiary, Kimree Korea Co., Ltd., to an external party. The difference between the consideration of RMB5,984,000 and 51% equity interests in the net assets of the above company on the date of disposal of RMB8,183,000 is included in "Other losses – net" of the Group.

14. INVENTORIES

	2022	2021
At cost:		
Raw materials	163,848	115,653
Work in progress	14,962	15,328
Finished goods	192,403	102,071
	371,213	233,052
Less: write-downs of inventories to net realisable value	(10,395)	(9,780)
Inventories – net	360,818	223,272

The cost of inventories recognised as expense and included in cost of sales for the year amounting to RMB1,421,849,000 (2021: RMB1,244,868,000).

During the year, write-down of inventories to net realisable value amounting to RMB805,000 (2021: RMB3,506,000) has been made and included in 'administration expenses' in the consolidated income statement.

The Group reversed inventory write-down amounting to RMB190,000 (2021: RMB251,000) during the year.

As at 31 December 2022, the Group had not written off write-down of inventories (2021: Nil).

(All amounts in Renminbi thousands unless otherwise stated)

15. TRADE AND OTHER RECEIVABLES

	Note	2022	2021
Trade receivables	(a)	**913,025**	1,100,191
Less: provision for impairment		**(86,015)**	(72,577)
Trade receivables – net		**827,010**	1,027,614
Bills receivable	(b)	**73,459**	27,446
Prepayments	(c)	**311,010**	407,363
Other deposits	(d)	**61,829**	47,377
Advances to staff		**5,564**	7,972
Staff benefit payments		**871**	625
Excess of input over output value added tax		**12,027**	3,430
Others		**14,665**	19,842
		1,306,435	1,541,669
Less: non-current portion - Prepayments for the purchase of property, plant and equipment		**(33,754)**	(57,347)
Current portion		**1,272,681**	1,484,322

Fair values of trade and other receivables approximate their carrying amounts.

The carrying amounts of trade and other receivables are mainly denominated in RMB.

(a) The credit period granted to customers is between 30 days to 360 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	2022	2021
Current	**518,029**	846,067
Not exceeding 90 days past due	**139,672**	145,594
More than 90 days but not exceeding 360 days past due	**214,619**	66,923
More than 360 days past due	**40,705**	41,607
	913,025	1,100,191

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

15. TRADE AND OTHER RECEIVABLES (continued)

(b) Bills receivable

Bills receivable include bank acceptance bills and commercial acceptance bills which are analysed as follows:

	2022	2021
Bank acceptance bills	72,646	26,348
Commercial acceptance bills	813	1,098
	73,459	27,446

The maturity profile of bills receivable is as follows:

	2022	2021
Up to 3 months	12,758	1,455
3 to 6 months	60,701	25,991
	73,459	27,446

(c) The amount mainly represents prepayments for the purchase of raw materials.

(d) The amount represents deposits for rental and construction purpose.

16. CASH

	2022	2021
Cash at bank and on hand	433,015	330,484

Cash is mainly denominated in RMB.

(a) The carrying amounts of cash at bank approximate their fair values and represent maximum exposure to credit risk.

17. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital	Share premium	Total
At 1 January 2021, 31 December 2021 and 31 December 2022	1,080,512	101,522	1,292,432	1,393,954

(All amounts in Renminbi thousands unless otherwise stated)

18. RETAINED EARNINGS

At 1 January 2021	977,133
Profit for the year	183,512
Appropriation to reserves	(23,200)
At 31 December 2021	1,137,445
At 1 January 2022	**1,137,445**
Profit for the year	**48,317**
Appropriation to reserves	**(21,118)**
At 31 December 2022	**1,164,644**

19. OTHER RESERVES

	Reserve fund Note (a)	Share-based payments reserve	Discretionary surplus reserve Note (a)	Enterprise expansion fund Note (a)	Merger reserve Note (b)	Currency translation reserve	Revaluation gain on transfer of owner-occupied property to investment properties	Disposal of equity interests in a subsidiary without change of control	Acquisition of equity interests in a subsidiary from non-controlling interests	Total
At 1 January 2021	195,897	60,131	6,034	6,966	22,920	(69,933)	131,708	–	–	353,723
Profit appropriations	23,200	–	–	–	–	–	–	–	–	23,200
Share-based payments	–	2,529	–	–	–	–	–	–	–	2,529
Currency translation differences	–	–	–	–	–	2,164	–	–	–	2,164
At 31 December 2021	219,097	62,660	6,034	6,966	22,920	(67,769)	131,708	–	–	381,616
At 1 January 2022	**219,097**	**62,660**	**6,034**	**6,966**	**22,920**	**(67,769)**	**131,708**	**–**	**–**	**381,616**
Profit appropriations	**21,118**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**21,118**
Revaluation gain on transfer of owner-occupied property to investment properties, gross of tax (Note 8)	**–**	**–**	**–**	**–**	**–**	**–**	**12,499**	**–**	**–**	**12,499**
Tax on revaluation gain on transfer of owner-occupied property to investment properties (Note 23)	**–**	**–**	**–**	**–**	**–**	**–**	**(1,875)**	**–**	**–**	**(1,875)**
Share-based payments (Note 20)	**–**	**2,529**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,529**
Disposal of equity interests in subsidiary without change of control (Note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,715)**	**–**	**(1,715)**
Acquisition of equity interests in a subsidiary from non-controlling interests (Note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,229**	**4,229**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**(1,306)**	**–**	**–**	**–**	**(1,306)**
At 31 December 2022	**240,215**	**65,189**	**6,034**	**6,966**	**22,920**	**(69,075)**	**142,332**	**(1,715)**	**4,229**	**417,095**

