Precious Dragon Technology Holdings Limited

保寶龍科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1861

2022 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Ko Sau Mee *(Chairlady and Chief Executive)*
Ms. Lin Hing Lei
Mr. Lin Hing Lung
Mr. Yang Xiaoye

Independent Non-executive Directors

Mr. Lee Yiu Pui
Mr. Poon Tak Ching
Mr. Pang Cheung Wai, Thomas, GBS, JP

COMMITTEES OF THE BOARD

Audit Committee

Mr. Poon Tak Ching *(Chairman)*
Mr. Lee Yiu Pui
Mr. Pang Cheung Wai, Thomas, GBS, JP

Remuneration Committee

Mr. Pang Cheung Wai, Thomas, GBS, JP *(Chairman)*
Ms. Ko Sau Mee
Mr. Lee Yiu Pui
Mr. Poon Tak Ching

Nomination Committee

Mr. Lee Yiu Pui *(Chairman)*
Ms. Ko Sau Mee
Mr. Poon Tak Ching
Mr. Pang Cheung Wai, Thomas, GBS, JP

AUTHORIZED REPRESENTATIVES

Ms. Ko Sau Mee
Mr. Lee Kam Fai

COMPANY SECRETARY

Mr. Lee Kam Fai

REGISTERED OFFICE

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 628 Jufeng North Road
Aotou Town
Conghua District
Guangzhou City
Guangdong Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit G, 20/F., Golden Sun Centre
Nos. 59/67 Bonham Strand West
Sheung Wan
Hong Kong

AUDITOR

Ernst & Young
27/F., One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

COMPLIANCE ADVISER

Rainbow Capital (HK) Limited
Room 5B, 12/F., Tung Ning Building
2 Hillier Street, Sheung Wan
Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Bank of China Limited
CTBC Bank Co., Limited
Bangkok Bank Public Company Limited

STOCK CODE

1861

WEBSITE FOR THE COMPANY

www.botny.com

CHAIRLADY'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Precious Dragon Technology Holdings Limited (the "Company"), I am pleased to present to the shareholders of the Company (the "Shareholders") the annual report and audited consolidated financial statements of the Company together with its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 (the "Reporting Period").

RESULTS

During the Reporting Period, the Group's total turnover was approximately HK$559.8 million, representing a decrease by approximately 8.3% compared to that of last year (2021: approximately HK$610.4 million) while the Group's profit attributable to owners of the parent for the year amounted to approximately HK$42.0 million, increased by approximately 132.1% compared to the prior year (2021: approximately HK$18.1 million).

DIVIDENDS

The Board has resolved to recommend a final dividend of HK2.69 cents per share of the Company (the "Share") for the Reporting Period (2021: HK0.94 cent per Share).

During the Reporting Period, an interim dividend of HK0.83 cent per Share was declared.

OPERATING ENVIRONMENT AND PROSPECTS

As the global economy is continuously shrouded in the shadow of various difficulties, like, trade protectionism, outbreak of pneumonia caused by novel coronavirus ("COVID-19") and its variants, supply chain crisis and raw material prices in uncertainty and volatility, there are high uncertainties and rapid changes in global economic development. The Group pays close attention to the development and changes of the industry and adjusts its strategies in a timely manner to cope with (i) the uncertainties brought by the trade protectionism; (ii) market demands of products; (iii) unstable supply chain of production materials under the impact of coronavirus crisis; and (iv) changes in the external environment. Meanwhile, by continuously adjusting the diversified strategies and customer management, actively participating in various types of exhibitions in the People's Republic of China ("PRC") and around the world and launching new products to meet market demands, the Group will continue to strengthen the promotion of its own brands, enhance the relationship with customers and expand into new markets, with a view to continually consolidating and strengthening the Group's business development.

Despite of the economic slowdown of PRC, raw material prices in uncertainty and volatility, and heavy pressure caused by COVID-19 and it's variants, the economic foundation of PRC market keeps stable in the long run. Therefore, opportunities and challenges coexist. The Group is still prudent and optimistic towards its domestic market, Original Brand Manufacturing ("OBM") business and personal care products sectors. The Group will continue to improve its OBM business by sponsorship and exhibitions, improving existing OBM products' series, strictly controlling cost, lifting the brand image, and enhancing the competitiveness of products.

To ease the impact of trade protectionism, such as Sino-US trade war, and enhance the manufacturing cost efficiency, the Company strategically acquired a land in Thailand in July 2020 for setting up a new production plant to diversify the production base overseas. The new production plant is expected to be operational by the second quarter of 2023.

CHAIRLADY'S STATEMENT

GRATITUDE

On behalf of the Company, I would like to express my sincere gratitude to our valued Shareholders, customers, banks and to our management and employees for their continuous trust and support to the Group.

By order of the Board
Precious Dragon Technology Holdings Limited
保寶龍科技控股有限公司
Ko Sau Mee
Chairlady and executive Director

Hong Kong, 24 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is the leading manufacturer specializing in manufacturing of aerosol products used in the automotive beauty and maintenance products in the People's Republic of China ("PRC"). We are principally engaged in the design, development, manufacture and sale of a wide range of automotive beauty and maintenance products including auto cleaning and maintenance products (such as auto interior decoration cleaning products and tyre and wheel cleaning and care products), paint and coating (such as chrome aerosol spray), winter and summer specials (such as refrigerant and cold cranking agent) and air-fresheners. The automotive beauty and maintenance products are in the form of aerosol and non-aerosol products. We also design, develop, manufacture and sell personal care products (such as foaming facial wash, sunscreen, moisturiser, deodoriser, sanitizer and hand wash) and other products including household products (such as paint and floor polish).

The Company sells the products on contract manufacturing service ("CMS") and original brand manufacturing ("OBM"). The Company's OBM business offers products under our own brand names of BOTNY (保賜利), ATM, ETOMAN (已度明), NISSEI, WIN (勝彩), FOX-D (狐狸), PISCIS (百麗時) and PARLUX (派樂士), which are sold mainly through (1) the networks of distributors, who further resell our OBM products to wholesalers, retailers and end-users in the PRC; and (2) the online stores of "保賜利旗艦店" at Tmall and "保賜利京東自營旗艦店" at JD.com.

During the Reporting Period, the Group continued to allocate more resources to further develop the OBM business. The Group enhanced the brand recognition activities, including sponsorship in exhibitions, public relation events, and multi-media platforms in order to promote the corporate image and brands to new potential and existing customers. The Group recorded a significant growth in online markets sales reflects the strategy of continuing to implement the e-commerce strategies in PRC. We have launched the series of automotive beauty and maintenance products, 保寶龍, under our BOTNY (保賜利) brand for the repositioning of our corporate image and for broadening our clientele. We believe in the growth potential of our products under our new 保寶龍 series, as it takes time to establish a new line of products, we expect the other products under our BOTNY (保賜利) brand to remain our main revenue driver in the near future.

FINANCIAL REVIEW

Turnover

For the Reporting Period, the Group's recorded a turnover of approximately HK$559.8 million (2021: approximately HK$610.4 million), representing a decrease of approximately 8.3% as compared to the corresponding period of 2021.

Automotive beauty and maintenance products segment

For the Reporting Period, the Group's automotive beauty and maintenance products segment has recorded a turnover of approximately HK$457.8 million (2021: approximately HK$523.0 million), representing a decrease of approximately 12.5% as compared to the corresponding period of 2021. The decrease in segment revenue was mainly due to the reduction of economic activities in PRC market due to COVID-19 in 2022.

Personal care products segment

For the Reporting Period, the Group's personal care products segment has generated revenue amounting to approximately HK$102.0 million (2021: approximately HK$87.4 million), representing an increase of approximately 16.8% as compared to the corresponding period of 2021. The increase in segment revenue was mainly due to the significant increase in online sales contributed by a new sales channel.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

For the Reporting Period, cost of sales of the Group amounted to approximately HK$405.6 million (2021: approximately HK$453.3 million), which represented approximately 72.5% (2021: approximately 74.3%) of the turnover in the period. There was a decrease of approximately 10.5% in the cost of sales which was mainly attributable to the decrease in sales as discussed above, which was offset by; (i) the significant increase in raw material prices, including tinplate containers, solvents and gas, which were caused by the increase in crude oil price; (ii) variation of sales of products mix; and (iii) the increase in manufacturing overhead caused by the decrease of sales volume as a result of the economic slowdown.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit amounted to approximately HK$154.2 million (2021: approximately HK$157.1 million), representing a decrease of approximately 1.8% as compared to the corresponding period of 2021. The decrease in gross profit and gross profit margin was mainly driven by the combined effects of (i) the decrease in sales due to the global economic slowdown as a result of the prolonged COVID-19 pandemic and the short term locked-down in various provinces of PRC in 2022; and (ii) the increase in raw material prices, including tinplate containers, solvents and gas.

Other Income and Gains

Other income and gains mainly consisted of sales of scrap materials, bank interest income, income from provision of research and development services and government grants. During the period, other income and gains of the Group was approximately HK$7.0 million (2021: approximately HK$14.8 million), representing a decrease of approximately 52.5% as compared to the corresponding period of 2021, which was mainly due to the combined effect of (i) the decrease in government grants by approximately HK$5.0 million; and (ii) the decrease in income from provision of research and development design services by approximately HK$2.5 million.

Selling and Distribution Expenses

Selling and distribution expenses mainly consisted of transportation expenses and declaration charges for delivery of products to customers, salaries, performance bonuses and employee benefits expenses for the sales and marketing staff, business travel, entertainment expenses, advertisement and promotion costs. For the Reporting Period, selling and distribution expenses were approximately HK$33.7 million (2021: approximately HK$46.4 million), representing a decrease of approximately 27.5% as compared to the corresponding period of 2021. The decrease was primarily due to the combined effect of (i) the decrease in oversea sales which caused less transportation costs incurred; and (ii) the implementation of strict cost control measures to reduce the general expenses.

Administrative Expenses

Administrative expenses mainly represented staff salaries, welfare and bonus for our administrative staff and directors' remuneration, professional fees, other taxes and surcharges, and depreciation expenses. For the Reporting Period, administrative expenses were approximately HK$44.8 million (2021: approximately HK$54.3 million), representing a decrease of approximately 17.4% as compared to the corresponding period of 2021. The decrease in administrative expenses was primarily due to the net effect of (i) the increase in staff salaries and welfare to approximately HK$15.6 million (2021: approximately HK$13.8 million); (ii) the decrease in maintenance costs to approximately HK$0.9 million (2021: approximately HK$2.6 million); (iii) the decrease in professional fees, consulting fee and related costs incurred for listing to approximately HK$3.6 million (2021: approximately HK$6.5 million); and (iv) the decrease in loss on disposal of obsolete inventories to approximately HK$0.4 million (2021: approximately HK$6.1 million).

Net Profit

The Group's net profit amounted to approximately HK$41.9 million for the Reporting Period (2021: approximately HK$18.0 million), representing a significant increase of approximately 132.7% as compared to the corresponding period in 2021. Significant increase in net profit was mainly attributable to, among other things, the decrease in selling and distribution expenses, administrative expenses, research and development expenses and other expenses, which was partially offset by the decrease in gross profit and other income and gains.

TREASURY POLICY

The Group adopts treasury policy that aims to better control its treasury operations and lower borrowing cost. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short term funding needs. The Board would also consider various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

As at 31 December 2022, the Group had net current assets of approximately HK$58.3 million (31 December 2021: approximately HK$45.2 million). The Group's cash and cash equivalents and pledged bank deposits amounted to approximately HK$93.2 million as at 31 December 2022 (31 December 2021: approximately HK$110.1 million) which are mainly denominated in Renminbi, United States dollars, Japanese yen, Hong Kong dollars, Thailand Baht, and Indian Rupee. The current ratio of the Group was approximately 1.4 times as at 31 December 2022 (31 December 2021: approximately 1.3 times).

Borrowings and the Pledge of Assets

The bank borrowings of the Group, which were secured by our properties, plant and equipment and leasehold land amounted to approximately HK$50.8 million as at 31 December 2022 with maturity ranged from 2023 to 2027 (31 December 2021: approximately HK$120.0 million). All borrowings are charged with reference to Minimum Lending Rate, Loan Prime Rate and HIBOR.

As at 31 December 2022, we had available unutilized banking facilities of approximately HK$189.9 million (31 December 2021: approximately HK$260.7 million).

Gearing Ratio

As a result of the decrease in total borrowings of the Group, the gearing ratio which is calculated by dividing net debt by equity attributable to owners of the Company and net debt, amounted to approximately 23.4% as at 31 December 2022 (31 December 2021: approximately 35.2%).

Contingent Liabilities

As at 31 December 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

Contractual Obligations

As at 31 December 2022, the Group's capital commitment represented the commitment of plant and machinery. As at 31 December 2022, the Group had commitment of plant and machinery of approximately HK$6.0 million (31 December 2021: approximately HK$8.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As at 31 December 2022, the total number of issued shares of the Company (the "Shares") was 233,917,250 (31 December 2021: 233,917,250).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 21.0% of the Group's revenue for the Reporting Period were denominated in the United States dollar ("US$"). However, over 90% of the production costs were conducted in RMB. Therefore, there is a currency mismatch between US$ revenue and RMB production costs, which gives rise to exposure to foreign exchange risk. Furthermore, there is a time lag between invoicing and final settlement from customers of export sales. The Group is exposed to foreign exchange risks if the foreign exchange rate at which the US$ sales proceeds received from export sales is different from the rate at which the Group used to book the US$ sales transactions at the time of sales.

The Group has a foreign operation in Thailand, which is financed by bank borrowings denominated in Thai Baht and intercompany fund transfer. The Group is exposed to foreign exchange risks subject to fluctuations in the exchange rate of Thai Baht.

During the year ended 31 December 2022, we did not enter into any foreign currency forward contracts or have any outstanding foreign currency forward contracts. The Group does not use any financial instruments for hedging purposes.

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2022, the Group had a workforce of 466 employees (31 December 2021: 513 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK$47.7 million for the Reporting Period (2021: approximately HK$51.2 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of an individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to attract and retain eligible employees of the Group. Share options would be granted to certain eligible persons with outstanding performance and contributions to the Group. The emoluments of the Directors have been determined with reference to the skills, knowledge, contribution in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the Reporting Period.

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the Group did not have any significant investments (31 December 2021: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed herein and in the Company's prospectus dated 3 June 2019, the Group did not have other approved plans for material investments or capital assets as at 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after 31 December 2022 and up to the date of this report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the Reporting Period except the code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairlady and chief executive should be separate and should not be performed by the same individual. As the duties of chairlady and chief executive of the Company are performed by Ms. Ko Sau Mee ("Mrs. Lin"), the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairlady and chief executive in the same person due to its unique role, Mrs. Lin's experience and established market reputation in the industry, and the importance of Mrs. Lin in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' securities transactions. Specific enquiries have been made with all the Directors and they have confirmed that they have complied with the Model Code throughout the Reporting Period.

CHAIRLADY AND CHIEF EXECUTIVE

Code provision C.2.1 of the CG Code stipulates that the roles of chairlady and chief executive should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairlady and chief executive and Mrs. Lin currently holds both positions, as explained in the paragraph headed "Corporate Governance Practices" in the Corporate Governance Report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance, legal and business. Their skills, expertise and number in the Board ensure that strong independent views and judgment are brought in the Board's deliberations and that such views and judgment 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 the Shareholders and the Company.

Each of the independent non-executive Directors gives the Company an annual confirmation of his independence. The Company considers such Directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

THE BOARD

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 65 to 68.

Function of the Board

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board shall take decisions objectively in the interests of the Company.

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 operation. All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management and company secretary of the Company (the "Company Secretary"). The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

Board Composition

Currently, the Board comprises four executive Directors and three independent non-executive Directors. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules. During the Reporting Period, the number of independent non-executive Directors represents more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgment.

The Board comprises the following Directors:

Executive Directors

Ms. Ko Sau Mee *(Chairlady and Chief Executive)*
Ms. Lin Hing Lei
Mr. Lin Hing Lung
Mr. Yang Xiaoye

Independent non-executive Directors

Mr. Lee Yiu Pui
Mr. Poon Tak Ching
Mr. Pang Cheung Wai, Thomas, GBS, JP

The brief biographical details of and relationship between the existing Directors are set out in the paragraph headed "Biographical Details of Directors and Senior Management" on pages 48 to 51. Ms. Lin Hing Lei and Mr. Lin Hing Lung are the daughter and son of Ms. Ko Sau Mee. And Ms. Lin Hing Lei is the sister of Mr. Lin Hing Lung. Save as disclosed above, there are no other relationships (including financial, business, family or other material/relevant relationships among the members of the Board.

Appointment and Re-election of Directors

All Directors are appointed for specific terms. Ms. Ko Sau Mee, Ms. Lin Hing Lei, Mr. Lin Hing Lung and Mr. Yang Xiaoye have entered into a service agreement with the Company for a term of 3 years commencing from 21 June 2019 and will continue thereafter. Mr. Lee Yiu Pui, Mr. Poon Tak Ching and Mr. Pang Cheung Wai, Thomas have entered into a letter of appointment with the Company for a term of 1 year commencing from 21 June 2019 and will continue thereafter.

The Company has adopted "Directors Nomination Procedures" as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. An external recruitment agency may be engaged to carry out the recruitment and selection process as necessary. Besides, the procedures and process of appointment, re-election and removal of Directors are laid down in the articles of association of the Company (the "Articles"). According to the Articles, all Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the Company's annual general meeting (the "AGM"). Any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by the Shareholders at the first general meeting after his/her appointment and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the next AGM.

In accordance with the Articles, Ms. Ko Sau Mee, Ms. Lin Hing Lei and Mr. Pang Cheung Wai, Thomas shall retire and, being eligible, offer themselves for re-election at the forthcoming AGM to be held on 19 May 2023. The Board and the nomination committee of the Company recommend their re-appointments. The Company's circular, sent together with this annual report, contains detailed information of the three Directors as required by the Listing Rules.