(a) In accordance with relevant laws and regulations of the PRC, the PRC subsidiaries of the Group should make appropriations from the net profit to the reserve fund, discretionary surplus reserve and the enterprise expansion fund, after offsetting accumulated losses from prior years, and before profit distributions to the shareholders. The appropriations to the reserve fund are made at 10% of the net profit until the balance of the fund reaches 50% of their registered capital. The amounts of appropriations to the discretionary surplus reserve and the enterprise expansion fund are determined by the directors of the PRC subsidiaries.

Upon approval from the board of directors, the reserve fund can be used to offset accumulated losses or to increase capital; the enterprise expansion fund can be used to expand production or to increase capital.

(All amounts in Renminbi thousands unless otherwise stated)

19. OTHER RESERVES (continued)

(b) Merger reserve represents the difference between the par value of the share capital issued by the Company and share capital and share premium of a subsidiary acquired through an exchange of shares.

20. SHARE-BASED PAYMENTS

On 12 June 2020, Shenzhen Boton and Champion Sharp International Investment Limited ("Champion Sharp"), non-controlling interests of Dongguan Boton and a company directly wholly-owned by Mr. Wang Ming Fan ("Mr. Wang"), the chairman of the Company, (collectively, as Vendors) entered into the equity transfer agreement in respect of the disposal of approximately 30% of the entire equity interest ("Sale Interest") of Dongguan Boton, with Mr. Qian Wu, a director of Dongguan Boton, Mr. Li Qing Long, a director of the Company, Ms. Yang Yifan, the spouse of Mr. Wang, and Shenzhen Xiangyuan Enterprise Management and Shenzhen Xiangju Enterprise Management Partnership, limited partnerships set up by Mr. Wang and employees of Dongguan Boton, (collectively, as Purchasers) and Dongguan Boton (as target company) pursuant to which the Vendors have conditionally agreed to sell to the Purchasers and the Purchasers have conditionally agreed to purchase from the Vendors the Sale Interest at the aggregate consideration of approximately RMB68,850,000, of which approximately RMB36,490,500 (representing 15.9% equity interests of Dongguan Boton) will be paid to Shenzhen Boton and approximately RMB32,359,500 (representing 14.1% equity interests of Dongguan Boton) will be paid to Champion Sharp. The above arrangement is to facilitate the proposed spin-off of Dongguan Boton and the proposed A shares listing of Dongguan Boton on the Shenzhen Stock Exchange of the PRC.

The completion of the transfer is subject to the profit and guarantee and undertakings of Dongguan Boton in the coming five financial years commencing year ended 31 December 2020. As the equity transfer was not completed as at 31 December 2022, RMB36,491,000 received by Shenzhen Boton was accounted for as "amount due to the director and employees of Dongguan Boton".

The total share-based payments of approximately RMB23,850,000, represented differences between consideration of RMB68,850,000 and RMB92,700,000 (representing 30% equity interest of the fair value of Dongguan Boton of RMB309,000,000 valued by an independent professionally qualified valuer). RMB23,850,000 was amortised over five years, and recognised as part of employee benefit expense and equity in the share-based payment reserve. Share-based payments recognised during the year including and excluding non-controlling interests amounted to RMB4,770,000 and RMB2,529,000 respectively (2021: RMB4,770,000 and RMB2,529,000).

The above related party transaction is also a connected transaction under Chapter 14A of the Listing Rules.

21. DEFERRED GOVERNMENT GRANTS

	2022	2021
At 1 January	37,128	2,292
Addition	—	34,898
Recognised in consolidated income statement	(805)	(62)
At 31 December	36,323	37,128

As at 31 December 2022, amounts mainly represented various government grants received by Shenzhen Boton for subsidising the research and development and government grants received by Hubei Boton for land use right. There were no unfulfilled conditions and other contingencies attached to the government grants that have been recognised as other income.