Directors' Training

All Directors confirmed that they had complied with code provision C.1.4 of the CG Code during the Reporting Period. All Directors had participated in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

A record of the Directors' participation in various continuous professional development program is kept with the Company. The external course the Directors had participated was about Guidance for Boards and Directors and updates on the Listing Rules. A summary of the Directors' participation in training and continuous professional development during the year ended 31 December 2022 according to the records provided by the Directors is as follows:

Names of Directors	Training organised by professional organizations	Reading materials updating on new rules and regulations
Executive Directors		
Ms. Ko Sau Mee *(Chairlady and Chief Executive)*	✓	✓
Ms. Lin Hing Lei	✓	✓
Mr. Lin Hing Lung	✓	✓
Mr. Yang Xiaoye	✓	✓
Independent Non-executive Directors		
Mr. Lee Yiu Pui	✓	✓
Mr. Poon Tak Ching	✓	✓
Mr. Pang Cheung Wai, Thomas , GBS, JP	✓	✓

CORPORATE GOVERNANCE REPORT

UPDATE ON DIRECTOR'S INFORMATION

There has been no change to the information of the Directors pursuant to Rule 13.51B(1) of the Listing Rules.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the Reporting Period, the Company has a solid slate of Directors with diverse perspectives and varied educational background and expertise made-up, from extensive knowledge of the manufacturing industry, experience in international trade, finance and corporate management, to professional qualifications in the legal and accounting fields. Each Director had accumulated experience in his/her respective field of expertise, all of whom are anchored by the common trait of having a natural aptitude and singular drive for the industry so as to bring sustainable growth to the Company.

In respect of the gender diversity of the Board, as at the date of this report, 5 Directors are male and 2 Directors are female. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. It is expected that the ratio of female Directors will reach more than 25% in the following years. The Company will achieve this goal through active nomination of suitable candidates with no gender limitation to be newly appointed Directors in the next few years.

Moreover, the current gender ratio of the company workforce (including senior management) is 238 males per 228 females, which has decreased from 265 males per 248 females of past year. The Company has already achieved gender diversity and will continue focusing on the area because workforce gender diversity is associated with resources that can provide a sustained competitive advantage to the company, which include market insight, creativity and innovation, and improved problem-solving. Men's and women's different experiences may provide insights into the different needs of male and female customers. Further, men and women may have different cognitive abilities, such as men's proficiency in mathematics and women's proficiency in verbal and interpersonal skills. Therefore, a mix of cognitive abilities in a gender diverse team may enhance the team's overall creativity and innovation as proved by research. Moreover, a gender diverse team produces high quality decisions. Although there may be some mitigating circumstances where gender diversity can be very hard to achieve (for instance, male workers are more commonly seen regarding physical labour and female workers are more often seen during psychological consultation), the Company will keep focusing on the workforce gender diversity to maintain its current strength as well as to further improve its competitiveness in the future.

NOMINATION POLICY

The Board has adopted the nomination policy (the "Nomination Policy") which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

To nominate director candidates, candidates would be identified by various methods and evaluated based on the approved selection criteria. Shortlisted candidates would be interviewed and their profiles would be reviewed, before making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

Board Meeting and Procedures

The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business. An AGM and an extraordinary general meeting called for the passing of a special resolution shall be called by at least 21 days' notice in writing, and a meeting of the Company other than an AGM or an extraordinary general meeting for the passing of a special resolution shall be called by at least 14 days' notice in writing. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting.

When a Director and the enterprise(s) involved in a proposal of a Board meeting have connected relations, such Director shall not exercise his/her voting rights on such proposal nor shall he/she exercise any voting rights on behalf of other Directors.

Set out below are details of the attendance record of each Director at the Board and committee meetings of the Company held during the Reporting Period:

	Attendance/Number of Meetings Held				
Names of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**General Meeting**
Executive Directors					
Ms. Ko Sau Mee	*7/7	—	1/1	1/1	2/2
Ms. Lin Hing Lei	7/7	—	—	—	2/2
Mr. Lin Hing Lung	7/7	—	—	—	2/2
Mr. Yang Xiaoye	7/7	—	—	—	2/2
Independent non-executive Directors					
Mr. Lee Yiu Pui	7/7	3/3	1/1	*1/1	2/2
Mr. Poon Tak Ching	7/7	*3/3	1/1	1/1	2/2
Mr. Pang Cheung Wai, Thomas, GBS, JP	7/7	3/3	*1/1	1/1	2/2

Remark:

* *representing the chairperson of the Board or the committees*

The Board has established three committees, namely, the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"), for overseeing particular aspects of the Company's affairs. All committees have been established with defined written terms of reference, which were posted on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.botny.com). All committees should report to the Board on their decisions or recommendations made.

All committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee was established on 27 May 2019 with terms of reference in compliance with the CG Code to the Listing Rules for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, reviewing the financial statements and related materials and providing advice in respect of the financial reporting process, and overseeing the risk management and internal control systems of the Group. The Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Poon Tak Ching (Chairman), Mr. Lee Yiu Pui and Mr. Pang Cheung Wai, Thomas. The Group's accounting principles and practices, financial statements and related materials for the Reporting Period had been reviewed by the Audit Committee.

During the Reporting Period, the Audit Committee held three meetings for discussion on issues arising from the audit and financial reporting matters.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval and all decisions of the Audit Committee are reported to the Board subject to applicable restriction.

The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The external auditor was invited to attend the Audit Committee meeting held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The chairman of the Audit Committee provided the Board with a briefing on the significant issues after the Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor.

Remuneration Committee

The Remuneration Committee was established on 27 May 2019, with specific written terms of reference for making recommendations to the Board regarding the Group's policy and structure for all remuneration of Directors and senior management and approving the remuneration package of the individual executive Directors, the specific duties set out in code provision E.1.2(a) to (i) of the CG Code. The Remuneration Committee comprises a total of four members, being one executive Director, namely, Ms. Ko Sau Mee, and three independent non-executive Directors, namely, Mr. Pang Cheung Wai, Thomas (Chairman), Mr. Lee Yiu Pui and Mr. Poon Tak Ching. Accordingly, a majority of the members are independent non-executive Directors.

During the Reporting Period, the Remuneration Committee held one meeting to review and discuss the remuneration policy of the Group and the remuneration packages of the Directors and reviewed and approved matters relating to share schemes under Chapter 17 of the Listing Rules.

Full minutes of the Remuneration Committee meeting are kept by the Company Secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval and all decisions of the Remuneration Committee are reported to the Board subject to applicable restriction.

The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2022 is set out below:

Remuneration bands	Number of persons
Nil to HK$300,000	3

Nomination Committee

The Board would follow a set of formal, considered and transparent procedures for the appointment of new directors to the Board. The appointment of a new director has been a collective decision of the Board, taking into consideration the candidate's qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group. In addition, all candidates to be selected and appointed as a director must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules.

The Nomination Committee was established on 27 May 2019, with specific written terms of reference in compliance with the CG Code for reviewing the Board composition, developing the relevant procedures for nomination and appointment of Directors and assessing the independence of independent non-executive Directors to ensure that the Board has a balance of expertise, skills and experience and formulating succession plans for executive Directors and senior executives. The Nomination Committee comprises a total of four members, being one executive Director, namely, Ms. Ko Sau Mee, and three independent non-executive Directors, namely, Mr. Lee Yiu Pui (Chairman), Mr. Poon Tak Ching and Mr. Pang Cheung Wai, Thomas. Accordingly, a majority of the members are independent non-executive Directors.

During the Reporting Period, the Nomination Committee held one meeting to review the current Directors' structure and to monitor the overall adequacy of the Board's composition.

Full minutes of the Nomination Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Nomination Committee meetings are sent to all members of the Nomination Committee for comments and approval and all decisions of the Nomination Committee are reported to the Board subject to applicable restriction.

The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a corporate governance committee. The functions that would be carried out by a corporate governance committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

The corporate governance policy is formulated with an emphasis on the Board's quality, effective risk management and internal control, stringent disclosure practices and transparency and accountability to all Shareholders. The Board strives to comply with the code provisions and reviews its corporate governance policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

EXTERNAL AUDITOR'S REMUNERATION

During the Reporting Period, the Company engaged Ernst & Young as its external auditor for financial reporting, while the Company engaged the external PRC local auditor for the subsidiaries statutory audit services.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

During the Reporting Period, the fees payable to Ernst & Young and PRC local auditor in respect of its statutory audit services, non-statutory audit services and non-audit services provided to the Company were as follows:

	2022 HK$000
Statutory audit services	**990**
Non-statutory audit services	**393**
Non-audit services*	**22**

* Significant non-audit service assignments include business consulting fee (HK$22,000 was paid).

DELEGATION BY THE BOARD

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

COMPANY SECRETARY

Being the Company Secretary, Mr. Lee Kam Fai plays an important role in supporting the Board by ensuring good information flow within the Board and that the Board policies and procedures are followed. Mr. Lee Kam Fai is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of the Directors.

During the Reporting Period, Mr. Lee Kam Fai has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting.

Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more Shareholders, at the date of deposit of the requisition, holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

Shareholders are requested to follow article 64 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Shareholders to convene an extraordinary general meeting".

Pursuant to article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office of the Company or at the Hong Kong branch share registrar and transfer office of the Company no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

The procedures for the Shareholders to propose a person for election as a Director are posted on the website of the Company. Shareholders may refer to the above procedures for putting forward any other proposals at general meetings.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of AGM will be voted by poll.

DIVIDEND POLICY

The Board has adopted the dividend policy (the "Dividend Policy") which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Company takes priority to distributing dividends in cash and shares its profits with the Shareholders. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to the Shareholders. Information of the Company is disseminated to the Shareholders in the following manner:

- Delivery of annual and interim results and reports to all Shareholders;

- Publication of announcements on the annual and interim results on the website of the Stock Exchange, and issue of other announcements and Shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- The general meeting of the Company is also an effective communication channel between the Board and the Shareholders.

Shareholders' Communication Policy

Purpose

The Company recognises the importance of providing current and relevant information to its shareholders (the "Shareholders"). This shareholders' communication policy (the "Shareholders' Communication Policy") aims to set out the provisions with the objective to ensure that the Shareholders and potential investors are provided with equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and potential investors to engage actively with the Company.

General Policy

The Board shall maintain an on-going dialogue with Shareholders and will regularly review the Shareholders' Communication Policy to ensure its effectiveness.

Information is communicated to the Shareholders as well as the stakeholders through periodic disclosure through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and other corporate publications on the website of the Stock Exchange and corporate communications, on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at http://www.botny.com.

Effective and timely dissemination of information to Shareholders shall be ensured at all times. Any questions, requests and comments can be addressed to the Company by mail to Unit G, 20/F., Golden Sun Centre, Nos. 59/67 Bonham Strand West, Sheung Wan, Hong Kong or through the Company's share registrar.

The Company believes that communication with Shareholders by electronic means, particularly through its website, is an efficient way to distribute information in a timely and convenient manner. Shareholders are encouraged to access to the corporate communications posted on the Company's website to help reduce the quantity of printed copies and hence reduce the impact on the environment.

The Company's website will be updated with material posted to the website of the Stock Exchange immediately thereafter. Such material includes but not limited to financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

The Company has reviewed the Shareholders' Communication Policy conducted for the year ended 31 December 2022 and considered that the Shareholders' Communication Policy has been well implemented and effective.

Constitutional Documents

There was no significant change in the constitutional documents of the Company during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROL

Maintaining sound and healthy risk management and internal control systems are the keys to fulfil the business objectives and long-term sustainable growth of the Group. The Board has recognized they are generally responsible for the assessment and determination on the nature and degree of risks which are acceptable by the Group for meeting its strategic objectives, ensuring the Group to establish and maintain proper and effective risk management and internal control systems.

RISK CATEGORIES

The business development, financial conditions, operating results or prospect of the Group might be affected by risks and uncertainties, leading to a result probably deviated from the expected or past performance. Certain major risks which have impacts on the Group are listed below.

Strategic risks

The financial risks encountered by the Group include, amongst others, those arising from the mismatch of departmental human resources allocation, division of roles and responsibilities, ineffective motivation mechanism for the management, accommodation of the core business of the Group with China's macro policies on the industry and environmental protection as well as whether a good relationship is maintained between the government and media respectively.

In view of the above risks, the Group has implemented appropriate departmental human resources allocation, definite division of roles and responsibilities and effective motivation and disciplinary mechanisms for the management. Leveraging the policy of China on promoting the development of metallic packaging, the Group has actively enhanced its innovation and competitiveness, maintained good relationship with the governments of various levels and implemented crisis communication mechanism.

Financial Risks

The strategic risks encountered by the Group include, amongst others, those involved in fund misappropriation arising from poor management in fund activities, undisciplined operation arising from unsound or informal preparation, implementation and management of budgets, intended or unintended false information existed in financial statements, the compliance of those statements with accounting rules and standards, uncertainties in taxation management and tax payment, inadequate assessment of customers' credit.

In view of the above risks, the Group has strengthened the accounting system control on its working capital, prepared the overall annual budget, launch the accountability system for budget implementation, budget appraisal system, sales management system, review, approval and oversight system for tax payment. Meanwhile, the Group has determined its financing plans in connection with those from bankers, prepared monthly fund budget to spread the cash-flow risks.

CORPORATE GOVERNANCE REPORT

Operating risks

The operating risks encountered by the Group include, amongst others, those arising from whether safety and environmental protection standards are met by the production of our products, management of human resources, sales, supply chains and information system, insufficient innovation, inspection and verification of technologies and products.

In view of the above risks, the Group has focused on the control and monitoring of dust, high temperature and chemical hazard, discharged sewage according to the total amount and concentration allowed under the pollutant discharge license, formulated the status-quo assessment on energy conservation and emission reduction as well as medium and long term planning, timely updated the staff handbook and implemented applicable labor laws and regulations, introduced advanced technologies and talents, solved the innovation problems through technological exchange and cooperation. Meanwhile, the Group strived to explore new customers and new sales channels, assess the suppliers regularly, inspect regularly and maintain the facilities of the information system and provide staff training.

Legal risks

The legal risks encountered by the Group include, amongst others, those arising from the physical or existing default operations, legal disputes, default behaviors, intellectual property and human rights protection.

In view of the above risks, the Group has implemented the measures such as the contract review and approval procedure with the routine support of our permanent legal advisor, regular third-party audit to monitor compliance so as to mitigate the impact of such risks on the Group.

ANNUAL CONFIRMATION

The Board has an internal audit function and has been continuing to monitor the risk management and internal control systems of the Group, and has made an annual review, through the Audit Committee, on the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2022.

Meanwhile, the Company commissioned a third-party professional body to make an internal audit on the effectiveness of the design and the compliance regarding the implementation of the internal control systems relating to its risk management, control and governance practices. The Audit Committee under the Board has made an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022, and reviewed the results of assessment on the internal control systems made by the third party. The Board considers the system of the Group is effective and adequate accordingly.

Any internal control system has its own restrictions; therefore, the internal control systems of the Group are established to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board approved and adopted an inside information policy and procedures for the handling and dissemination of inside information. The insider information policy provide the guidelines to the Directors, management and relevant staff (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The procedures include, among others, regularly remind the Directors, management and relevant staff about the compliance with the securities dealing restrictions as set out in the Model Code and the notification of the 60-day and 30-day blackout period applicable to the publication of the annual and interim results of the Company respectively.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Introduction

Precious Dragon Technology Holdings Limited (the "Company" together with its subsidiaries, collectively, "we", "us", "our" or the "Group") is pleased to present our annual Environmental, Social and Governance Report (the "Report") for the year ended 31 December 2022 to provide an overview of the Group's management of significant issues affecting the operation, including environmental, social and governance ("ESG") issues.

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The management will regularly report the relevant state to the Board. The Group has also conducted annual review on the effectiveness of the Environmental, Social and Governance Report for the year ended 31 December 2022.

Reporting Year

The Report illustrated the Group's initiative and performance on the environmental and social aspects for the period from 1 January 2022 to 31 December 2022 (the "Reporting Period").

Reporting Scope And Boundary

The reporting scope of this Report covers all subsidiaries of the Group in the People's Republic of China (the "PRC") and Thailand with core business that principally engaged in the content filling of aerosol cans, and the production and sale of ethanol, aerosol and non-aerosol products. The Group's new production plant in Thailand started its trail operation in January 2022, which led to a change of reporting scope when compared with last year.

The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in this Report.

Reporting Basis and Principle

This Report was prepared in accordance to the Environmental, Social, and Governance Reporting Guide ("ESG Reporting Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Group has complied with the disclosure requirements of the "comply or explain" provisions set out in the ESG Reporting Guide. This Report was prepared and published in both English and Chinese. In the event of contradiction or inconsistency, the Chinese version shall prevail. For more information on our corporate governance, please refer to the "Corporate Governance Report" on pages 9 to 20 of the annual report of the Company for the year ended 31 December 2022.

The Report has complied with the following reporting principles as the basis:

- **Materiality**

  The Group determines relevant ESG issues through stakeholder engagement and materiality assessment. For details, please refer to the section headed "Stakeholders Engagement" and "Materiality Assessment".

- **Quantitative**

  The Group's disclosure of KPIs related to historical data can be measured and the Group is committed to disclosing information on standards, methods, assumptions or calculation tools used in quantitative data and the source of conversion factors used when feasible.

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- **Balance**

  The Group avoids selections, omissions or presentation formats that may inappropriately influence the readers' decisions or judgment.

- **Consistency**

  The Group is committed to using consistent methodologies for meaningful comparisons. The Group will disclose changes in methodologies or KPIs or any other relevant factors that affect meaningful comparisons when necessary.

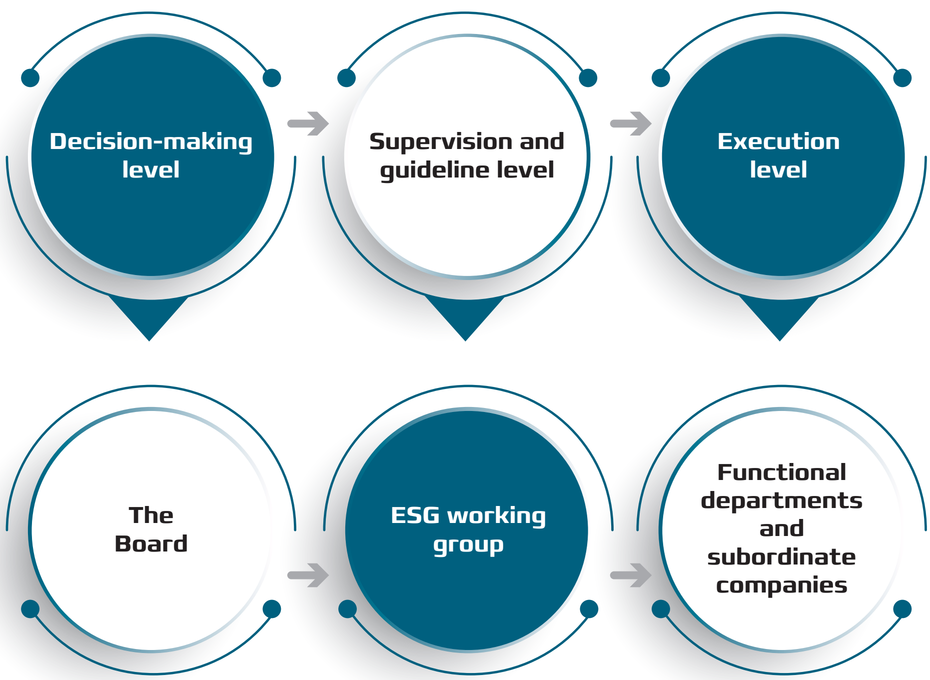
The information contained herein is sourced from official documents and statistics of the Group, as well as the combined monitoring, management and operations information provided by the subsidiaries in accordance with the Group's related procedures. A complete content index is appended to the last part hereof for readers' quick reference.

Contact Information

The Group welcomes your feedback on the Report for our sustainability initiatives. Please contact us by email to esg@botny.com.

SUSTAINABILITY GOVERNANCE

The Group has established an ESG framework to promote and implement the Group's sustainability strategy. To ensure effective ESG management, our ESG governance structure, composed of the Board, ESG working group, respective functional departments and subordinate companies, was established to promote ESG management and disclosure. The Board, the ultimate decision-making body of the Group, is responsible for the Group's ESG governance. The Board steers the Group's sustainable development forward and bears the overall responsibility of its ESG efforts. In the future, the Board will continue to strengthen ESG risk management and improve ESG working mechanism and regulatory processes to enhance its ESG governance standard. The ESG working group, serving on the supervision and coordination level, is responsible for implementing ESG governance strategy, coordinating ESG matters, compiling ESG reports, and reporting relevant work progress to the Board on a regular basis. Each functional department and subordinate company, serving on the execution level, is responsible for rolling out initiatives set up by the ESG working group and reporting relevant work progress and data.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

The Group values the engagement of our stakeholders. Whether they are our employees, customers, suppliers and other stakeholders, they have a significant impact on the success of our business or activities. We identified the key stakeholders of our business operations. We interact with our stakeholders regularly through various communication channels. The following table illustrates the issues of concern of our major stakeholders and the ways we communicate with stakeholders.

Stakeholder	Stakeholders' concern	Communication channels	Engagement details
Government	• To comply with the laws • Proper tax payment • Ensure production safety, environmental protection and social responsibility • Promote regional economic development and employment	• On-site inspections and checks • Research and discussion through work conferences, work reports preparation and submission for approval	• Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation, and actively undertook social responsibilities.
Shareholders and Investors	• Return on the investment • Stable operation • Low operating risk • Information disclosure and transparency • Protection of interests and fair treatment of shareholders • True, accurate and timely reporting	• Annual general meeting and other shareholder meetings • Interim reports, annual report, announcements • Company Website • Meeting with investors • Roadshow • Site visit	• Issued notices of general meeting and proposed resolutions according to regulations; disclosed company's information by publishing announcements/ circulars, interim report and annual report in the year; Carried out different forms of investor activities with an aim to improve investors' recognition; Held results briefing; Disclosed company contact details on website and in reports; and ensured all communication channels available and effective.
Employees	• Safeguard the rights and interests of employees • Salary and welfare • Working environment • Career development opportunities • Self-actualization • Health and safety	• Labour union • Feedback box • Wechat of director • Policies and procedures • Training, seminars, briefing sessions • Team activities	• Provided a healthy and safe working environment; established a labour union; established policies and procedures according to local labour law; developed communication channel with management; developed a fair mechanism for promotion; cared for employees by helping those in need and organizing employee activities.

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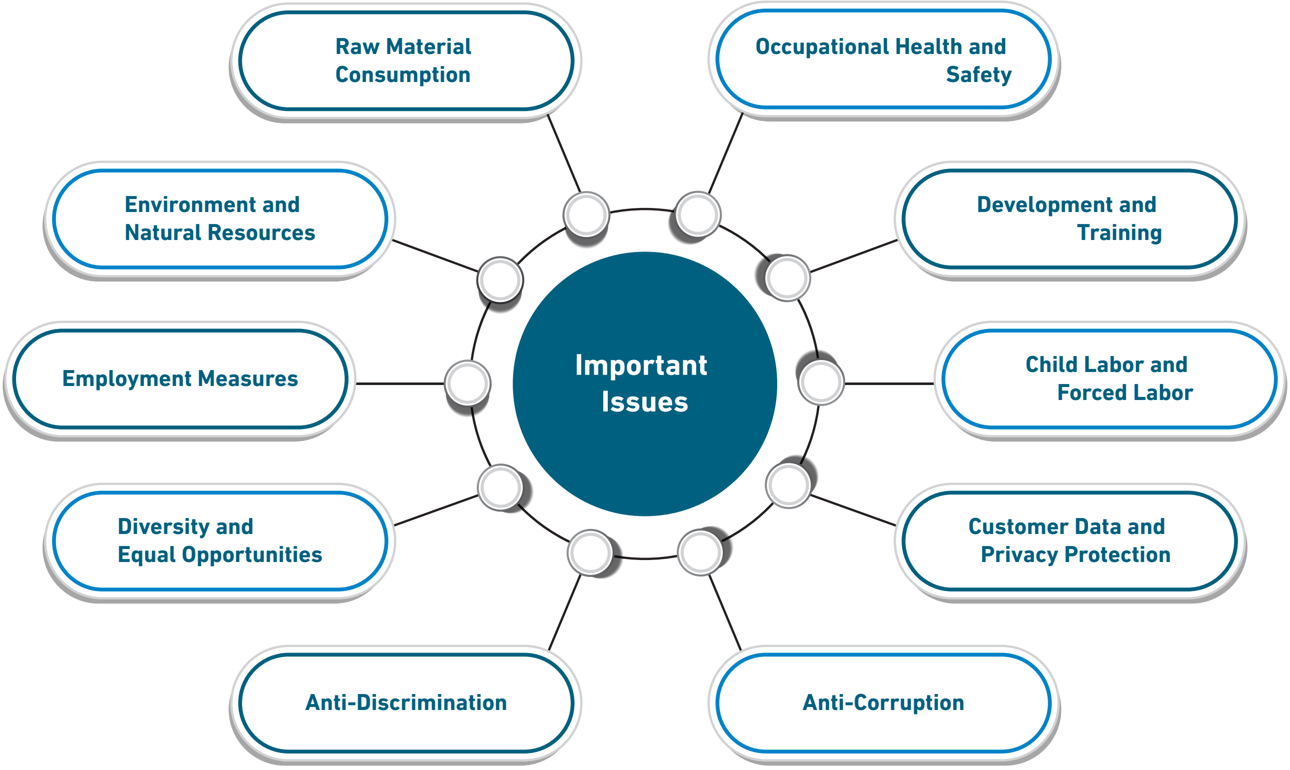
Stakeholder	Stakeholders' concern	Communication channels	Engagement details
Customers	• Assurance on quality and quantity of product • Stable relationship • Group reputation and brand image • Market demand	• Site visit • Exhibition • Email and customer service hotline • Feedback forms • Regular meeting	• Organised marketing activities, site visit and exhibition.
Suppliers/Partners	• Long-term partnership • Honest cooperation • Fair, open • Information resources sharing • Timely payment	• Strategic co-operation • Regular meeting • Tendering process	• Invited tenders publicly to select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors.
Peer/Industry associations	• Experience sharing • Corporations • Fair competition • Focus on adoption of latest technology	• Industry conference • Site visit • Website • Industry magazine	• Stuck to fair play, cooperated with peers to realize winwin, shared experiences and attended seminars, exhibitions and meetings of the industry so as to promote sustainable development of the industry.
Financial Institution	• Compliance with the law and regulations • Disclosure of information	• Consulting • Information disclosure • Reports	• Complied with regulatory requirements in a strict manner, disclosed and reported true information in a timely and accurate manner according to law.
Bank	• Timely repayment of loan • Honest cooperation • Stable operation	• Regular meeting • Site visit	• Paid interest according to instalment schedule and cooperated with bank for inspection and monitoring.
Public and communities	• Community involvement including local employment opportunity • Development of local economy • Environment protection • Subsidy and assistance	• Volunteering • Charity and social investment • Annual report	• Gave priority to local people seeking jobs from the Company so as to promote community building and development; built roads, protected the communities' ecological environment, and provided timely compensation and assistance; provided volunteer service, kept communication channels open between the Company and the communities and villagers, co-sponsored community activities to promote the building up of harmonious communities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The Group identifies issues for disclosure in the Report through internal and external materiality assessment. By considering the dependence and influence of the stakeholders on the Group and the availability of resources of the Group, the management has identified key stakeholders and conducted surveys with them. They have expressed their opinions and recommendations on issues related to the Group's operation via the surveys. After the consolidation of the internal assessment and survey results, the Group concluded the most important issues during the Reporting Period:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL ASPECTS

Environmental Management

ASPECT A1: EMISSIONS

To demonstrate commitment to sustainable development and compliance with laws and regulations relating to environmental protection, the Group endeavors to minimise the environmental impact of the business activities and maintain green operations and green office practices.

Our Group's operations are subject to certain environmental requirements pursuant to the laws in the PRC and Thailand, including but not limited to PRC Environmental Protection Law* (《中華人民共和國環境保護法》), the PRC Law on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), the Guangdong Province Work Programme on the Comprehensive Treatment and Emission Reduction on Volatile Organic Compounds (2018-2020)* (廣東省揮發性有機物 (VOCs) 整治與減排工作方案 (2018-2020年)) and Enhancement and Conservation of National Environmental Quality Act, B.E. 2535 of Thailand. The Group has been in strict compliance with the above relevant laws and regulations in the PRC and Thailand. We endeavour to minimise any adverse impact on the environment resulting from our business activities. In order to comply with the applicable environmental protection laws, we had implemented a series of below key measures and procedures concerning mainly air pollutant, GHG emission and waste control.

During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations related to environmental protection.

Air Pollutant

The Group's air pollutant emissions are primarily from vehicles, fuel used by factories and offices. Besides, the content of our products include propellant, which is a liquefied (or) compressed gas within aerosol products that releases content with predetermined forms through a valve. The propellant we use in our production can be broadly classified into VOC (such as dimethyl ether ("DME") and liquefied petroleum gas) and non-VOC (such as carbon dioxide, nitrogen and compressed air) categories and we mainly use DME and liquefied petroleum gas as propellant for our products. Our production involves the use and storage of such propellant gases which are flammable and to a certain extent, environmentally hazardous. In determining the type of propellant used in our products, we will take into consideration the functional requirement of the relevant products, the costs of purchase, the regulatory requirements imposed by the governmental authorities and the overall safety of our products. We are prone to use propellant that is more environmentally friendly and cost efficient.

* For identification purpose only

In 2019, the Company completed the filing of One Enterprise One Policy for VOCs Integrated Management Program and had passed the examination by relevant environmental protection department. Total VOCs emission was reduced from 21.32 tons/year to 7.52 tons/year, fully demonstrating the Company's determination to emission regulation. On the other hand, in order to improve exhaust gas emission, most models of our fleet have adopted the latest China VI Emission Standards 2020 for the year. In 2022, the Group's nitrogen oxide emissions mainly derived from the combustion of fuel by vehicles.

GHG emissions

In response to the climate change, we have been committed to taking proactive initiatives to gradually formulate and adopt green policies so as to reduce GHG emissions generated from business operations. We have implemented the energy conservation measures described in the section headed "A2: Use of Resources". In 2022, the Group's GHG emissions were mainly from Scope 2, representing 80% of the total emissions.

Waste Management

Our hazardous waste produced mainly consists of organic solvent used during the production process. Non-hazardous waste mainly includes packaging paper scraps and household waste. They are separately stored and handled with the ledger for record. As our production process involves the use and storage of hazardous materials, it is always our top concern to comply with the applicable environmental laws and regulations in the PRC and Thailand and avoid the occurrence of any environmental contamination event during our production activities. As a result, we continuously observe the laws and regulations in relation to environmental protection as amended from time to time in the PRC and Thailand. In practice, in order to properly control the disposal of our production wastes, we have formulated detailed environmental protection rules and guidance for our staff to follow during production. In addition, to ensure that the quantities and rates of our production discharge are in compliance with the applicable environmental laws and regulations, we engage qualified third-party pollutant supervision companies to examine, monitor and provide advices on our pollutant discharge conditions for each financial year. To protect the environment, we have formulated relevant policies in respect of the waste management to minimise the waste of papers and other resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Highlight of other measures for reduction of emissions

Highlight of other measures for reduction of emissions	
Air pollutant and GHG	• Providing crew buses for collective transportation to reduce the use of limousine buses and private cars • Passing the examination of environmental department and accomplishing the "One Enterprise One Policy for VOCs Integrated Management Program" • Renovating exhaust gas and dust collecting channels in production workshops to reduce emission from the hazardous substances effectively
Wastewater	• Continuously optimizing and upgrading sewage treatment
Domestic and office wastes	• Construction of a septic tank • Encouraging staff to reduce waste. For example: reusing paper and approving documents via electronic approval system to reduce paper consumption
Green production model	• Actively researching and developing environmentally friendly formulations, such as products with water-based formulations and low VOC formulations • Promoting clean production and upgrading machinery • Establishing an environmental management system for the production of aerosol and non-aerosol products in compliance with ISO 14001 and attained relevant certification • Establishing quality management system to be recognised by world-renowned corporate customers • Introducing smart equipment (smart examination, smart packaging and conveying system) in workshops to conserve raw materials for production and labor costs
Noise	• Eliminating old equipment in the production line and investing in equipment with insulating effect to reduce noises

In view of our continuous effort, we target to maintain zero substantial non-compliance case in relation to the emission of exhaust gases, GHG and waste in coming five years.

ASPECT A2: USE OF RESOURCES

The Group places high priority on the efficient use of resources. The major resources used by the Group are electricity and water. The Group strives to improve the efficient use of natural resources, such as minimising waste/emissions and implementing effective recycling program. Practical measures are implemented as follows.

- Switching off lights and turning off unnecessary energy-consuming devices when staff leaves the office.
- Adopting LED lighting in some production workshops and offices.
- Using frequency conversion air compressor and air compressor heat recovery during some of our productions to reduce energy consumption.
- Utilising materials that facilitate clean production environment to effectively reduce the consumption of detergents and running water.
- Bringing our own cups to avoid using paper cups.
- Improving product packaging forms to conserve the consumption of carton materials.

In terms of water consumption, our water resources are mainly used in the production process and for the domestic use of our employees. All water is provided by a third-party water supplier, and there is no problem with suitable water sources. In 2022, we generated 8.14 metric tons of sewage during the production process. All sewage produced is recycled and processed by a third-party qualified company and domestic sewage is discharged after being processed by the Company's internal sewage treatment facilities to ensure compliance with relevant national and local discharge standards before discharge.

In terms of energy consumption, our energy consumption in 2022 decreased by approximately 19% from that in 2021. The energy consumption of the Group mainly comes from production machinery and vehicles, which includes the consumption of electricity, gasoline, diesel and liquefied petroleum gas.

Looking forward, the Group will continue to monitor the use of resources of the Group, improve data collection and monitoring, and review our resource management and allocation system in a timely manner in order to save energy. In view of our continuous effort, we target to maintain zero substantial non-compliance case in relation to the consumption of water and energy in coming five years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ASPECT A3: THE ENVIRONMENT AND NATURE RESOURCES

The Group does not discharge pollutants to water and land directly on a large scale, has little impact on the environment and seldom accesses natural resources directly. However, we still try our best to improve our waste management system, aiming to pursue best practices in environmental protection. We put stress on the impact of the Group's business on environment and natural resources. In addition to complying with environmental laws and regulations and properly protecting natural environment, the Group also integrates the concept of environmental protection into our internal management and daily operations, striving to achieve the goal of environmental sustainability.

With the objective of actively promoting environmental protection and efficient use of resources, the Group continuously monitors whether its business operations have any potential impact on the environment, and promotes green office and operating environments through the four basic principles of reduction, reuse, recycling and alternative use in order to minimize the impact of operations on the environment. In terms of waste management, we have engaged a qualified independent monitoring company to review, monitor and advise on our pollutant discharge in each financial year, so that we can fully understand and assess the impact of our operations on the environment and natural resources and take appropriate measures to protect the environment as soon as possible. We adopt green procurement strategies and the most practical technologies to protect natural resources, where applicable.

The Group raises staff's awareness on environmental issues through education and training and enlist employees' support in improving the Group's performance, promote environmental awareness amongst the customers, business partners and shareholders and support community activities in relation to environmental protection and sustainability and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in sections "A1: Emissions" and "A2: Use of Resource", the Group strives to minimise the impacts to the environment and natural resources.

ASPECT A4: CLIMATE CHANGE

The Group is committed to mitigating the climate change and enhancing its resilience to adapt to the increasing threat of climate-related consequences.