(All amounts in Renminbi thousands unless otherwise stated)

22. TRADE AND OTHER PAYABLES

	Note	2022	2021
Trade payables	(a)	**554,972**	792,870
Payables for business combinations	(b)	**240,218**	296,003
Interest payable		**5,476**	10,750
Salaries payable		**37,267**	35,948
Other taxes payable		**36,095**	96,978
Accrued expenses		**14,828**	21,642
Provisions for Litigation Claims	34	**143,141**	—
Bills payable		**—**	20,000
Amount due to the directors and employees of Dongguan Boton	(c)	**36,491**	36,491
Other payables		**96,004**	67,978
		1,164,492	1,378,660
Less: non-current portion - long-term other payables (Other non-current liabilities)		**(139,218)**	(206,725)
Current portion		**1,025,274**	1,171,935

The carrying amounts of trade and other payables are mainly denominated in RMB.

(a) As at 31 December 2022 and 2021, the ageing analysis of the trade payables based on invoice date is as follows:

	2022	2021
Up to 3 months	**460,390**	664,683
3 to 6 months	**49,471**	68,612
6 to 12 months	**23,785**	29,771
Over 12 months	**21,326**	29,804
	554,972	792,870

(b) As at 31 December 2022, the amounts represented amounts payable for the acquisition of Kimree and payables of RMB101 million as disclosed in Note 34 to the consolidated financial statements.

(c) RMB36,491,000 represented capital contributions from the directors and employees of Dongguan Boton for the transfer of equity interests of Dongguan Boton was included as other liability of the Group, see Note 20 for further details.

(All amounts in Renminbi thousands unless otherwise stated)

23. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax is related to the same taxation authority. The analysis of deferred tax assets and liabilities is as follows:

Before offsetting:

	2022	2021
Deferred tax assets:		
– to be recovered after more than 12 months	14	23
– to be recovered within 12 months	47,774	25,730
	47,788	25,753
Deferred tax liabilities:		
– to be recovered after more than 12 months	(36,188)	(41,263)
– to be recovered within 12 months	(67,053)	(59,900)
	(103,241)	(101,163)

After offsetting:

	2022	2021
Deferred income tax assets	39,800	20,663
Deferred income tax liabilities	(95,253)	(96,073)

As at 31 December 2022, deferred income tax assets and deferred income tax liabilities were offset, where they are in the same entity, to the extent of RMB7,988,000 (2021: RMB5,090,000).

The movement of the deferred income tax account is as follows:

	2022	2021
At 1 January	(75,410)	(99,524)
Credited to consolidated income statement (Note 30)	21,832	24,114
Charged to consolidated statement of comprehensive income	(1,875)	—
At 31 December	(55,453)	(75,410)

(All amounts in Renminbi thousands unless otherwise stated)

23. DEFERRED INCOME TAX (continued)

The movement in deferred tax assets and liabilities during the year before offsetting of balances relating to the same company is as follows:

Deferred tax assets:

	Accelerated amortisation and impairment charge of intangible assets	Provision for impairment on trade and other receivables	Tax deductible losses	Provision for write-down of inventories	Transfer of owner – occupied property to investment properties	Fair value change on investment properties	Accrued expense, salaries payable and uninvoiced expenses	Total
At 1 January 2021	41	9,790	1,343	302	2,471	269	775	14,991
Credited/(charged) to consolidated income statement	(9)	2,213	4,818	1,165	–	–	2,575	10,762
At 31 December 2021	32	12,003	6,161	1,467	2,471	269	3,350	25,753
At 1 January 2022	**32**	**12,003**	**6,161**	**1,467**	**2,471**	**269**	**3,350**	**25,753**
Credited/(charged) to consolidated income statement	**(9)**	**3,006**	**20,858**	**184**	**(2,471)**	**(269)**	**736**	**22,035**
At 31 December 2022	**23**	**15,009**	**27,019**	**1,651**	**–**	**–**	**4,086**	**47,788**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB10,507,000 (2021: RMB106,181,000) in respect of tax losses amounting to RMB46,327,000 (2021: RMB567,168,000) that can be carried forward against future taxable income. These tax losses have not been recognised due to uncertainty of their future recoverability.

Deferred tax liabilities:

	Fair value change on investment properties	Transfer of owner-occupied property to investment properties	Withholding tax on the earnings anticipated to be remitted by subsidiaries	Amortisation of intangible assets	Total
At 1 January 2021	(29,052)	(23,243)	(10,544)	(51,676)	(114,515)
Credited to consolidated income statement	885	–	2,054	10,413	13,352
At 31 December 2021	(28,167)	(23,243)	(8,490)	(41,263)	(101,163)
At 1 January 2022	**(28,167)**	**(23,243)**	**(8,490)**	**(41,263)**	**(101,163)**
(Charged)/credited to consolidated income statement	**3,135**	**–**	**(8,413)**	**5,075**	**(203)**
Charged to consolidated statement of comprehensive income	**–**	**(1,875)**	**–**	**–**	**(1,875)**
At 31 December 2022	**(25,032)**	**(25,118)**	**(16,903)**	**(36,188)**	**(103,241)**

(All amounts in Renminbi thousands unless otherwise stated)

23. DEFERRED INCOME TAX (continued)

Deferred tax liabilities: (continued)

With effect from 1 January 2008, companies within the PRC are required to withhold income tax at 10% of the amount of dividend declares to their immediate holding companies outside the PRC out of profits earned after 1 January 2008. A lower 5% withholding income tax rate is applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil certain requirements under the tax treaty arrangements between the PRC and Hong Kong. During the year, the directors reassessed the cash requirement of the Group and the dividend policy of its major subsidiaries established in PRC, based on the Group's current business plan and financial position.