The processes used to identify, evaluate and manage significant risks (including significant climate-related issues) by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

As a result of above risk management process, physical risk and transitions risks arising from climate change may not bring significant impacts to the Group's business. As a supporter of the recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD), the Group has assessed the potential climate related risks and identified the rising mean temperature and increasing severity and likelihood of extreme weather events such as typhoons and rainstorms as major physical risks impacting our daily operation.

The Group's ESG working group is responsible for identifying and assessing any climate-related risks to which the Group's operations are exposed, and updating the Board with the latest news and developments on climate regulations and industry benchmark. In order to cope with climate-related risk, the Group implemented various emergency response mechanism, purchased adequate insurance against natural disasters, including fire or flood, and attached importance to and regularly rectifies risk countermeasures such as leak prevention, corrosion prevention, fire prevention, explosion prevention, static electricity prevention, flood prevention and high temperature prevention in the course of operation in order to cope with extreme weather. For details, please refer to section "B2: Health and Safety".

In the future, we will continue to identify potential business activities impacting the environment and develop corresponding improvement measures, so as to further prevent the possible negative impacts of our operation on climate change.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL ASPECTS

Employment and Labour Practices

ASPECT B1: EMPLOYMENT

The Group believes that a key to our success is our ability to recruit, retain, motivate and develop talented and experienced staff members. We endeavour to attract and retain appropriate and suitable personnel to serve our Group. We understand that a professional team is our most valuable resource, and a huge amount of talents is needed for business development. To stay competitive in the industry, we assess the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group. The Group's personnel management system manual sets out our standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

The Group entered into separate labour contracts with each of our employees in accordance with the "Labour Law of the People's Republic of China" and Thailand's Labour Protection Act. The package includes basic wages, over-time work allowances, bonuses and retirement benefits. We also provide staff with other benefits, which depend on the Company's performance, like benefits on house rent and transportation fee for employees from other provinces, holiday cash gifts or presents, body examination, trips, departmental activities or competition & recreation, etc.

The Group attaches importance to talents, we committed to providing promotion opportunities for capable people, thus forming a good guidance of selecting employees and institutional environment. We conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees. The Group recruits employees from the open market through posting of advertisements online or internal referrals by our other employees. We believe that the above arrangement can maintain good relationship with our employees as we believe that our employees are valuable assets to our Group.

During the Reporting Period, there were no material non-compliance regarding employment brought against the Group or its employees.

ASPECT B2: HEALTH AND SAFETY

The Group attaches importance to the management system of occupational health and work safety. We pledge to earnestly implement and abide by national, provincial and municipal laws and regulations on work safety, including the Law of the People's Republic of China on Work Safety, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Law of the People's Republic of China on Fire Prevention and Control, the Law of the People's Republic of China on Special Equipment Safety and Occupational Safety, Health and Environment Act B.E. 2554 of Thailand. Therefore, we have set up a safety management department, which is specifically responsible for the Company's production safety, which mainly includes:

1. Establishing and improving a safety production accountability system for the Company;

2. Organizing the development and implementation of the Company's production safety education and training programs;

3. Organizing the formulation of the Company's safety production rules and operating procedures;

4. Organizing the inspection of the Company's safety production work to eliminate the potential accidents of production safety in a timely manner;

5. Organizing the formulation and implementation of the Company's emergency rescue plan for production safety accidents, etc., to ensure the effective implementation of efforts regarding the production safety.

We ensure that all personnel in special jobs are certified and have the appropriate knowledge and competence in safety management. The Group regularly organizes safety training courses for its employees and organizes safety production meetings, such as quarterly board meetings and monthly safety meeting studies, to enhance communication and timely response to safety production work, to issue safety work requirements and safety precautions. On the other hand, we organize several emergency drills every year, with regular inspections, to prevent safety risks and continuously improve personnel's emergency awareness and emergency response capabilities.

During the production process, we have established a system for occupational health prevention and control in order to reduce the impact of plant noise on employees. We provide earplugs to our employees for protection. We prioritize the use of low-noise equipment in our workshops and install noise mufflers on noise-generating equipment. We are gradually replacing toxic materials with non-toxic, low-toxic materials and using closed pipes to transport raw materials. We use and maintain the good operation of the ventilation and exhaust devices in our plants, thus the workplace can meet the corresponding hygiene standard requirements. We regularly conduct occupational health training for employees to raise their awareness of occupational health. We are committed to implementing the "four orders and three systems" for the handling of dangerous chemicals, the safety management rules and regulations for major hazards, the safety operation procedures and the system for hidden danger troubleshooting and rectification. We have installed a comprehensive monitoring and alarm system in our hazardous chemical storage tank areas and warehouses to ensure the safety of our employees working in our plants and warehouses by handling flammable and toxic gas leak cases as early as possible. At the same time, the Group attaches importance to and regularly rectifies risk countermeasures such as leak prevention, corrosion prevention, fire prevention, explosion prevention, static electricity prevention, flood prevention and high temperature prevention in the course of operation to uphold the value of safety production.

Regarding insurance, the Group had made social insurance and housing fund contributions for its employees in accordance with the requirements pursuant to the applicable laws and regulations. We have also maintained property insurance which covers our production facilities (including inventory and machinery and equipment), work safety liability insurance which covers work injuries at our production facilities, products liability insurance in relation to our automotive beauty and maintenance products and property insurance which cover our vehicles.

During the Reporting Period, there were no material non-compliance cases noted in relation to health and safety laws and regulations.

ASPECT B3: DEVELOPMENT AND TRAINING

The Group recognises the importance of providing training for the development of our employees. To ensure the performance quality of our employees and their health and safety at workplace and to familiarise our employees with our quality control systems, except for orientation training for new employees, we also offer relevant in-house training to on-the-job staff. We also encourage our employees in attending external industry-related professional trainings by providing subsidy as established in our employment handbook, to help them exert their potentials and enhance their qualities and performance. The Group has personnel administration department in charge of the establishment and amendment of training plans and systems. All relevant departments have rights and obligations to propose suggestions for improvement and cooperate in implementation, therefore the personnel administration department can give feedbacks and assessment on the implementation of the training in the Company and shoulder the responsibility of supervision and reporting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Practical Measures for Development and Training

- **New employee orientation training**

  We assist new hires to adapt to the new working environment as soon as possible, while enhancing their abilities and sense of responsibility. After the training, it will be assessed in the form of a written test to ensure that the personnel enter the working condition smoothly

- **In-house training**

  We use the Company's internal resources to strengthen internal technical communication and exchanges, including the Company's various project, management knowledge or other positive values

- **External training**

  We encourage to participate in external public courses, exchange seminars, or invite external lecturers to teach inside to improve the professional knowledge, skills and know-hows that practitioners should have in their own posts

During the Reporting Period, a total of 444 people of the Group participated in different types of trainings for a total of 13,251 hours.

ASPECT B4: LABOUR STANDARDS

The Group strictly complies with the "Labour Law of the People's Republic of China", Thailand's Labour Protection Act, Labour Relations Act, Social Security Act, Workmen's Compensation Act and Anti-human Trafficking Act. The Group prohibits the use of child labour and forced labour that violate fundamental human rights and also poses threat to sustainable social and economic development. We never hire minor citizens under the age of 18 in our long-term employee recruitment process. Our new recruits, upon approval of employment, will conduct their entry formalities on a specified date upon receipt of notice, at which time they will be required to check their academic certificates and identity cards. We will never tolerate false information, false academic qualifications, false name or forged documents/certificates during entry process or employment. If found, we will trace and cancel the employee's employment. Employment contracts and other records, documenting all relevant details of the employees (including age) are properly maintained for verification by relevant statutory body upon request.

During the Reporting Period, we did not identify any issue related to child labor or forced labor within the Group.

OPERATING PRACTICES

ASPECT B5: SUPPLY CHAIN MANAGEMENT

The Group works closely with its suppliers who are committed to high quality, environmental, health and safety standards. Our principal suppliers were mainly suppliers of aerosol cans, liquefied petroleum gas and solvents. It is our general policy to maintain a list of approved suppliers in order to avoid over-relying on a single supplier. We have stable business relationships with our suppliers and they are familiar with our demand on quantity and requirements as to the quality of the materials and equipment required by us. Policies and procedures for selection and evaluation of suppliers are established for staff to follow. The selection of our suppliers is based on the following criteria and procedures:

1. Ensuring suppliers have obtained all requisite production licences. A Hazardous Chemicals Operation License is also required where it involves the operation of hazardous products;

2. Ensuring a supplier's ability to supply a stable source of quality raw materials that meet our stringent standards, its quality management system and whether such system is appropriately accredited and confirm the specifications of the procured products;

3. Ensuring a supplier's ability to supply raw materials at competitive prices;

4. Conducting initial assessment based upon basic information of the suppliers;

5. Testing the suppliers' sample products by technical staff;

6. Implementing a product trial period; and

7. Conducting site-visit to the suppliers' factories or production plants with a view to ensuring that our suppliers have supply capability.

Further, our technical department will conduct experiment to the procured samples, avoid an increase on unnecessary emissions of pollutants caused by material quality, and environmental and social risks that damage consumers' interests. We conduct annual review and random review of our list of approved suppliers, and these suppliers who cannot satisfy our quality or other requirements will be removed from the list. Thus, we believe there are no significant environmental and social risks for our management decision on supply chain management during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ASPECT B6: PRODUCT RESPONSIBILITY

During our history of operation, we continuously strive to provide high standard products to our customers, and place strong focus on quality control, which enable us to build up our reputation in the industry. Certain of our subsidiaries of the Group are accredited with the following certifications from Zhongjian Certification Co., Ltd. * (中鑒認證有限責任公司) in relation to our stringent quality control on production:

- GB/T19001-2016/ISO9001:2015

  Standard quality management system certification for our design, production and sale of aerosol products, cleaning agents, wax products and heat insulation coating products;

- GB/T24001-2016/ISO14001:2015

  Environmental management system certification for our design, production and sale of aerosol products, cleaning agents, wax products and heat insulation coating products and the related management system;

- ISO9001:2015

  Quality management system certification for our design, production and sale of aerosol products, cleaning agents, wax products and skincare, haircare class cosmetics; and

- ISO 22716 (E) Good Manufacturing Practices for Cosmetics (GMP)

  Quality management system certification acquired for our design, production and sale of skin-care and hair-care products

We have established a quality assurance team within our quality control and technical supervision department to work together with our technical supervision team of the same department when implementing quality control procedures as below:

1. **Quality control on suppliers and raw materials**

   Raw materials are only sourced from suppliers approved by our procurement department. Our quality and technical supervision personnel check the raw materials on a sampling basis at our laboratory upon receipt of raw materials. Our raw materials and packaging materials have a warranty period, our quality and technical supervision will also check the raw materials and packaging materials semi-annually and annually to identify obsolete and damaged stock.

2. **Quality control during production**

   We carry out quality control on our semi-finished products at various stages along our production lines to ensure their quality complies with applicable industry standards and internal benchmarks. Among others, production of our products conforms to the following national standards, industry standards and corporate standards filed with the market regulatory authorities of the PRC and Thailand. Part of the national standards and industry standards set out as follow:

- Refrigerant, anti-freeze agent and refrigeration lubricant
    - o GB/T 18826 "1,1,1,2-tetrafluoroethane HFC-134a" for industrial use (GB/T 18826工業用四氟乙烷 HFC-134a)
    - o GB 29743 "Motor Vehicle Engine Coolant" * (GB 29743 機動車發動機冷卻液)
    - o NB/SH/T 0849 "Compound refrigeration lubricants for air conditioners in vehicles" * (NB/SH/T 0849 汽車空調合成冷凍機油)
- Glass insect-stain remover
    - o GB/T 23436 "Car window detergents" * (GB/T 23436汽車風窗玻璃清洗液)
- Air-freshener
    - o QB 2548 "Air-freshener" (QB 2548 空氣清新氣霧劑)
- Automobile spray paint and brake oil
    - o BB/T 0047 "Aerosol paint" * (BB/T 0047氣霧漆)
    - o GB 12981 "Motor vehicle brake oil" * (GB 12981機動車輛制動液)

3. Inspection before storage

It is our policy to inspect the products to ensure they conform to product specifications prior to storage.

4. Testing before delivery

We examine our products before delivery according to the Company's internal standard operating procedures to ensure that customers or consumers receive qualified products. The Group's strict control over product quality and its persistent quest for excellence have been recognized by the country and the society. Guangzhou Botny Chemical Co., Ltd., our subsidiary, was awarded Top 500 Enterprise of Guangdong Province Manufacturing Industry (廣東省製造業企業500強) in 2022. We will continue to work hard to maintain the due quality and standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Returns, Consumer Feedback and Product Recall

We have an established policy for handling product complaints. We have a dedicated team of customer service personnel under our sales and marketing department which handle customer complaints. Our customer service personnel together with our quality assurance team under our quality and technical supervision department seek to identify any quality related issues. We may refund or replace the defective products at our own costs, as the case may be. Any refund is offset against the accounts receivable of the relevant customer as recognised in our accounts. Product recall and replacement is subject to the prior approval of our responsible regional sales team. The product warranty period is usually three years.

During the Reporting Period, there are no disputes between our Group and our customers in respect of the quality of products produced by us and there were no cases of non-compliance against laws and regulations related to products responsibilities. We don't have any products sold or in ship that are subject to return for safety and health reasons.

Business ethics

The Group understands that intellectual property can help promote innovation and technological development and is important to the progress of the industry and society. Therefore, we respect intellectual property rights to promote the positive development of society. We have formulated a number of practices and systems, including internal patent management system, trademark management system and copyright management methods. For infringements, we have established an early warning mechanism for intellectual property rights. Subordinates should collect and report information related to intellectual property rights according to the principle of "objective, accurate and timely". The status of the work on intellectual property rights should be reported in writing to the Company's key leaders at the end of each year, so that the management can understand the situation and develop relevant policies as early as possible.

In addition, we value the privacy and business security of our partners, employees and consumers. According to our technical and commercial confidentiality management system, trade secrets, employee files and personal data are only copied and transmitted by employees at or above the manager level and specially designated authorized persons. Cooperation, agency, transaction contract or agreement involving the Company's trade secrets shall be subject to a confidentiality clause, expressing the trade secrets involved in the contract and the restrictions on confidential behavior. In the case of any leaks, the Group has clear guidelines for warning, fines, dismisses or even criminally liable persons for misconduct based on the seriousness of the consequences. Over the years, we have been convinced that proper handling of trade secrets will eliminate external false information, enhance investors' confidence in the Group's operations, and gain more trust and respect from our customers and the market.

ASPECT B7: ANTI-CORRUPTION

To ensure the workplace operates in a fair and transparent manner, the Group attaches importance to the asset management, fees related to reimbursement, work and others are subject to approval of various parties to prevent abusive reporting. We also conduct strict check in respect of borrowing, at the same time, cash income is required to be deposited on banks immediately for recording, accounts will be checked by professionals regularly to avoid embezzlement and unauthorized borrowing. The Group has formulated whistleblowing policy to avoid suspected corruption and provided channels such as by letter, fax, meeting, email or phone call for employees to report suspected corruption. If there is any suspected case related to corruption, employees are encouraged to report it through the mentioned channels. Employees can make complaints to the personnel administration department seeking for solutions if they face with unsolvable questions within their own departments. Anyone who report and prosecute indiscipline and other cases to the head of department or personnel administration department will be given rewards (as the case may be). All these practical actions enhance the sense of belonging and fair play among our various stakeholders. During the Reporting Period, 20 employees have received an one hour anti-corruption training, making the concept of anti-corruption deep into the whole company.

The Group has been in strict compliance with law and regulation related to anti-corruption such as "Contract Law of the People's Republic of China" and "Law of People's Republic of China Against Unfair Competition" and the Act Supplementing the Constitution Relating to the Prevention and Suppression of Corruption in Thailand. During the Reporting Period, there was no any legal case regarding corrupt practices brought against the Group or its employees.

COMMUNITY

ASPECT B8: COMMUNITY INVESTMENT

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. The Group strives to develop long-term relationship with our stakeholders and seek to make contributions to programmes that have a positive impact on community development. The Group has always been philanthropic and strives to be a good corporate citizen, with an aim to create a harmonious and well-off society. The Group encourages employees to participate in community service, supports those in need through donations and attending charity events, and also hopes to foster the new generation of young people's positive thinking, such as the sense of responsibility to society.

As a socially responsible company under the background of novel coronavirus raging, the Group is committed to understanding the needs of the communities in which we operate to combat the epidemic. The Group has made a positive impact on the prevention and control of the disease in our communities and is also looking forward to making contributions during difficult times in society. As per the requirements of the Central Leading Group on Responding to the Novel Coronavirus Pneumonia Outbreak and the Joint Prevention and Control Mechanism of the State Council, the Group made outstanding contributions in ensuring the supply of disinfection products. The Group spares no effort to organize all employees to step up production and guarantee the supply of medical supplies, obey the scheduling arrangements of the medical supplies guarantee team of the Joint Prevention and Control Mechanism of the State Council, and continue to supply disinfection supplies to surrounding provinces to combat the epidemic. After painstaking efforts, the national epidemic prevention and control situation has finally shown positive changes, and important phased results have been achieved, initially achieving the goal of stabilizing the situation and turning the tide. In 2020, we were honored to receive a letter of appreciation from the State Council, which was a commendation and recognition from the State. We promise that we will continue to do our best to repay the country and the people in the future.

The Group provides charitable donations and practical support for anti-epidemic materials to trade unions, charitable associations, police stations, hospitals and school-running organizations in various regions. During the Reporting Period, the Group has contributed approximately RMB 0.5 million to support the sustainable development of the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX I OVERVIEW OF KEY PERFORMANCE INDICATORS

1. Environmental Aspects[1]

No. of KPIs	KPIs	Unit	2022	2021
A1.1 Emissions	Sulphur Dioxide	kg	**0.31**	0.61
	Nitrogen Oxides	kg	**45.07**	46.54
	Particulate Matter	kg	**3.09**	4.11
A1.2 Greenhouse gas emissions	Scope 1 Direct emissions	Tons of CO_2e	**327.57**	389.59
	Scope 2 Indirect emissions	Tons of CO_2e	**1,294.95**	1,669.23
	Total	Tons of CO_2e	**1,622.52**	2,058.82
	Intensity	Tons of CO_2e/square meters	**0.013**	0.024
A1.3 Hazardous waste	Total hazardous waste	Tons	**58.06**	165.17
	Intensity	Tons/square meters	**0.0005**	0.0020
A1.4 Non-hazardous waste	Total non-hazardous waste	Tons	**236.80**	636.11
	Intensity	Tons/square meters	**0.0020**	0.0075
A2.1 Energy consumption	Unleaded petrol	kWh	**179,581.01**	379,533.27
	Liquefied petroleum gas	kWh	**50,566.93**	58,426.71
	Diesel	kWh	**1,089,772.14**	1,108,449.30
	Purchased electricity	kWh	**2,136,400.00**	2,736,000.00
	Total	kWh	**3,456,320.08**	4,282,409.28
	Intensity	kWh/square meters	**28.41**	50.57
A2.2 Water consumption	Total water consumption	Tons	**60,559.00**	64,700.00
	Intensity	Tons/square meters	**0.50**	0.76
A2.5 Packaging materials	Metal	Items	**92,666,397**	102,437,574
	Plastic	Items	**263,479,265**	305,751,045
	Paper	Items	**8,752,190**	12,338,958

Note:

1. Unless otherwise stated, the emission factors used in calculating the environmental KPIs in this ESG Report are based on the "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEx.

2. Social Aspects

No. of KPIs	KPIs	Unit	2022	2021
B1.1 Total number of employees	**By gender**			
	Male	person	**225**	248
	Female	person	**227**	245
	By employment type			
	Full-time	person	**449**	493
	Part-time	person	**3**	Nil
	By age group			
	Below 30	person	**45**	81
	30-50	person	**373**	379
	Above 50	person	**34**	33
	By geographical region			
	Hong Kong	person	**Nil**	3
	Mainland	person	**439**	490
	Japan	person	**1**	Nil
	Thailand	person	**12**	Nil
B1.2 Employee turnover rate	**Turnover rate by gender**	%	**21.5**	23.3
	Male	%	**20.4**	19.0
	Female	%	**22.5**	27.8
	Turnover rate by age group			
	Below 30	%	**48.9**	35.8
	30-50	%	**18.5**	20.8
	Above 50	%	**17.6**	21.2
	By geographical region			
	Hong Kong	%	**Nil**	100
	Mainland	%	**20.7**	21.6
	Japan	%	**Nil**	Nil
	Thailand	%	**50.0**	Nil
B2.1 Number and rate of work-related fatalities	Number of work-related fatalities	person	**Nil**	Nil
	Rate of work-related fatalities	%	**Nil**	Nil
B2.2 Number of working days lost due to work injury	Number of working days lost due to work injury	day	**60**	195.5

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No. of KPIs	KPIs	Unit	2022	2021
B3.1 Percentage of trained employees	Percentage of trained employees	%	**98.2**	99.4
	By gender			
	Male	%	**97.3**	99.2
	Female	%	**99.1**	99.6
	By rank			
	Senior management	%	**100**	66.7
	Middle management	%	**100**	100
	General staff	%	**98.3**	100
	Contract/short term	%	**33.3**	Nil
B3.2 Average training hours completed per employee	**Average training hours completed per employee**	hour	**29.3**	29.9
	By gender			
	Male	hour	**29.1**	29.8
	Female	hour	**29.5**	29.9
	By rank			
	Senior management	hour	**25.0**	16.7
	Middle management	hour	**30.7**	30.0
	General staff	hour	**29.4**	30.14
	Contract/short term	hour	**4.0**	Nil
B5.1 Number of suppliers	**Number of suppliers by geographical region**			
	PRC	supplier	**381**	490
	Japan	supplier	**7**	7
	Thailand	supplier	**5**	Nil
	Hong Kong	supplier	**2**	3
	Korea	supplier	**3**	3
	US	supplier	**3**	3
	Others	supplier	**5**	4
	Total		**406**	510
B6.2 Number of complaints about products and services	Number of complaints about products and service received	case	**68**	37
B7.1 Legal cases in relation to corruption	Number of legal cases in relation to corruption filed and concluded	case	**Nil**	Nil
B8.2 Community investment	Total amount of donation in PRC	RMB	**521,691**	800,800
	Total amount of donation in Hong Kong	HKD	**Nil**	2,000

APPENDIX II ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject areas, aspects, general disclosures and KPIs		Section
A. Environmental		
Aspect A1: Emissions		
	General Disclosure	A1: Emissions
KPI A1.1	The types of emissions and respective emissions data.	Appendix I Overview of Key Performance Indicators
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and, where appropriate, intensity.	Appendix I Overview of Key Performance Indicators
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	Appendix I Overview of Key Performance Indicators
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Appendix I Overview of Key Performance Indicators
KPI A1.5	Description of emission targets set and steps taken to achieve them.	A1: Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets set and steps taken to achieve them.	A1: Emissions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject areas, aspects, general disclosures and KPIs		Section
A. Environmental		
Aspect A2: Use of Resources		
	General Disclosure	A2: Use of Resources
KPI A2.1	Direct and indirect energy consumption by type in total.	Appendix I Overview of Key Performance Indicators
KPI A2.2	Water consumption in total and intensity.	Appendix I Overview of Key Performance Indicators
KPI A2.3	Description of energy use efficiency and a description of targets set and steps taken to achieve them.	A2: Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency and a description of targets set and steps taken to achieve them.	A2: Use of Resources
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Appendix I Overview of Key Performance Indicators
Aspect A3: The Environmental and Natural Resources		
	General Disclosure	A3: The Environmental and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A1: Emissions & A2: Use of Resources
Aspect A4: Climate Change		
	General Disclosure	A4: Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	A4: Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject areas, aspects, general disclosures and KPIs		Section
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
	General Disclosure	B1: Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I Overview of Key Performance Indicators
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I Overview of Key Performance Indicators
Aspect B2: Health and safety		
	General Disclosure	B2: Health and safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I Overview of Key Performance Indicators
KPI B2.2	Lost days due to work injury.	Appendix I Overview of Key Performance Indicators
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	B2: Health and safety
Aspect B3: Development and Training		
	General Disclosure	B3: Development and Training
KPI B3.1	The percentage of employee trained by gender and employee category.	Appendix I Overview of Key Performance Indicators
KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix I Overview of Key Performance Indicators

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject areas, aspects, general disclosures and KPIs		Section
B. Social		
Aspect B4: Labour Standards		
	General Disclosure	B4: Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	B4: Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	B4: Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
	General Disclosure	B5: Supply Chain Management
KPI B5.1	Number of suppliers by region.	Appendix I Overview of Key Performance Indicators
KPI B5.2	Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored.	B5: Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5: Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, how they are implemented and monitored.	B5: Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject areas, aspects, general disclosures and KPIs		Section
B. Social		
Aspect B6: Product Responsibility		
	General Disclosure	B6: Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6: Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Appendix I Overview of Key Performance Indicators
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights.	B6: Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	B6: Product Responsibility
KPI B6.5	Description of customer data protection and privacy policies, how they are implemented and monitored.	B6: Product Responsibility
Aspect B7: Anti-corruption		
	General Disclosure	B7: Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case.	Appendix I Overview of Key Performance Indicators
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	B7: Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	B7: Anti-corruption
Aspect B8: Community Investment		
	General Disclosure	B8: Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	B8: Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Appendix I Overview of Key Performance Indicators

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and senior management are set out below:

EXECUTIVE DIRECTORS

Ms. Ko Sau Mee (高秀媚, "Mrs. Lin"), aged 56, was appointed as an executive Director on 4 May 2018. Mrs. Lin is also the chairlady of the Board, the chief executive of the Company and a member of each of the remuneration committee and the nomination committee of the Company. Mrs. Lin joined the Group in August 2000. Mrs. Lin is responsible for formulating business strategies and planning the business development of the Group. In August 2000, Mrs. Lin together with Mr. Lin Wan Tsang established Guangzhou Botny Chemical Co., Ltd.* (廣州保賜利化工有限公司, "Guangzhou Botny") to engage in the design, development, manufacture and sale of aerosol and non-aerosol products mainly for automotive beauty and maintenance products and has served as a director of Guangzhou Botny since then. Mrs. Lin was an executive director of China Aluminum Cans Holdings Limited ("China Aluminum Cans", an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, stock code: 6898) during the period from March 2013 to May 2019 and was responsible for formulating corporate strategies and overseeing the overall business of China Aluminum Cans and its subsidiaries. Mrs. Lin resigned as an executive director of China Aluminum Cans with effect from 29 May 2019.

Mrs. Lin has been a director of Guangzhou Botny since August 2000, a supervisor of Guangzhou Euro Asia Aerosol & Household Products Manufacture Co., Limited* (廣州歐亞氣霧劑與日化用品製造有限公司, "Euro Asia Aerosol") since January 2018, a director of Botny Hongkong Co., Limited, China Medical Beauty Bio-Technology Company Limited, Topspan Holdings Limited and Super Sight International Investment Limited since May 2019, a director of Precious Dragon Group Limited and Botny Marine Limited since November 2019 and December 2019 respectively, a director of Precious Dragon Technology Thai Limited since January 2020 and a director of Botny Corporation Limited since March 2021, each a subsidiary of the Company.

Mrs. Lin is the mother of Ms. Ling Hing Lei and Mr. Lin Hing Lung, each an executive Director, and the spouse of Mr. Lin Wan Tsang, the controlling Shareholder.

Ms. Lin Hing Lei (連馨莉, "Ms. Flora Lin"), aged 32, was appointed as an executive Director on 4 May 2018 and is also the head of procurement department of the Group, responsible for overseeing the procurement, administration and human resources management of the Group. Ms. Flora Lin joined the Group in August 2012. Ms. Flora Lin has over ten years of experience in the content filling of aerosol cans and non-aerosol cans and the design, development, manufacture and sale of aerosol and non-aerosol products. Ms. Flora Lin obtained her bachelor's degree in Arts (Business and Management with proficiency in Mandarin Chinese) from the University of Exeter in the United Kingdom in July 2012. Ms. Flora Lin was appointed as a council member of the council committee of Guangdong Cosmetics Association* (廣東省化妝品學會) for the period from December 2016 and November 2020. Ms. Flora Lin, is a shareholder and a director of Po Lee Capital Limited and Po Lee Finance Limited and a representative of Po Lee Securities Limited.

Ms. Flora Lin has become a director of Guangzhou Botny since November 2013, a director and legal representative of Guangzhou Shentian Woye Trading Company Limited* (廣州深田沃業貿易有限公司) since May 2014, a director of Euro Asia Aerosol since January 2018, and a director of Botny Corporation Limited during the period from July 2019 to October 2019 and a director of Precious Dragon Technology Thai Limited since January 2020.

Ms. Flora Lin is the daughter of Mrs. Lin, an executive Director and the chairlady of the Board and Mr. Lin Wan Tsang, the controlling Shareholder and the sister of Mr. Lin Hing Lung, an executive Director.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lin Hing Lung (連興隆, "Mr. Alex Lin"), aged 29, was appointed as an executive Director on 4 May 2018 and is also the head of sales and marketing department of the Group, responsible for the sales and marketing for the PRC and overseas markets of the Group. Mr. Alex Lin joined the Group in August 2014. Mr. Alex Lin has over eight years of experience in the content filling of aerosol cans and non-aerosol cans, and the design, development, manufacture and sale of aerosol and non-aerosol products. Mr. Alex Lin had been an executive director from March 2016 to May 2019 and a deputy managing director of China Aluminum Cans from December 2016 to May 2019 and was responsible for formulating business strategies and planning the business development of China Aluminum Cans and its subsidiaries. Mr. Alex Lin obtained his bachelor's degree in Arts (Marketing and Management) from the University of Newcastle in the United Kingdom in August 2014. Mr. Alex Lin was appointed as the director of the Aerosol Committee of China Packaging Federation* (中國包裝聯合會氣霧劑專業委員會) in October 2014, the vice president of Guangdong Chamber of Automotive Supplies* (廣東省汽車用品商會) in December 2015 and the vice president of Guangdong Association for Standardisation* (廣東省標準化協會) in December 2017. Mr. Alex Lin was appointed as a director of Hero Entertainment Co. Limited, which is in the entertainment industry principally engaged in event management, in September 2016.

Mr. Alex Lin was appointed as a director of Euro Asia Japan Company Limited in January 2016, a director of Guangzhou Botny in September 2018, a director of Botny Corporation Limited in March 2019, a director of Botny India Chemical Private Limited in November 2019 and a director of Precious Dragon Technology Thai Limited in January 2020.

Mr. Alex Lin is the son of Mrs. Lin, an executive Director and the chairlady of the Board, and Mr. Lin Wan Tsang, the controlling Shareholder and the brother of Ms. Flora Lin, an executive Director.

Mr. Yang Xiaoye (楊小業, "Mr. Yang"), aged 54, was appointed as an executive Director on 2 May 2019 and is also the head of safety department and quality control and technical supervision department of the Group, and is responsible for overseeing the quality checking and research and development of the Group. Mr. Yang has over 21 years of experience in quality management and technical supervision in aerosol manufacturing and filling.

Mr. Yang joined the Group in September 2000 as the manager of quality control and technical supervision department of the Group and was subsequently promoted to be the vice general manager and head of safety department and quality control and technical supervision department of our Group in February 2015 and January 2018, respectively. Mr. Yang has been the supervisor of Guangzhou Botny since September 2018.

Mr. Yang obtained his bachelor's degree in Chemical Engineering from Hefei University of Technology* (合肥工業大學) in July 1990. Prior to joining the Group, Mr. Yang worked as an assistant engineer in State-owned Factory No. 804* (國營第804廠) operated by Norinco (中國兵器工業總公司, which is currently known as 中國北方工業公司) from October 1991 to September 1997 and his last position was engineer. From September 1997 to September 2000, he joined Chaoyang Ouya Aluminum Cans Company Limited* (潮陽市歐亞鋁罐工業有限公司), which is principally engaged in manufacture of aluminum cans, as a quality controller. Mr. Yang has been a certified safety engineer of the Ministry of Human Resources and Social Security of the People's Republic of China* (中華人民共和國人力資源和社會保障部) and the Ministry of Emergency Management of the People's Republic of China* (中華人民共和國應急管理部) since October 2018. Mr. Yang was appointed as a member of the Chemical Safety Section (化工安全組) of Experts of the Guangdong Provincial Association of Work Safety (廣東省安全生產協會專家) in January 2022.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Yiu Pui (李耀培, "Mr. Lee"), aged 70, was appointed as an independent non-executive Director on 27 May 2019 and is responsible for providing independent advice to our Board. Mr. Lee is also the chairman of the nomination committee of the Company and a member of each of the audit committee and the remuneration committee of the Company. Mr. Lee has over 36 years of experience in corporate management.

Mr. Lee obtained his diploma in Business Management jointly organised by The Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) and the Hong Kong Management Association in September 1991. Mr. Lee obtained his master's degree of Engineering Management from the University of Technology in Sydney in October 2003 and his doctor's degree of Philosophy in Business Administration from the International American University in December 2010.

Mr. Lee joined Guardforce Limited as a manager and was responsible for management of workshops and garages from August 1986 to August 1996 and his last position was senior manager. Mr. Lee worked as a director and general manager of Challenger Auto Services Limited and was responsible for management of workshops and garages from November 1996 to June 2008. From April 2008 to March 2013, Mr. Lee was appointed as the chairman of the Automobile Training Board at Vocational Training Council, Hong Kong. Mr. Lee worked as a management leader in HKS Auto Holdings Company Limited which was principally engaged in operation of fast repairing workshops from October 2008 to September 2015 and the convenor of Vehicle Maintenance Technical Advisory Committee of Electrical and Mechanical Services Limited from April 2012 to March 2018. Mr. Lee has been the chairman of The Institute of The Motor Industry Hong Kong since August 1999, the managing director of Cartel Motors Limited since October 2015 and the chairman of the Automotive Industry Training Advisory Committee under the Education Bureau in Hong Kong since January 2017.

Mr. Poon Tak Ching (潘德政, "Mr. Poon"), aged 41, was appointed as an independent non-executive Director on 27 May 2019 and is responsible for providing independent advice to our Board. Mr. Poon is also the chairman of the audit committee of the Company and a member of each of the remuneration committee and the nomination committee of the Company. Mr. Poon has over 18 years of experience in the field of banking, accounting and corporate finance.

Mr. Poon obtained his Bachelor's degree in Business Administration from the Chinese University of Hong Kong in December 2004. He was admitted as a member of the Association of Chartered Certified Accountants in June 2016. Mr. Poon worked in The Hongkong and Shanghai Banking Corporation Limited from July 2004 to July 2016 and his last position was senior vice president in commercial banking department. Mr. Poon was appointed as a director of CMB Corporate Services Limited which is principally engaged in provision of corporate services in April 2017. Mr. Poon was a responsible officer for Yango International Financial Holdings Limited, which is licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), from December 2016 to July 2021.

Mr. Pang Cheung Wai, Thomas (彭長緯, "Mr. Pang"), GBS, JP, aged 69, was appointed as an independent non-executive Director on 27 May 2019 and is responsible for providing independent advice to our Board. Mr. Pang is also the chairman of the remuneration committee of the Company and a member of each of the audit committee and the nomination committee of the Company. Mr. Pang has 22 years of experience in public administration.

Mr. Pang completed a training programme in relation to Enterprise Training National Professional Certification* (企業培訓師國家職業資格認證) organised by The Open University of Guangdong* (廣東開放大學) (formerly known as Guangdong Radio and Television University* (廣東廣播電視大學)) in January 2005.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Pang is currently a panel member of Municipal Services Appeals Board of Administration Wing, Chief Secretary for Administration's Office of Hong Kong. Mr. Pang was awarded the Bronze Bauhinia Star, the Silver Bauhinia Star and the Gold Bauhinia Star in July 2008, July 2015 and October 2020 respectively.