24. BORROWINGS

	2022	2021
Non-current		
Bank borrowings		
— secured (b)	1,106,054	901,180
— unsecured	50,000	—
Less: current portion of non-current borrowings	(407,710)	(211,560)
	748,344	689,620
Current		
Bank borrowings		
— secured (b)	150,000	171,122
— unsecured	359,834	323,653
	509,834	494,775
Current portion of non-current borrowings	407,710	211,560
	917,544	706,335
Total borrowings	1,665,888	1,395,955

(a) The Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2022	2021
USD	127,950	174,072
HKD	337,139	318,230
RMB	1,200,799	903,653
Total	1,665,888	1,395,955

24. BORROWINGS (continued)

(b) As at 31 December 2022, RMB1,256,054,000 of secured borrowings comprise (2021: RMB1,072,302,000).

1. RMB440,750,000 from the Bank of China, Shenzhen (2021: RMB490,000,000). Shenzhen Boton obtained a line of credit from the Bank of China. The credit limit of RMB795,000,000 was secured by the pledge of equity interest in Shenzhen Boton, property, plant and equipment of RMB423,716,000 and investment properties of RMB611,200,000 of Shenzhen Boton and personal guarantee of Wang Ming Fan, Chairman of the Group. Among the aforesaid credit limit, RMB195,000,000 (2021: RMB318,230,000) of the credit facility was shared with the line of credit from the Bank of China (Hong Kong) and granted to the Company.

2. RMB249,599,000 from the Bank of China (Hong Kong) (2021: RMB318,230,000). The Company obtained a line of credit from the Bank of China (Hong Kong). The credit limit of HKD279,420,000 (RMB equivalent 249,599,000) was guaranteed by Kimree and Shenzhen Boton held by a subsidiary of the Group, secured by deposits of RMB119,062,000 (2021: RMB114,884,000) and secured by its buildings of HKD156,340,000 (RMB equivalent 139,654,000). The aforesaid credit limit, included RMB195,000,000 (2021: RMB318,230,000) granted by the Bank of China, Shenzhen (as disclosed in (b)1 above).

3. RMB127,950,000 from the China Merchants Bank (Hong Kong) (2021: RMB127,950,000). Shenzhen Boton obtained a line of credit from the China Merchants Bank (Hong Kong). The credit limit of USD equivalent of RMB127,950,000 was secured by the letter of credit of USD18,930,000 and a deposit of RMB58,666,000 issued by the Bank of Beijing.

4. RMB180,000,000 from the China Merchants Bank (2021: RMB90,000,000). Shenzhen Boton obtained a line of credit from the China Merchants Bank. The credit limit of RMB300,000,000 was secured by its buildings of RMB31,149,000.

5. RMB95,584,000 from the Hongkong and Shanghai Banking Corporation Limited (2021: Nil). Shenzhen Boton obtained a line of credit from the Hongkong and Shanghai Banking Corporation Limited. The credit limit of RMB100,000,000 was secured by its buildings of RMB6,497,000.

6. RMB87,540,000 from Nanyang Commercial Bank (2021: Nil). The Company obtained a line of credit from Nanyang Commercial Bank. The credit limit of HKD369,000,000 (RMB equivalent 329,617,000) was secured by a deposit of RMB96,000,000.

7. RMB74,631,000 from the Bank of Communications (2021: Nil). Hubei Boton obtained a line of credit from Bank of Communications. The credit limit of RMB120,000,000 was secured by the land use rights of Hubei Boton of RMB55,250,000.

(All amounts in Renminbi thousands unless otherwise stated)

24. BORROWINGS (continued)

(c) The exposure of the borrowings to interest-rate changes at the end of the year are as follows:

	2022	2021
Borrowings at floating rates		
6 months or less	337,139	15,583
6 - 12 months	620,566	868,706
	957,705	884,289
Borrowings at fixed rates	708,183	511,666
Total	1,665,888	1,395,955

(d) The borrowings are repayable as follows:

	2022	2021
Within 1 year	917,544	706,335
Between 1 and 2 years	434,470	355,783
Between 2 and 5 years	273,170	333,837
Over 5 years	40,704	—
Total	1,665,888	1,395,955

(e) The effective interest rate of the borrowings at the balance sheet date is 4.14% (2021: 3.93%).

(f) The carrying amounts and fair value of non-current borrowings are as follows:

	2022	2021
Carrying amounts	748,344	689,620
Fair value (level 3)	746,043	656,030
Weighted average discount rate used for fair value (%)	4.30%	4.25%

(g) As at 31 December 2022, the Group's unused credit facilities from banks were RMB670,849,000 (2021: RMB655,303,000).