SENIOR MANAGEMENT

Mr. Zhang Zhiming (張志明, "Mr. Zhang"), aged 44, is the head of production department of the Group. Mr. Zhang is responsible for the overall management of the production of our Group. He joined the Group in February 2002 as a leader of the colour mixing team. Subsequently, Mr. Zhang was further promoted to be the manager and head of production department of the Group in January 2015 and February 2018, respectively.

Mr. Zhang obtained the safety production training certificate in respect of manufacturing dangerous chemical products in June 2018. He obtained his bachelor's degree in Business Management in Beijing Institute of Technology* (北京理工大學) in July 2019.

Ms. Liu Hua (劉花, "Ms. Liu"), aged 43, is the senior sales manager of the Group. Ms. Liu joined the Group in August 2004 as a customer service officer and was subsequently promoted to be the supervisor, manager and senior sales manager of the Group in February 2006, January 2009 and September 2016, respectively. As the senior sales manager, Ms. Liu is responsible for the overall management of the sales and marketing of the PRC market of the Group as well as liaising with clients in order to increase service standards. Her specific duties include, but not limited to, the management involved before and after sale as well as the administrative affairs of the domestic sales department. Ms. Liu organises training sessions for sales assistants and regulates the issuance and implementation of sales policies. Ms. Liu also supervises regional managers in achieving their sales objectives, and integrates feedback and information from the market such that existing mechanisms and service standards may be enhanced.

Ms. Liu completed a pre-school education programme from Guangzhou Xinfu High Level Education School* (廣州市信孚高等師範學校) in July 1999.

Ms. Zeng Caixia (曾彩霞, "Ms. Zeng"), aged 37, is the finance manager of the Group. Ms. Zeng joined the Group in April 2008 as an accountant during which she has accumulated experiences in handling the Group's financial matters such as management of account receivables and payables and cost accounting. Ms. Zeng was subsequently promoted to be the finance manager in September 2017. As the finance manager, Ms. Zeng is responsible for the overall management of the finance and accounting, taxation and treasury of the Group and ensuring that the financial department of the Company functions properly. Her specific duties include, but not limited to, reviewing the salaries of employees and organising training sessions for staff. She is responsible for the department's strategic planning and budgeting. Furthermore, Ms. Zeng reviews the Company's financial accounts, reports on the Company's tax payable, and assists the Company in applying for subsidies from the government.

Ms. Zeng obtained her college diploma in accounting from the Open University of China (國家開放大學) (formerly known as the China Central Radio and TV University (中央廣播電視大學) in January 2008. Ms. Zeng obtained her bachelor's degree in respect of accountancy from Guangdong University of Finance & Economics* (廣東財經大學) on a part-time basis in January 2019. Ms. Zeng obtained her qualification as tax accountant* (稅務會計師) from the Centre of Education and Training of the Ministry of Human Resources and Social Security of the People's Republic of China* (中華人民共和國人力資源和社會保障部教育培訓中心) in January 2019.

* *For identification purpose only*

DIRECTORS' REPORT

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the Reporting Period.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 May 2018. Pursuant to a reorganisation scheme to rationalize the structure of the Group in preparation for the listing of the Shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 15 May 2019. On 21 June 2019, the Shares were listed on the Main Board of the Stock Exchange (the "Listing Date").

During the Reporting Period, there was no group reorganisation.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the sections headed "Chairlady's Statement", "Management Discussion and Analysis", "Corporate Governance Report", "Environmental, Social and Governance Report" and "Financial Summary" on pages 3 to 47 and pages 144 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 69 to 143.

The Board has resolved to recommend a final dividend of HK2.69 cents per Share for the Reporting Period (2021: HK0.94 cent per Share) which will be subject to the approval of the Shareholders at the forthcoming AGM. The final dividend will be payable on or before 26 June 2023. To the knowledge of the Company, there was no arrangement under which the shareholders waived or agreed to waive any dividend. During the Reporting Period, an interim dividend of HK0.83 cent per Share was declared.

CLOSURE OF REGISTER OF MEMBERS

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 transfers of Shares shall be effected. In order to qualify for attending the forthcoming AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 12 May 2023.

The register of members of the Company will be closed from 30 May 2023 to 1 June 2023, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for the final dividend, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at the above address for registration not later than 4:30 p.m. on 29 May 2023.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 144 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

RESERVES

The movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity of this annual report.

CHARITABLE DONATIONS

No charitable donations were made by the Company during the Reporting Period (2021: approximately HK$2,000).

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserve available for distribution to owners was approximately HK$393.0 million (2021: approximately HK$355.8 million). This includes the Company's share premium and is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

PENSION SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those Hong Kong employees who are eligible to participate in the MPF Scheme, which contributions are made based on a percentage of the employees' basic salaries and the employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme (the "Central Pension Scheme") operated by the local municipal government, which these subsidiaries are required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Central Pension Scheme. The Group also participates in the employee pension schemes (together with the MPF Scheme and the Central Pension Scheme, the "Defined Contribution Schemes") in Japan, Thailand and India where the Group operates in accordance with the respective applicable labour regulations, which the Group is required to make defined contributions at rates calculated as a certain percentage or sum of the monthly payroll. The contributions by the Group for the Defined Contribution Schemes are charged to the statement of profit or loss as they become payable in accordance with the relevant rules of the respective Schemes.

DIRECTORS' REPORT

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2021 and 31 December 2022, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2021 and 31 December 2022.

For each of the two years ended 31 December 2021 and 31 December 2022, the Group did not have any defined benefit plan.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the Reporting Period under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner.

Our major suppliers are generally manufacturers for the production of aerosol cans, solvents, aerosol valves and liquefied petroleum gas, and had business relationship with the Group for over 9 years on average. Our largest supplier is headquartered in Guangdong, China and operated as metal container manufacturing business. The credit period from the major suppliers is 0-180 days. The payables were usually settled within the credit period. Details of the trade and bills payables of the Group as at 31 December 2022 are set out in note 22 to the financial statements. Up to the date of this report, approximately 53.1% of the trade and bills payable to the major suppliers has been settled.

The Company's principal activities are manufacturing of aerosol products used in the automotive care products and personal care products, which rely on, among other things, sufficient supply of the aerosol cans, solvents, aerosol valves and liquefied petroleum gas. The Company is subject to price fluctuation in raw materials prices and could face shortage in supply of raw materials. To mitigate the risk, the Company has estimated certain periods of the material usages and maintained the safety raw material inventory level. The Company has also developed business relationships with more suppliers for specific raw materials in order to diversify the risk of relying on single supplier.

During the Reporting Period, the Group did not have any significant disputes with our major suppliers.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customers' feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

Our major customers include consumer brand manufacturers of automotive care products and personal care products. The years of business relationship with the Group ranged from 3 to 12 years and the credit terms granted to the major customers is 30 days. Details of the trade and bills receivables of the Group as at 31 December 2022 are set out in note 19 to the financial statements. Up to the date of this report, approximately 100.0% of the trade and bills receivables from the major customers has been settled.

Most of the Group's revenue was generated from customers in the PRC and Japan. Should there be any material adverse change in the political, economic, legal or social conditions in the PRC and Japan and the Group is unable to divert sales to other markets outside of the PRC and Japan, the turnover, profitability and prospects may be adversely affected. In order to mitigate such risk, the Group will put efforts to expand overseas market and increase the proportion of overseas sales. During the year ended 31 December 2022, we have export sales to America and Asia countries other than PRC and Japan, etc. The Group will also continue to review competitive edges of the Group in the industry and market trend.

During the Reporting Period, the Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We did not have any material dispute with our customers.

MAJOR SUPPLIERS AND CUSTOMERS

For the Reporting Period, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 7.3% (2021: approximately 8.2%) and 32.5% (2021: approximately 31.6%) of the Group's total purchases respectively.

For the Reporting Period, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 4.9% (2021: approximately 4.5%) and 20.8% (2021: approximately 17%) of the Group's total turnover respectively.

At all-time during the Reporting Period, none of the Directors or any of their close associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

DIRECTORS

The Directors in office during the Reporting Period and up to the date of this report are:

Executive Directors

Ms. Ko Sau Mee *(Chairlady and Chief Executive)*
Ms. Lin Hing Lei
Mr. Lin Hing Lung
Mr. Yang Xiaoye

Independent Non-executive Directors

Mr. Lee Yiu Pui
Mr. Poon Tak Ching
Mr. Pang Cheung Wai, Thomas, GBS, JP

In accordance with article 108(a) and article 108(b) of the Articles, every Director shall retire from office once every three years and for this purpose, at each AGM one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) but not less than one-third (1/3) shall retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Subject to the Articles, a retiring Director shall be eligible for re-election at the meeting at which he retires. For avoidance of doubt, each Director shall retire at least once every three (3) years.

Ms. Ko Sau Mee, Ms. Lin Hing Lei and Mr. Pang Cheung Wai, Thomas will retire in accordance with article 108(a) of the Articles at the forthcoming AGM and being eligible, offer themselves for re-election.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Group within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 48 to 51 of this annual report.

MANAGEMENT CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed herein, there were no contracts of significance (including for the provision of services) with any member of the Group as the contracting party and in which any of the Controlling Shareholders possessed direct or indirect substantial interests, and which was still valid on 31 December 2022 or any time during such year and related to the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules are as follows:

(i) Long positions in the Shares and underlying Shares of the shares options granted under the Pre-IPO Share Option Scheme of the Company

	Number of Ordinary Shares			Interests in underlying Shares		
Name of Directors	Beneficial owner	Interest of family	Interests in a controlled corporation	Share options (Note 1)	Total	Approximate percentage of the issued Shares (Note 2)
Ms. Ko Sau Mee ("Mrs. Lin")	–	107,788,500 (Note 3)	67,000,000 (Note 4)	500,000	175,288,500	74.94%
Ms. Lin Hing Lei	200,500	–	–	277,500	478,000	0.20%
Mr. Lin Hing Lung	–	–	–	500,000	500,000	0.21%
Mr. Yang Xiaoye	–	–	–	300,000	300,000	0.13%
Mr. Poon Tak Ching	368,000	–	–	–	368,000	0.16%

Notes:

(1) These share options represent the awarded underlying Shares granted to the Directors under a pre-IPO share option scheme of the Company (the "Pre-IPO Share Option Scheme") which was adopted on 12 April 2019. Details of the Pre-IPO Share Option Scheme have been disclosed in the section headed "Pre-IPO Share Option Scheme".

(2) These percentages have been compiled based on the total number of issued Shares as at 31 December 2022 (i.e. 233,917,250 Shares).

(3) These Shares are held by Mr. Lin Wan Tsang, as Mrs. Lin is the spouse of Mr. Lin Wan Tsang, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin Wan Tsang by virtue of the SFO.

(4) These Shares are held by Wellmass International Limited ("Wellmass"), which is wholly and beneficially owned by Mr. Lin Wan Tsang. As Mrs. Lin is the spouse of Mr. Lin Wan Tsang, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin Wan Tsang (through Wellmass) by virtue of the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective close associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any associated corporations as at 31 December 2022, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Long Positions in the Shares

Name of shareholders	Capacity/Nature of interests	Number of Shares held	Approximate percentage of issued Shares (Note 1)
Mr. Lin Wan Tsang	Beneficial Owner	107,788,500	46.08%
	Interest of spouse	500,000 (Note 2)	0.21%
	Interests in a controlled corporation	67,000,000 (Note 3)	28.64%
Wellmass	Beneficial Owner	67,000,000 (Note 3)	28.64%

Notes:

(1) These percentages have been compiled based on the total number of issued Shares as at 31 December 2022 (i.e. 233,917,250 Shares).

(2) These underlying Shares are held by Mrs. Lin, as Mr. Lin Wan Tsang is the spouse of Mrs. Lin, Mr. Lin Wan Tsang is deemed to be interested in all the Shares held by Mrs. Lin by virtue of the SFO.

(3) These Shares are held by Wellmass, a company incorporated in the British Virgin Islands, and is solely and beneficially owned by Mr. Lin Wan Tsang.

Save as disclosed above, as at 31 December 2022, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transactions, arrangements or contracts of significance to which the Company, its parent company, its subsidiaries or fellow subsidiaries were a party and in which a Director or his connected entities had a material interest, either directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' REPORT

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of independence, and 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.

INDEMNITY OF DIRECTORS

The Articles provide that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses. The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Each of Mr. Lin Wan Tsang and Wellmass International Limited (together the "Controlling Shareholders"), had entered into a deed of non-competition dated 27 May 2019 (the "Deed of Non-Competition") in favour of the Company (for itself and as trustee for each of other members of the Group), pursuant to which each of the Controlling Shareholders shall not engage in any business which is or may be in competition with the business of the Group from to time so long as it remains as a Controlling Shareholder. For details of the Deed of Non-Competition, please refer to the Company's prospectus dated 3 June 2019.

Each of the Controlling Shareholders has made an annual declaration by providing a written confirmation (altogether the "Confirmations") to the Company confirming that he/it has fully complied with the non-competition undertakings pursuant to the Deed of Non-Competition (the "Non-Competition Undertakings") and did not conduct any competing business with the Group for the year ended 31 December 2022.

Upon receiving the Confirmations, the independent non-executive Directors (the "INEDs") have reviewed the same as part of the annual review process. In determining whether the Controlling Shareholders have fully complied with the Non-Competition Undertakings for the year ended 31 December 2022, the INEDs noted that (i) each of the Controlling Shareholders has declared that he/it has fully complied with the Non-Competition Undertakings for the year ended 31 December 2022; (ii) no competing business was reported by the Controlling Shareholders for the year ended 31 December 2022; and (iii) there was no particular situation rendering the full compliance of the Non-Competition Undertakings being questionable. In view of the above, the INEDs are satisfied that the Controlling Shareholders have fully complied with the Non-Competition Undertakings for the year ended 31 December 2022.

As at 31 December 2022, the Company was not aware of any other matters regarding the compliance of the Non-Competition Undertakings and there has not been any change in the terms of the Deed of Non-Competition since the listing of the Shares on the Stock Exchange.

As at 31 December 2022, the Directors were not aware of any business or interest of the Directors and their respective close associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Pre-IPO Share Option Scheme" below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective close associates nor was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors, or their respective close associates to acquire such rights in any other body corporate.

EQUITY-LINKED AGREEMENTS

Details of equity-linked agreements entered during the Reporting Period or subsisting at the end of the Reporting Period are set out below:

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

The Company conditionally adopted the Pre-IPO Share Option Scheme on 12 April 2019, which became effective on the Listing Date and options in respect of 7,765,000 Shares under the Pre-IPO Share Option Scheme had been granted on 17 May 2019. The Company also conditionally adopted a share option scheme on 12 April 2019 (the "Share Option Scheme"), which became effective on the Listing Date and no option had been granted by the Company up to the date of this report.

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme on 12 April 2019 so as to recognize and motivate the contributions that certain executive and non-executive Directors, members of the senior management and other employees (the "Grantees") have made or may make to our Group.

No option shall be granted to any eligible participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Pre-IPO Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as maximum entitlement as at the date of such grant.

Initially, options to subscribe for an aggregate of 7,765,000 Shares had been granted to the Grantees. The total number of securities available for issue under the Pre-IPO Share Option Scheme is 6,977,500 Shares, representing approximately 2.98% of the total issued Shares as at the date of this annual report. The number of shares that may be issued in respect of options granted under the Pre-IPO Share Option Scheme of the Company during the Year is 6,977,500, representing 2.98% of the weighted average number of shares of the relevant class in issue of the Company for the year ended 31 December 2022. The remaining life of the Pre-IPO Share Option Scheme is nil. No further options will be granted by the Company pursuant to the Pre-IPO Share Option Scheme. The exercise price per Share is HK$2.17, which is primarily determined with reference to the fair value of the Shares as at 31 December 2018 based on an independent valuation performed by an independent valuer appointed by the Company. All options granted under the Pre-IPO Share Option Scheme on 17 May 2019 may be exercised in the following manner:

Exercise Period	Maximum percentage of options exercisable
Commencing on the first anniversary date of the Listing Date upon certain fulfillment of certain conditions and ending on the 10th anniversary date of the offer date (the "Expiration Date") (both dates inclusive)	50% of the total number of options granted to each of the Grantees
Commencing on the second anniversary date of the Listing Date upon certain fulfillment of certain conditions and ending on the Expiration Date (both dates inclusive)	50% of the total number of options granted to each of the Grantees

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the Listing Date subject to the provisions of early termination thereof. An offer for the grant of options must be accepted not later than 21 days from the offer date and a remittance of HK$1 is payable on acceptance of the grant of an option.

DIRECTORS' REPORT

Set out below is further information on the outstanding share options granted under the Pre-IPO Share Option Scheme as at 31 December 2022:

		Number of share options							
Names of the Grantees	Date of grant	Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 31 December 2022	Exercise price per Share HK$	Weighted average closing price of the Shares before the date(s) of which the shares options were exercised HK$
Directors									
Ms. Ko Sau Mee	17 May 2019	500,000	–	–	–	–	500,000	2.17	–
Ms. Lin Hing Lei	17 May 2019	277,500	–	–	–	–	277,500	2.17	–
Mr. Lin Hing Lung	17 May 2019	500,000	–	–	–	–	500,000	2.17	–
Mr. Yang Xiaoye	17 May 2019	300,000	–	–	–	–	300,000	2.17	–
Others									
Employees	17 May 2019	5,490,000	–	–	90,000	–	5,400,000	2.17	–
Total		7,067,500	–	–	90,000	–	6,977,500		

During the Reporting Period, 90,000 share options were lapsed.

Save as disclosed, during the Reporting Period, no share options were granted, exercised, lapsed and cancelled under the Pre-IPO Share Option Scheme.

Further details of the Pre-IPO Share Option Scheme are set out in note 28 to the financial statements.

Share Option Scheme

The Company adopted the Share Option Scheme on 12 April 2019, which became effective on the Listing Date.

The Share Option Scheme is a share incentive scheme and is established to recognize and motivate the contributions that eligible participants have made or may make to the Group. The eligible participants include employees (whether full-time or part-time), directors of the Company or any subsidiary or any entity in which the Group holds at least 20% of its issued share capital (the "Invested Entity"), suppliers, customers, technological service providers, Shareholders, consultants, joint venture or other business partners to any member of the Group or any Invested Entity. 2,345,447 options are available for grant under the service provider sublimit at the beginning and the end of the financial year. The eligible participants shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the shares in issue as at the Listing Date (i.e. 23,454,475 Shares) at the beginning and the end of the financial year unless approved by the Shareholders. No option shall be granted to any eligible participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such eligible participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as maximum entitlement as at the date of such grant. Any grant of further options above this limit shall be subject to the approval of the Shareholders at general meeting.

The exercise price for any share option under the Share Option Scheme shall be a price determined by the Board and shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date of the relevant option; (ii) an amount equivalent to the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date of the relevant option; and (iii) the nominal value of a share on the offer date.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof. The vesting period for options shall not be less than 12 months. An offer for the grant of options must be accepted not later than 21 days from the offer date and a remittance of HK$1 is payable on acceptance of the grant of an option.

Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. The remaining life of the Share Option Scheme is six years. No share option has been granted under the Share Option Scheme and the total number of securities available for issue under the Share Option Scheme is 23,454,475 Shares, representing approximately 10.03% of the issued Shares as at the date of this report.

The number of shares that may be issued in respect of options granted under the Share Option Scheme of the Company during the year ended 31 December 2022 is nil, representing 0% of the weighted average number of shares of the relevant class in issue of the Company for the year ended 31 December 2022.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 32 to the financial statements constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

For the Reporting Period, the Group entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and are continuing after the Listing Date. All the continuing connected transactions during the Reporting Period that need to be disclosed herein are in compliance with the Listing Rules. The actual monetary value of the continuing connected transactions of the Group for the Reporting Period is set out below:

Connected Person	Nature of Transactions	Actual monetary value for the year ended 31 December 2022 HK$'000
China Aluminum Cans and its subsidiaries (collectively, the "China Aluminum Cans Group") ("Master Supply Agreement")		
Euro Asia Packaging (Guangdong) Co., Limited* (廣東歐亞包裝有限公司, "Euro Asia Packaging")	Purchase of products	23,383
Hong Kong Aluminum Cans Limited ("Hong Kong Aluminum Cans")	Purchase of products	173
	Total	23,556

** For identification purpose only*

Further information on Master Supply Agreement is provided as follows:

Master Supply Agreement:

China Aluminum Cans Group is including, but not limited to, Euro Asia Packing and Hong Kong Aluminum Cans Limited.

On 17 April 2019, Hong Kong Aluminum Cans Limited and the Company (for itself and on behalf of its subsidiaries) entered into the master supply agreement (as amended and supplemented by a supplemental agreement dated 7 May 2019) (the "Master Supply Agreement"), pursuant to which the Group agreed to purchase from China Aluminum Cans Group certain monobloc aluminum aerosol cans from the Listing Date to 31 December 2021.

The Master Supply Agreement expired on 31 December 2021. To continue the purchase certain monobloc aluminum aerosol cans from the China Aluminum Cans Group after 31 December 2021 during its ordinary and usual course of business, on 8 December 2021, Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and the Company (for itself and on behalf of its subsidiaries) entered into another master supply agreement (the "New Master Supply Agreement") in relation to the purchase of certain monobloc aluminum aerosol cans by the Group from the China Aluminum Cans Group for a term of three years from 1 January 2022 to 31 December 2024 (both days inclusive). The selling price was determined with reference to the costs of products (including with the logistic costs, taxes, insurance and other relevant costs) plus a profit margin, selling price offered to independent customers and of the same or comparable products in the market.

As set out in the announcement of China Aluminum Cans dated 8 December 2021, the circular of China Aluminum Cans dated 10 January 2022 the annual caps under the New Master Supply Agreement (the "Annual Caps") for the three years ending 31 December 2022, 31 December 2023 and 31 December 2024 were HK$39.0 million, HK$41.0 million and HK$43.0 million, respectively.

Mr. Lin Wan Tsang ("Mr. Lin") the controlling Shareholder, is a connected person of the Company. On the other hand, Mr. Lin is the controlling Shareholder of China Aluminum Cans. As Hong Kong Aluminum Cans is a wholly-owned subsidiary of China Aluminum Cans, Hong Kong Aluminum Cans is an associate of Mr. Lin and therefore a connected person of the Company. Accordingly, the entering into of the New Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules for the Annual Caps exceeds 5%, the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company's auditor was engaged to report on the non-exempt continuing connected transaction and has issued a letter to the Board setting out the confirmation required under Rule 14A.56 of the Listing Rules and a copy of which has been provided by the Company to the Stock Exchange.

All independent non-executive Directors had reviewed the non-exempt continuing connected transaction and confirmed that the non-exempt continuing connected transaction for the Reporting Period was:

(i) in the ordinary and usual course of the Company's business;

(ii) on normal commercial terms or better to the Company; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued shares was held by the public as at the date of this report.

FUTURE PROSPECTS AND DEVELOPMENT

Our management believes 2023 will be a difficult year for the Group due to (i) the uncertainty in the global economic environment; (ii) the soft landing of growth in consumable products and domestic demands in both automotive beauty products and personal care products in PRC caused by the outbreak of novel coronavirus pneumonia; (iii) supply chain crisis; (iv) raw material prices skyrocket; (v) the volatile fluctuation of RMB against USD; and (vi) the increasing competition from small-sized competitors.

Whatever the market fluctuations may bring, our Group remains optimistic about the outlook of the worldwide and domestic automotive beauty and personal care manufacturing industry. The Group will focus on developing our Original Brand Manufacturing business by broadening the international markets, implementing the e-commerce strategies, launching new series of products to meet market demands and enhancing the brand recognition.

DIRECTORS' REPORT

AUDITOR

Ernst & Young, the auditor of the Company, will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer itself for re-appointment. A resolution will be submitted to the AGM to be held on 19 May 2023 to seek the Shareholders' approval on the appointment of Ernst & Young as the Company's auditor until the conclusion of the next AGM and to authorize the Board to fix its remuneration.

By order of the Board
Precious Dragon Technology Holdings Limited
保寶龍科技控股有限公司
Ko Sau Mee
Chairlady and executive Director

Hong Kong, 24 March 2023

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Precious Dragon Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Precious Dragon Technology Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 143, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Institute of Certified Public Accountants ("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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Inventory provisions	
As at 31 December 2022, the carrying amount of inventories amounted to HK$50.68 million, after considering allowance for inventory obsolescence of HK$7.90 million. The inventories were valued at the lower of cost or net realisable value. Management periodically performed stock take to identify damaged and obsolete inventories. The determination of the net realisable value reflects management's best estimate of the likely sales prices and the physical condition of inventories, based on the category and ageing of the inventories. Significant judgements and estimates were required in determining of the net realisable value, including the likely sales prices for different categories of inventories. These judgements and estimates have a material impact on the calculation of net realisable value. As a result, this matter was considered as a key audit matter. Details of the inventory provisions are disclosed in note 5 "Summary of significant accounting policies", note 6 "significant accounting judgements and estimates", note 9 "profit before tax" and note 18" inventories" to the consolidated financial statements.	We evaluated management's process of identifying damaged, slow-moving and obsolete inventories and calculating the provisions. We tested the ageing analysis of inventories, on a sample basis, by checking to the invoices and other relevant supporting documents. We tested, on a sample basis, the estimated selling price of significant inventory items to the actual selling price subsequent to the year end or latest sales data and compared the estimated selling price of selected inventory items against their costs. We assessed the methodology and assumptions used in the calculation of the net realisable value of the inventories; and recalculated the amount of write-down in inventories. We observed the condition of inventories in stock-take to inspect obsolete and damaged inventories.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 THE DIRECTORS 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 IFRSs issued by the IASB 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is M.L. Chau.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road, Quarry Bay, Hong Kong

24 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	8	**559,785**	610,350
Cost of sales		**(405,596)**	(453,256)
Gross profit		**154,189**	157,094
Other income and gains	8	**7,044**	14,842
Selling and distribution expenses		**(33,667)**	(46,406)
Administrative expenses		**(44,826)**	(54,276)
Research and development expenses	9	**(19,262)**	(25,618)
Impairment losses on financial assets, net	9	**(1,781)**	(138)
Other expenses		**(2,722)**	(14,230)
Finance costs	10	**(3,818)**	(2,759)
PROFIT BEFORE TAX	9	**55,157**	28,509
Income tax expenses	13	**(13,240)**	(10,493)
PROFIT FOR THE YEAR		**41,917**	18,016
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(16,461)**	7,663
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**25,456**	25,679
Profit attributable to:			
Owners of the parent		**41,996**	18,093
Non-controlling interests		**(79)**	(77)
		41,917	18,016
Total comprehensive income attributable to:			
Owners of the parent		**25,512**	25,755
Non-controlling interests		**(56)**	(76)
		25,456	25,679
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	15		
Basic		**HK18.0 cents**	HK7.7 cents
Diluted		**HK18.0 cents**	HK7.7 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**228,647**	229,677
Right-of-use assets	17	**52,203**	58,251
Deferred tax assets	26	**4,094**	4,087
Non-current prepayments	20	**—**	9,530
Total non-current assets		**284,944**	301,545
CURRENT ASSETS			
Inventories	18	**50,682**	54,767
Trade and bills receivables	19	**29,721**	38,096
Prepayments, deposits and other receivables	20	**16,437**	18,275
Restricted cash	21	**241**	—
Pledged bank deposits	21	**1,791**	19,774
Cash and cash equivalents	21	**91,392**	90,351
Total current assets		**190,264**	221,263
CURRENT LIABILITIES			
Trade and bills payables	22	**51,936**	61,866
Other payables and accruals	23	**57,682**	52,137
Interest-bearing bank and other borrowings	24	**16,043**	59,307
Tax payable		**6,101**	2,496
Deferred income	25	**226**	245
Total current liabilities		**131,988**	176,051
NET CURRENT ASSETS		**58,276**	45,212
TOTAL ASSETS LESS CURRENT LIABILITIES		**343,220**	346,757
NON-CURRENT LIABILITIES			
Due to a related party	23	**35,400**	35,400
Interest-bearing bank and other borrowings	24	**34,895**	61,064
Deferred tax liabilities	26	**4,146**	2,491
Deferred income	25	**1,132**	1,471
Total non-current liabilities		**75,573**	100,426
Net assets		**267,647**	246,331

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**2,339**	2,339
Reserves	29	**265,536**	244,164
		267,875	246,503
Non-controlling interests		**(228)**	(172)
Total equity		**267,647**	246,331

Ko Sau Mee
Director

Lin Hing Lung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 December 2022

	Attributable to owners of the parent										
	Share capital HK$'000 (note 27)	Share premium account HK$'000	Merger reserve HK$'000	Share option reserve HK$'000 (note 28)	Other reserve HK$'000 (note 29)	Reserve funds HK$'000 (note 29)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	**2,339**	**38,507**	**(62,722)**	**5,442**	**(107,016)**	**50,696**	**1,949**	**317,308**	**246,503**	**(172)**	**246,331**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**41,996**	**41,996**	**(79)**	**41,917**
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**(16,484)**	**—**	**(16,484)**	**23**	**(16,461)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(16,484)**	**41,996**	**25,512**	**(56)**	**25,456**
Transfer of share option reserve upon the forfeiture or expiry of share options	**—**	**—**	**—**	**(58)**	**—**	**—**	**—**	**58**	**—**	**—**	**—**
Transfer from retained profits	**—**	**—**	**—**	**—**	**—**	**752**	**—**	**(752)**	**—**	**—**	**—**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(4,140)**	**(4,140)**	**—**	**(4,140)**
At 31 December 2022	**2,339**	**38,507#**	**(62,722)#**	**5,384#**	**(107,016)#**	**51,448#**	**(14,535)#**	**354,470#**	**267,875**	**(228)**	**267,467**

	Attributable to owners of the parent										
	Share capital HK$'000 (note 27)	Share premium account HK$'000	Merger reserve HK$'000	Share option reserve HK$'000 (note 28)	Other reserve HK$'000 (note 29)	Reserve funds HK$'000 (note 29)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	2,335	37,330	(62,722)	5,122	(107,016)	50,375	(5,713)	306,109	225,820	(96)	225,724
Profit for the year	—	—	—	—	—	—	—	18,093	18,093	(77)	18,016
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	7,662	—	7,662	1	7,663
Total comprehensive income for the year	—	—	—	—	—	—	7,662	18,093	25,755	(76)	25,679
Exercise of share options	4	1,177	—	(372)	—	—	—	—	809		809
Equity-settled share option arrangements	—	—	—	692	—	—	—	—	692	—	692
Transfer from retained profits	—	—	—	—	—	321	—	(321)	—	—	—
Dividends paid	—	—	—	—	—	—	—	(6,573)	(6,573)	—	(6,573)
At 31 December 2021	2,339	38,507#	(62,722) #	5,442#	(107,016) #	50,696#	1,949#	317,308#	246,503	(172)	246,331

Notes:

\# These reserve accounts comprise the consolidated reserves of HK$265,536,000 (2021: HK$244,164,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**55,157**	28,509
Adjustments for:			
Finance costs	10	**3,818**	2,759
Bank interest income	8	**(661)**	(543)
(Gain)/loss on disposal of property, plant and equipment, net	9	**(47)**	591
Equity-settled share option expense	28	**—**	714
Depreciation of property, plant and equipment	16	**22,745**	22,623
Depreciation of right-of use assets	17	**1,612**	2,107
Write-down of inventories	9	**620**	3,079
Impairment losses on financial assets	9	**1,781**	138
		85,025	59,977
Increase in inventories		**(630)**	(1,671)
Decrease in trade and bills receivables		**2,168**	3,366
Increase in prepayments, deposits and other receivables		**(3,773)**	(4,908)
(Decrease)/increase in trade and bills payables		**(5,849)**	8,593
(Decrease)/increase in other payables and accruals		**(816)**	6,616
Decrease in deferred income		**(226)**	(241)
Decrease in pledged bank deposits		**2,376**	—
Cash generated from operations		**78,275**	71,732
Withholding tax paid		**(1,248)**	(3,381)
Tax paid		**(9,311)**	(8,356)
Net cash flows from operating activities		**67,716**	59,995

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(20,303)**	(80,051)
Proceeds from disposal of items of property, plant and equipment		**267**	36
Increase in pledged bank deposits		**—**	(455)
Interest received		**661**	543
Net cash flows used in investing activities		**(19,375)**	(79,927)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	809
New bank loans		**106,878**	271,199
Repayment of bank loans		**(172,388)**	(218,994)
Dividends paid		**(4,140)**	(6,573)
Principal elements of lease payments		**(169)**	(747)
Interest paid		**(3,815)**	(2,748)
Increase/(decrease) in amounts due to a related party		**15,000**	(84,600)
Pledged bank deposits related to interest-bearing bank borrowings		**15,000**	(15,000)
Net cash flows used in financing activities		**(43,634)**	(56,654)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,707**	(76,586)
Exchange realignment		**(3,666)**	5,315
Cash and cash equivalents at beginning of year		**90,351**	161,622
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	**91,392**	90,351
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**93,424**	110,125
Restricted cash		**(241)**	—
Pledged bank deposits		**(1,791)**	(19,774)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**91,392**	90,351

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

Precious Dragon Technology Holdings Limited (the "Company") was incorporated on 5 May 2018 in the Cayman Islands ("Cayman") as a limited liability company. The registered address of the office of the Company is Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 June 2019 (the "Listing Date").

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the content filling of aerosol cans, and the production and sale of ethanol, aerosol products and non-aerosol products.

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 30 April 2019. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate structure" in the listing document of the Company dated 3 June 2019 (the "Listing Document").

In the opinion of the directors (the "Directors"), as at 31 December 2022, the immediate holding company and ultimate holding company of the Company is Wellmass International Limited ("Wellmass"), a company incorporated in the British Virgin Islands (the "BVI").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Topspan Holdings Limited	BVI	US$1	100	—	Investment holding
Botny Corporation Limited	Hong Kong	HK$1,001	—	100	Trading of aerosol and non-aerosol products
Super Sight International Investment Limited	BVI	US$1	—	100	Investment holding
Guangzhou Botny Chemical Co., Ltd. ("Botny Chemical") (廣州保賜利化工有限公司) *	PRC	US$11,400,000	—	100	Content filling of aerosol cans, and production and sale of aerosol and non-aerosol products

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Guangzhou Euro Asia Aerosol and Household Products Manufacture Co., Ltd. ("Euro Asia Aerosol") (廣州歐亞氣霧劑與日化用品製造有限公司) *	PRC	US$3,000,000	—	100	Content filling of aerosol cans, and production and sale of aerosol and non-aerosol products
Botny Hongkong Co., Limited	Hong Kong	US$100,000	—	100	Trading of aerosol and non-aerosol products
Guangzhou Shentian Woye Trading Co., Ltd. ("Guangzhou Shentian") (廣州深田沃業貿易有限公司)*	PRC	RMB10,000,000	—	100	Investment holding
Euro Asia Japan Co., Ltd. (株式会社ユーロアジア•ジャパン)	Japan	JPY9,000,000	—	100	Trading of aerosol and non-aerosol products
China Medical Beauty Bio-Technology Company Limited ("China Medical Beauty")	Hong Kong	HK$10,000	—	100	Trading of aerosol and non-aerosol products
Precious Dragon Group Limited	Hong Kong	HK$1,000	—	100	Investment holding and trading
Botny Marine Limited	Hong Kong	HK$10,000	—	100	Investment holding
Precious Dragon Technology Thai Limited	Thailand	THB 110,000,000	—	100	Content filling of aerosol cans, and production and sale of aerosol and non-aerosol products
Botny India Chemical Private Limited	India	INR500,000	—	70	Trading of aerosol and non-aerosol products

* Botny Chemical, Euro Asia Aerosol and Guangzhou Shentian are registered as wholly-foreign-owned enterprises under PRC law.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to IFRSs standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRS that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use, the amendments did not have any impact on the financial position or performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The nature and impact of the revised IFRSs that are applicable to the Group are described below: (continued)

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to *IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback* [2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments") [2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments") [2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, International Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the Group (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land	Not depreciated
Buildings	4.5%
Plant and machinery	4.5%-9%
Office and other equipment	18%
Motor vehicles and yacht	9%-18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Buildings	2 to 2.1 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets, such as to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1: Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2: Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3: Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to a related party and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the consolidated statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Other Income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income from research and development (R&D) design is recognised when the relevant R&D service has been rendered at a point in time.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Deferred tax liabilities are recognised for a withholding tax levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends to be declared.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. The carrying amounts of property, plant and equipment at 31 December 2022 and 2021 were HK$228,647,000 and HK$229,677,000, respectively. Further details are given in note 16.