25. OTHER INCOME

	2022	2021
Government grants	11,000	3,982
Others	5,472	2,813
	16,472	6,795

(All amounts in Renminbi thousands unless otherwise stated)

26. OTHER LOSSES – NET

	2022	2021
Provision for Litigation Claims (Note 34)	143,141	—
Losses/(gains) on disposal of property, plant and equipment (Note 33(b))	3,483	(456)
Loss on disposal of a subsidiary (Note 13)	2,199	—
Fair value loss on investment properties (Note 8)	20,900	5,900
Others	567	—
	170,290	5,444

27. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	2022	2021
Depreciation and amortisation	133,837	136,311
Employee benefit expenses, excluding amount included in research and development and share-based payments	158,461	156,457
Changes in inventories of finished goods and work in progress	(89,966)	(8,323)
Raw materials and consumables used	1,511,815	1,253,191
Write-downs of inventories to net realisable value	615	3,255
Impairment charges of intangible assets	—	3,098
Nicotin tax and surcharges in Korea	47,587	66,114
Water and electricity	10,745	7,851
Transportation and travelling	15,771	20,066
Advertising costs	21,202	36,738
Consulting expenses	15,417	19,820
Lease expenses	15,471	15,175
Share-based payments	4,770	4,770
Auditors' remuneration		
– Audit services	7,480	6,800
Research and development costs		
– Employee benefit expenses	47,884	46,821
– Research service fees	23,734	30,708
– Experimental material expenses	5,127	5,075
– Others	2,528	2,737
Entertainment	15,199	8,372
Office expenses	21,018	32,842
Donation	3,320	1,369
Other expenses	27,473	47,745
Total of cost of sales, selling and marketing expenses and administrative expenses	1,999,488	1,896,992

(All amounts in Renminbi thousands unless otherwise stated)

28. EMPLOYEE BENEFIT EXPENSES

	2022	2021
Wages, allowance and bonus	**195,557**	192,730
Share-based payments	**4,770**	4,770
Retirement scheme contribution (Note (a))	**5,807**	5,733
Others	**4,981**	4,815
	211,115	208,048

(a) Retirement scheme contribution

The PRC subsidiaries made defined contributions to a retirement scheme managed by the local government in the PRC based on 21% (2021: 21%) of the basic salary of eligible staff. During the years ended 31 December 2021 and 2022, the Group had no forfeited contributions under its defined contribution schemes which was used to reduce the existing level of contribution.

It is the local government's responsibility to pay the retirement pension to those staff who retired.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 include three (2021: two) directors whose emoluments are reflected in the analysis presented in Note 38. The emoluments paid to the remaining two (2021: three) individuals during the year are as follows:

	2022	2021
Wages, allowance and bonus	**2,668**	4,207
Retirement scheme contribution	**75**	146
	2,743	4,353

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands (in HK dollar)		
HK$1,000,001 - HK$1,500,000	**1**	—
HK$1,500,001 - HK$2,000,000	**1**	3
	2	3

(All amounts in Renminbi thousands unless otherwise stated)

29. FINANCE INCOME AND COSTS

	2022	2021
Finance income		
– Interest income	**16,526**	3,995
Finance costs		
– Interest expenses	**(58,781)**	(55,094)
– Exchange losses	**(3,594)**	(6,340)
	(62,375)	(61,434)
Finance costs – net	**(45,849)**	(57,439)

30. INCOME TAX EXPENSE

The amount of tax charged to the consolidated income statement represents:

	2022	2021
Current income tax	**49,565**	101,089
Deferred income tax related to the temporary differences (Note 23)	**(21,832)**	(24,114)
	27,733	76,975

(a) No provision for profits tax in the British Virgin Islands and the Cayman Islands has been made as the Group has no income assessable for profits tax for the year in these jurisdictions.

(b) Pursuant to the corporate income tax law effective from 1 January 2008, the subsidiaries of the Group established in the PRC are subject to income tax at a rate of 25% unless preferential rates are applicable.

Shenzhen Boton, a major subsidiary of the Group, was qualified as High/New Technology Enterprises, and accordingly it is entitled to the preferential rate of 15% for the years from 2020 to 2023.

Dongguan Boton, a major subsidiary of the Group, was qualified as High/New Technology Enterprises, and accordingly it is entitled to the preferential rate of 15% for the years from 2019 to 2022.

Kimsun Huizhou, a major subsidiary of the Group, was qualified as High/New Technology Enterprises, and accordingly it is entitled to the preferential rate of 15% the years from 2020 to 2023.

Mons. Ltd, a major subsidiary of the Group, was incorporated in Korea, and its applicable income tax rate ranged from 11% to 22%.

30. INCOME TAX EXPENSE (continued)

(c) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 15%, the applicable tax rate of major subsidiaries of the Group, as follows:

	2022	2021
Profit before income tax	**112,214**	302,528
Tax calculated at the tax rate of 15% (2021: 15%)	**16,832**	45,379
Effect of different tax rates available to different companies of the Group	**(2,252)**	4,594
Tax losses not recognised	**10,507**	19,494
Utilisation of previously unrecognised tax losses	**(3,477)**	(290)
Withholding income tax on the profits to be distributed by the Group companies in the PRC	**6,510**	1,146
Expenses not deductible for tax purposes	**7,544**	12,879
Accelerated research and development deductible expenses	**(7,931)**	(6,227)
Income tax expense	**27,733**	76,975

31. EARNINGS PER SHARE

(a) Basic earnings per share

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 year.

	2022	2021
Profit attributable to owners of the Company	**48,317**	183,512
Weighted average number of ordinary shares in issue (thousands)	**1,080,512**	1,080,512
Basic earnings per share (RMB per share)	**0.04**	0.17

(b) Diluted earnings per share

For the year ended 31 December 2022 and 2021, diluted earnings per share were the same as basic earnings per share as there were no dilutive potential ordinary shares as at year end date.

(All amounts in Renminbi thousands unless otherwise stated)

32. DIVIDENDS

The Board does not recommend payment of a final dividend for the year ended 31 December 2022 (2021: The Board does not recommend payment of a final dividend).

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to cash generated from operations

	2022	2021
Profit before income tax	**112,214**	302,528
Adjustments for:		
– Depreciation and amortisation	**133,837**	136,311
– Government grants	**(805)**	(62)
– Net impairment losses on financial assets	**13,438**	30,494
– Net impairment losses on intangible assets	**–**	3,098
– Losses/(gains) on disposal of property, plant and equipment	**3,483**	(456)
– Write-downs of inventories to net realisable value	**615**	3,255
– Interest income	**(16,526)**	(3,995)
– Interest expense	**58,781**	55,094
– Fair value change to investment properties	**20,900**	5,900
– Share-based payment expenses	**4,770**	4,770
Changes in working capital:		
– Inventories	**(137,546)**	(23,415)
– Trade and other receivables	**211,641**	(703,730)
– Trade and other payables	**(161,197)**	623,709
Cash generated from operations	**243,605**	433,501

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment, and land use rights are:

	2022	2021
Net book amount	**7,547**	1,034
(Losses)/gains on disposal of property, plant and equipment	**(3,483)**	456
Proceeds from disposal of property, plant and equipment	**4,064**	1,490

(All amounts in Renminbi thousands unless otherwise stated)

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Net debt reconciliation

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

	2022	2021
Cash	**433,015**	330,484
Lease liabilities	**(11,688)**	(18,892)
Borrowings – repayable within one year	**(917,544)**	(706,335)
Borrowings – repayable after one year	**(748,344)**	(689,620)
Net debt	**(1,244,561)**	(1,084,363)
Cash	**433,015**	330,484
Lease liabilities	**(11,688)**	(18,892)
Gross debt – fixed interest rates	**(708,183)**	(511,666)
Gross debt – variable interest rates	**(957,705)**	(884,289)
Net debt	**(1,244,561)**	(1,084,363)

	Other assets	Liabilities from financing activities			
Net debt	Cash	Lease	Borrowing due within 1 year	Borrowing due after 1 year	Total
As at 1 January 2021	263,486	(24,927)	(557,988)	(890,543)	(1,209,972)
Cash flows	72,412	6,035	(148,347)	200,923	131,023
Foreign exchange adjustments	(5,414)	—	—	—	(5,414)
Interest expense	—	(1,184)	(14,199)	(39,711)	(55,094)
Interest payments (presented as operating cash flows)	—	1,184	14,199	39,711	55,094
As at 31 December 2021	330,484	(18,892)	(706,335)	(689,620)	(1,084,363)
Cash flows	**98,760**	**6,995**	**(211,209)**	**(58,724)**	**(164,178)**
Foreign exchange adjustments	**3,771**	**—**	**—**	**—**	**3,771**
Interest expense	**—**	**(822)**	**(14,347)**	**(43,612)**	**(58,781)**
Interest payments (presented as operating cash flows)	**—**	**822**	**14,347**	**43,612**	**58,781**
Disposal of a subsidiary	**—**	**209**	**—**	**—**	**209**
As at 31 December 2022	**433,015**	**(11,688)**	**(917,544)**	**(748,344)**	**(1,244,561)**

34. LITIGATION CLAIMS

In January 2016, the Company signed an acquisition agreement with the then shareholders of Kimree, Inc. to acquire their 100% equity interests in Kimree, Inc.. In March 2016, Mr. Liu Qiuming ("Mr. Liu") and Mr. Xiang Zhiyong ("Mr. Xiang"), two of the then shareholders of Kimree, Inc. as lender and the Company as borrower entered into a loan agreement pursuant to which the Company borrowed RMB50.5 million (the "Loan from Mr. Liu") and RMB50.5 million (the "Loan from Mr. Xiang") from Mr. Liu and Mr. Xiang, respectively, with a total amount of RMB101 million. The loans were mainly for potential business cooperation, and were interest free and repayable on 31 December 2016. Supplement to the loan agreement, Mr. Liu, Mr. Xiang and the Company entered into a memorandum (the "Memorandum") pursuant to which they agreed, inter alia, that the loans could be settled by the shares of Kimree, Inc., if any subsequent reinvestment by Mr. Liu and Mr. Xiang in Kimree, Inc.. As such, the amount was recognised as trade and other payables in the consolidated financial statements for the year ended 31 December 2016.

In June 2020 and November 2020, Mr. Liu and Mr. Xiang initiated legal proceedings against the Company for the repayment of the above loans and default penalty in cash, respectively. The Shenzhen Intermediate People's Court of Guangdong Province ruled in favour of Mr. Liu and Mr. Xiang, respectively and the Company made an appeal in August 2021 and October 2021, respectively. As advised by the external legal counsel of the Company in the PRC, it was remotely possible for the Company to pay the default penalty mainly because the loans could be settled by the shares of Kimree, Inc. with no default penalty. The directors' view was that it is not probable that an outflow of resources will be required to settle the default penalty, and the default penalty was not provided for in the consolidated financial statements for the year ended 31 December 2021.

The Higher People's Court of Guangdong Province dismissed the Company's appeals, and the Company received the judgment for Mr. Liu and Mr. Xiang in September 2022 and February 2023, respectively (the "Verdicts").

Based on the Verdicts, the Company was ordered to pay (a) Mr. Liu for the Loan from Mr. Liu (RMB 50.5 million) and default penalty and legal costs (RMB 75.4 million), totalling RMB 125.9 million, and (b) Mr. Xiang for the Loan from Mr. Xiang (RMB 50.5 million) and default penalty and legal costs (RMB 67.7 million), totalling RMB 118.2 million. Total default penalty and legal costs for the Loan from Mr. Liu and the Loan from Mr. Xiang (the "Litigation Claims") amounted to approximately RMB 143.1 million up to 31 December 2022. The Company is also required to pay default penalty for the period from 1 January 2023 to the date of the final settlement of the loans (including default penalty) are made.

The Company was preparing a retrial against the Verdicts of the Higher People's Court of Guangdong Province for the Litigation Claims. As advised by the external counsel of the Company in the PRC, the outcome of the retrial is uncertain. Based on the currently available information, the directors' view is that it is probable that an outflow of resources will be required to settle the obligation, and provision for the Litigation Claims of RMB143.1 million has been made in the consolidated financial statements for the year ended 31 December 2022.

(All amounts in Renminbi thousands unless otherwise stated)

35. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group at the balance sheet date but not yet incurred is as follows:

	2022	2021
Property, plant and equipment contracted but not provided for	28,247	155,029

(b) Operating lease commitments

The Group leases various plants and offices under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2022	2021
Not later than 1 year	256	564

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Creative China Limited, a company incorporated in the British Virgin Islands, which owns 32.24% of the Company's shares. Creative China Limited is owned as to 41.19% by Mr. Wang Ming Fan, 28.11% by Mr. Wong Ming Bun, a former director of the Company, 10.01% by Mr. Wang Ming Qing, 9.86% by Mr. Wang Ming You, a former director of the Company, 6.89% by Mr. Qian Wu and 3.94% by Mr. Li Qing Long.

Save as disclosed in Note 20 and elsewhere in these consolidated financial statements, the directors of the Company are of the view that there are no other related transaction incurred during the year.

Key management personnel compensation

The compensations paid or payable to key management personnel (including directors) for employee services are shown below:

	2022	2021
Wages, salaries and bonuses	9,403	10,678
Pension costs – defined contribution plans	230	344
Share-based payments	240	240
Other benefits	–	60
	9,873	11,322

(All amounts in Renminbi thousands unless otherwise stated)

37. BALANCE SHEET OF THE COMPANY

	Note	As at 31 December 2022	2021
ASSETS			
Non-current assets			
Investments in subsidiaries		**1,654,995**	1,654,995
Current assets			
Trade and other receivables		**372,415**	368,262
Deferred income tax assets		**23,103**	—
Cash		**13,036**	6,487
		408,554	374,749
Total assets		**2,063,549**	2,029,744
EQUITY			
Attributable to owners of the Company			
Share capital		**101,522**	101,522
Share premium and capital reserve		**1,390,949**	1,390,949
Accumulated losses	(a)	**(788,810)**	(657,892)
Other reserves	(a)	**32,645**	35,159
Total equity		**736,306**	869,738
LIABILITIES			
Non-current liabilities			
Borrowings		**209,379**	155,170
Other payables		**139,218**	143,157
		348,597	298,327
Current liabilities			
Trade and other payables		**707,745**	652,497
Borrowings		**127,760**	209,182
Provision for Litigation Claims		**143,141**	—
		978,646	861,679
Total equity and liabilities		**2,063,549**	2,029,744

The Balance Sheet was approved by the Board of Directors on 23 March 2023 and was signed on its behalf.

Wang Ming Fan
Director

Li Qing Long
Director

(All amounts in Renminbi thousands unless otherwise stated)

37. BALANCE SHEET OF THE COMPANY (continued)

(a) Reserve movement of the Company

	Accumulated losses	Other reserves – Share-based payments reserve	Other reserves – Currency translation reserve	Other reserves Total
At 1 January 2021	(635,762)	57,603	(27,498)	30,105
Loss for the year	(22,130)	—	—	—
Currency translation differences	—	—	5,054	5,054
At 31 December 2021	(657,892)	57,603	(22,444)	35,159
At 1 January 2022	**(657,892)**	**57,603**	**(22,444)**	**35,159**
Loss for the year	**(130,918)**	**—**	**—**	**—**
Currency translation differences	**—**	**—**	**(2,514)**	**(2,514)**
At 31 December 2022	**(788,810)**	**57,603**	**(24,958)**	**32,645**

38. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of directors and the chief executive for the year ended 31 December 2022 is set out in below.

Name of director	Fees	Salaries	Employer's contribution to a retirement benefit scheme	Share-based payments	Total
Mr. Wang Ming Fan*	**—**	**1,857**	**48**	**—**	**1,905**
Mr. Li Qing Long	**—**	**1,298**	**15**	**240**	**1,553**
Mr. Yang Ying Chun	**—**	**1,070**	**33**	**—**	**1,103**
Mr. Leung Wai Man, Roger	**129**	**—**	**—**	**—**	**129**
Mr. Zhou Xiao Xiong	**129**	**—**	**—**	**—**	**129**
Mr. Ng Kwun Wan	**129**	**—**	**—**	**—**	**129**
	387	**4,225**	**96**	**240**	**4,948**

(i) There was no payment to the above directors during the year for discretionary bonuses, housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director and emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking.

* Mr. Wang Ming Fan is also the chief executive of the Company.

(All amounts in Renminbi thousands unless otherwise stated)

38. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of directors and the chief executive for the year ended 31 December 2021 is set out in below.

Name of director	Fees	Salaries	Employer's contribution to a retirement benefit scheme	Share-based payments	Other benefits	Total
Mr. Wang Ming Fan*	–	1,836	65	–	–	1,901
Mr. Li Qing Long	–	1,287	15	240	–	1,542
Mr. Yang Ying Chun	–	1,064	52	–	–	1,116
Mr. Leung Wai Man, Roger	125	–	–	–	20	145
Mr. Zhou Xiao Xiong	125	–	–	–	20	145
Mr. Ng Kwun Wan	125	–	–	–	20	145
	375	4,187	132	240	60	4,994

(j) There was no payment to the above directors during the year for discretionary bonuses, housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director and emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking.

* Mr. Wang Ming Fan is also the chief executive of the Company.

(b) Directors' retirement benefits and termination benefits

No directors' retirement benefits, directors' termination benefits, consideration provided to third parties for making available directors' services, and loans, quasi-loans or other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors, subsisted at the end of the year or at any time during the year.

(c) Directors' material interests in transactions, arrangements and contracts

No 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 at the end of the year or at any time during the year.

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**2,324,807**	2,286,102	1,852,933	1,641,338	1,146,419
Gross profit	**786,864**	892,337	774,311	763,672	588,206
Profit before income tax	**112,214**	302,528	235,206	212,597	182,144
Profit attributable to owners of the Company	**48,317**	183,512	116,622	119,434	127,465
Equity attributable to owners of the Company	**2,975,693**	2,913,015	2,724,810	2,601,545	2,518,241
Total assets	**6,451,006**	6,311,610	5,489,194	5,459,003	5,006,914
Total liabilities	**3,188,886**	3,142,041	2,548,858	2,702,137	2,355,188
Cash	**433,015**	330,484	263,486	324,437	306,055

DETAILS OF INVESTMENT PROPERTIES

	Properties	Category of lease	Existing Use
1	Various portions of Tower B of Boton Technology Building, Le Li Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Medium	Office
2	Various portions of Tower A of Boton Technology Building, Le Li Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Medium	Office
3	Units A2507 & A2508 of Block A and B703 of Block B, Allied Plaza (聯合廣場), Futian District, Shenzhen City, Guangdong Province, the PRC	Medium	Office
4	Unit A3906 of Block A, Allied Plaza (聯合廣場), Futian District, Shenzhen City, Guangdong Province, the PRC	Medium	Office
5	Unit B701 of Block B, Allied Plaza (聯合廣場), Futian District, Shenzhen City, Guangdong Province, the PRC	Medium	Office
6	Various portions of an industrial complex, Le Li Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Medium	Cultural and/or Industrial