Write-down of inventories to net realisable value

A write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the required write-down involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which the estimate has been changed.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the invoice date for groupings of various customer segments with similar loss patterns (i.e., ageing of the balances and recent historical payment patterns).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates will be adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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7. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

a) Automotive beauty and maintenance products;

b) Personal care products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, certain cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude certain interest-bearing bank and other borrowings (other than lease liabilities), amounts due to a related party, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2022	Automotive beauty and maintenance products HK$'000	Personal care products HK$'000	Total HK$'000
Segment revenue: (note 8)			
External customers	457,755	102,030	559,785
Intersegment sales	2,307	—	2,307
Total	460,062	102,030	562,092
Reconciliation:			
Elimination of intersegment sales			(2,307)
Revenue			559,785
Segment results	60,974	6,737	67,711
Reconciliation:			
Interest income			661
Corporate and other unallocated expenses			(9,400)
Finance costs (other than interest on lease liabilities)			(3,815)
Profit before tax			55,157

7. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2022	Automotive beauty and maintenance products HK$'000	Personal care products HK$'000	Total HK$'000
Segment assets	355,637	85,871	441,508
Reconciliation:			
Elimination of intersegment receivables			(25,413)
Corporate and other unallocated assets			59,113
Total assets			475,208
Segment liabilities	100,270	74,074	174,344
Reconciliation:			
Elimination of intersegment payables			25,413
Corporate and other unallocated liabilities			7,804
Total liabilities			207,561
Other segment information:			
Depreciation and amortisation	20,987	3,370	24,357
Capital expenditure*	29,967	616	30,583
Impairment losses/(reversals) on financial assets recognised in the statement of profit or loss and other comprehensive income	(290)	2,071	1,781
Write-down of inventories to net realisable value recognised in the statement of profit or loss and other comprehensive income	620	—	620

* Capital expenditure consists of additions to property, plant and equipment.

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31 December 2022

7. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021	Automotive beauty and maintenance products HK$'000	Personal care products HK$'000	Total HK$'000
Segment revenue (note 8)**:**			
External customers	522,973	87,377	610,350
Intersegment sales	583	—	583
Total	523,556	87,377	610,933
Reconciliation:			
Elimination of intersegment sales			(583)
Revenue			610,350
Segment results	36,558	5,831	42,389
Reconciliation:			
Interest income			543
Corporate and other unallocated expenses			(11,664)
Finance costs			(2,759)
Profit before tax			28,509

7. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021	Automotive beauty and maintenance products HK$'000	Personal care products HK$'000	Total HK$'000
Segment assets	418,929	72,356	491,285
Reconciliation:			
Elimination of intersegment receivables			(36,300)
Corporate and other unallocated assets			67,823
Total assets			522,808
Segment liabilities	196,866	51,202	248,068
Reconciliation:			
Elimination of intersegment payables			(36,300)
Corporate and other unallocated liabilities			64,709
Total liabilities			276,477
Other segment information:			
Depreciation and amortisation	21,939	2,791	24,730
Capital expenditure*	77,725	12,041	89,766
Impairment losses/(reversals) on financial assets recognised in the statement of profit or loss and other comprehensive income	1,986	(1,848)	138
Write-down of inventories to net realisable value recognised in the statement of profit or loss and other comprehensive income	1,731	1,348	3,079

* Capital expenditure consists of additions to property, plant and equipment.

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31 December 2022

7. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2022 HK$'000	2021 HK$'000
Mainland China	**441,962**	462,252
Japan	**74,739**	89,764
Asia	**21,929**	30,932
Middle East	**7,603**	6,946
America	**6,570**	15,144
Others	**6,982**	5,312
	559,785	610,350

The revenue information above is based on the shipment destinations.

(b) Non-current assets

	2022 HK$'000	2021 HK$'000
Hong Kong	**29,231**	33,481
Mainland China	**136,901**	163,545
Thailand	**114,626**	100,243
Japan	**92**	189
	280,850	297,458

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

No revenue from sales to any single customer amounted to 10% or more of the Group's revenue during the year.

8. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers	**559,785**	610,350

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Automotive beauty and maintenance products HK$'000	Personal care products HK$'000	Total HK$'000
Type of goods			
Sale of products	**457,755**	**102,030**	**559,785**
Geographical markets			
Mainland China	**362,944**	**79,018**	**441,962**
Japan	**74,739**	**—**	**74,739**
Asia	**4,450**	**17,479**	**21,929**
Middle East	**7,603**	**—**	**7,603**
America	**6,063**	**507**	**6,570**
Others	**1,956**	**5,026**	**6,982**
Total revenue from contracts with customers	**457,755**	**102,030**	**559,785**
Timing of revenue recognition			
Goods transferred at a point in time	**457,755**	**102,030**	**559,785**

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8. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information *(continued)*

For the year ended 31 December 2021

Segments	Automotive beauty and maintenance products HK$'000	Personal care products HK$'000	Total HK$'000
Type of goods			
Sale of products	522,973	87,377	610,350
Geographical markets			
Mainland China	402,983	59,269	462,252
Japan	89,764	—	89,764
Asia	7,789	23,143	30,932
Middle East	6,946	—	6,946
America	13,455	1,689	15,144
Others	2,036	3,276	5,312
Total revenue from contracts with customers	522,973	87,377	610,350
Timing of revenue recognition			
Goods transferred at a point in time	522,973	87,377	610,350

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in the contract liabilities at the beginning of the reporting period:		
Sale of products	**10,030**	6,724

8. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue *(continued)*

Revenue from contracts with customers *(continued)*

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery, except for some customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022 HK$'000	2021 HK$'000
Amounts expected to be satisfied as revenue:		
Within one year	**6,238**	10,030

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be satisfied within one year.

Other income and gains

	2022 HK$'000	2021 HK$'000
Sale of scrap materials	**1,491**	1,722
Bank interest income	**661**	543
Government grants:		
— Related to assets*	**233**	241
— Related to income**	**1,110**	6,084
Service income	**2,256**	2,305
Income from research and development design	**—**	2,527
Others	**1,293**	1,420
	7,044	14,842

* The amount represents the subsidies for the production line of the content filling technical renovation program received from the local government. Government grants received for which the related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

** Various government grants of HK$1,110,000 (2021: HK$6,084,000) represent cash receipts from and subsidies provided by the local government authorities to the Group as an encouragement for its technological innovation and overseas sales. There are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO FINANCIAL STATEMENTS

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9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2022 HK$'000	2021 HK$'000
Cost of inventories sold		**405,596**	453,256
Depreciation of property, plant and equipment	16	**22,745**	22,623
Depreciation of right-of-use assets	17	**1,612**	2,107
Auditor's remuneration		**1,258**	1,467
Research and development costs		**19,262**	25,618
Lease payments not included in the measurement of lease liabilities	17	**159**	439
Employee benefit expense (including directors' remuneration (note 11)):			
Wages and salaries		**47,656**	50,521
Equity-settled share option expense	28	**—**	714
Pension scheme contributions		**5,609**	6,046
		53,265	57,281
Exchange losses, net*		**1,230**	9,361
(Gain)/Loss on disposal of items of property, plant and equipment, net**		**(47)**	591
Impairment losses on financial assets	19	**1,781**	138
Write-down of inventories to net realisable value*		**620**	3,079

* Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income

** Included in "Other income and gains" and "Other expenses" (2021: Other expenses) in the consolidated statement of profit or loss and other comprehensive income

10. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK$'000	2021 HK$'000
Interest on bank loans wholly repayable within five years	**3,815**	2,748
Interest on lease liabilities (note 17)	**3**	11
	3,818	2,759

11. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383 (1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 HK$'000	2021 HK$'000
Fees	**2,759**	2,660
Other emoluments:		
Salaries, allowances and benefits in kind	**630**	753
Equity-settled share option expense	**—**	215
Pension scheme contributions	**95**	94
Performance related bonuses	**910**	1,047
	1,635	2,109
Total	**4,394**	4,769

Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS
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11. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2022			
Mr. Poon Tak Ching	**212**	**10**	**222**
Mr. Pang Cheung Wai	**212**	**10**	**222**
Mr. Lee Yiu Pui	**212**	**10**	**222**
Total	**636**	**30**	**666**

	Fees HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2021			
Mr. Poon Tak Ching	212	10	222
Mr. Pang Cheung Wai	212	10	222
Mr. Lee Yiu Pui	212	10	222
Total	636	30	666

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

11. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Performance related bonuses HK$'000	Total remuneration HK$'000
2022					
Executive directors:					
Ms. Ko Sau Mee	**1,110**	**—**	**18**	**—**	**1,128**
Mr. Lin Hing Lung	**497**	**149**	**18**	**356**	**1,020**
Ms. Lin Hing Lei	**462**	**194**	**18**	**356**	**1,030**
Mr. Yang Xiaoye	**54**	**287**	**11**	**198**	**550**
Total	**2,123**	**630**	**65**	**910**	**3,728**

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Performance related bonuses HK$'000	Total remuneration HK$'000
2021						
Executive directors:						
Ms. Ko Sau Mee	1,110	—	60	18	—	1,188
Mr. Lin Hing Lung	432	230	60	18	428	1,167
Ms. Lin Hing Lei	437	223	60	18	428	1,167
Mr. Yang Xiaoye	45	300	35	10	191	581
Total	2,024	753	215	64	1,047	4,103

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021:nil).

No emoluments were paid by the Group to the directors or past directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2022 (2021:nil).

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12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2021: four), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the one (2021: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and benefits in kind	**588**	508
Equity-settled share option expense	**—**	60
Pension scheme contributions	**26**	24
Performance related bonuses	**166**	120
	780	712

The number of these non-director, highest paid employees whose remuneration fell within the following band is as follows:

	2022	2021
Nil to HK$1,000,000	**1**	1

In prior years, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the year is included in the above non-director, highest paid employees' remuneration disclosures.

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2022 (2021:nil).

13. INCOME TAX EXPENSES

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman and BVI, the Group is not subject to any tax in the Cayman and BVI, respectively.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

Pursuant to the PRC Income Tax Law and the respective regulations, subsidiaries of the Group operating in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's operating subsidiary, Botny Chemical, since it was recognised as a high technology enterprises and was entitled to a preferential tax rate of 15% for the years of 2022 and 2021.

	2022 **HK$'000**	2021 HK$'000
Current – Mainland China	**10,658**	7,563
Current – Hong Kong	**1,248**	3,256
Deferred (note 26)	**1,334**	(326)
Total tax charge for the year	**13,240**	10,493

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13. INCOME TAX EXPENSES *(continued)*

A reconciliation of the income tax expenses applicable to profit before tax using the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable tax rates to the effective tax rates, are as follows:

	2022 HK$'000	**%**	2021 HK$'000	%
Profit before tax	**55,157**		28,509	
Tax at the statutory tax rate	**13,789**	**25.0**	7,127	25.0
Entities subject to lower statutory income tax rates	**(6,218)**	**(11.3)**	(3,753)	(13.2)
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	**1,655**	**3.0**	(150)	(0.5)
Expenses not deductible for tax	**538**	**1.0**	1,020	3.6
Withholding income tax expense	**1,248**	**2.3**	3,381	11.9
Super deduction of R&D	**(3,542)**	**(6.4)**	(2,212)	(7.8)
Adjustment in respect of current tax of previous periods	**520**	**0.9**	564	2.0
Tax losses not recognised	**5,250**	**9.5**	4,516	15.8
Tax charge at the Group's effective tax rate	**13,240**	**24.0**	10,493	36.8

14. DIVIDENDS

	2022 HK$'000	2021 HK$'000
Interim – HK0.83 cent (2021: HK0.36 cent) per ordinary share	**1,942**	842
Proposed final – HK2.69 cents (2021: HK0.94 cent) per ordinary share	**6,292**	2,199
	8,234	3,041

The proposed final dividend on ordinary shares is subject to approval at the annual general meeting and was not recognised as a liability as at 31 December 2022.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 233,917,250 (2021: 233,802,085) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2022 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

For the year ended 31 December 2021, the calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2022 HK$'000	2021 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**41,996**	18,093

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**233,917,250**	233,802,085
Effect of dilution – weighted average number of ordinary shares:		
Share options	**—**	2,254,208
	233,917,250	236,056,293

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Office and other equipment HK$'000	Motor vehicles and yacht HK$'000	Land HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2022							
At 1 January 2022:							
Cost	**120,447**	**67,830**	**17,779**	**56,283**	**23,687**	**81,834**	**367,860**
Accumulated depreciation	**(71,847)**	**(37,227)**	**(12,887)**	**(16,222)**	**—**	**—**	**(138,183)**
Net carrying amount	**48,600**	**30,603**	**4,892**	**40,061**	**23,687**	**81,834**	**229,677**
At 1 January 2022, net of accumulated depreciation	**48,600**	**30,603**	**4,892**	**40,061**	**23,687**	**81,834**	**229,677**
Additions	**517**	**15,626**	**1,081**	**493**	**—**	**12,866**	**30,583**
Disposals	**—**	**(150)**	**(66)**	**(4)**	**—**	**—**	**(220)**
Depreciation provided during the year (note 9)	**(7,262)**	**(7,677)**	**(1,414)**	**(6,392)**	**—**	**—**	**(22,745)**
Exchange realignment	**(2,772)**	**(2,688)**	**(341)**	**(465)**	**(909)**	**(1,473)**	**(8,648)**
At 31 December 2022, net of accumulated depreciation	**39,083**	**35,714**	**4,152**	**33,693**	**22,778**	**93,227**	**228,647**
At 31 December 2022:							
Cost	**111,795**	**76,895**	**16,956**	**55,649**	**22,778**	**93,227**	**377,300**
Accumulated depreciation	**(72,712)**	**(41,181)**	**(12,804)**	**(21,956)**	**—**	**—**	**(148,653)**
Net carrying amount	**39,083**	**35,714**	**4,152**	**33,693**	**22,778**	**93,227**	**228,647**
31 December 2021							
At 1 January 2021:							
Cost	115,376	51,862	17,011	55,625	26,019	12,819	278,712
Accumulated depreciation	(62,538)	(31,986)	(11,051)	(9,457)	—	—	(115,032)
Net carrying amount	52,838	19,876	5,960	46,168	26,019	12,819	163,680
At 1 January 2021, net of accumulated depreciation	52,838	19,876	5,960	46,168	26,019	12,819	163,680
Additions	1,423	18,056	481	215	—	69,591	89,766
Disposals	—	(587)	(40)	—	—	—	(627)
Depreciation provided during the year (note 9)	(7,206)	(7,244)	(1,616)	(6,557)	—	—	(22,623)
Exchange realignment	1,545	502	107	235	(2,332)	(576)	(519)
At 31 December 2021, net of accumulated depreciation	48,600	30,603	4,892	40,061	23,687	81,834	229,677
At 31 December 2021:							
Cost	120,447	67,830	17,779	56,283	23,687	81,834	367,860
Accumulated depreciation	(71,847)	(37,227)	(12,887)	(16,222)	—	—	(138,183)
Net carrying amount	48,600	30,603	4,892	40,061	23,687	81,834	229,677

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group's buildings and construction in progress are located in Mainland China and Thailand, respectively.

Certain of the Group's interest-bearing bank borrowings were secured by the Group's buildings, plant and machinery with a carrying value of HK$ 44,093,000 as at 31 December 2022 (2021: HK$ 40,452,000) (note 24).

17. LEASES

The Group as a lessee

The Group has lease contracts for various items used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 2.1 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right- of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK$'000	Buildings HK$'000	Total HK$'000
As at 1 January 2021	57,658	738	58,396
Additions	—	169	169
Depreciation charge	(1,567)	(540)	(2,107)
Exchange realignment	1,823	(30)	1,793
As at 31 December 2021 and 1 January 2022	57,914	337	58,251
Additions	—	112	112
Disposal	—	(89)	(89)
Depreciation charge	(1,447)	(165)	(1,612)
Exchange realignment	(4,440)	(19)	(4,459)
As at 31 December 2022	52,027	176	52,203

Certain of the Group's interest-bearing bank borrowings were secured by the Group's leasehold land with a carrying value of HK$74,442,000 as at 31 December 2022 (2021: HK$57,715,000) (note 24).

The Group's leasehold land is held under a medium-term lease and is situated in Mainland China.

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17. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2022 HK$'000	2021 HK$'000
Carrying amount at 1 January	**340**	957
New leases	**112**	169
Disposal	**(91)**	—
Accretion of interest recognised during the year	**3**	11
Payments	**(169)**	(747)
Exchange realignment	**(19)**	(50)
Carrying amount at 31 December	**176**	340
Analysed into:		
Current portion	**121**	262
Non-current portion	**55**	78

The maturity analysis of lease liabilities is disclosed in note 24 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities	**3**	11
Depreciation charge of right-of-use assets	**1,612**	2,107
Expense relating to short-term leases (included in administrative expenses)	**159**	439
Total amount recognised in profit or loss	**1,774**	2,557

The total cash outflow for leases of HK$328,000 in 2022 (2021: HK$1,186,000).

18. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**14,006**	17,846
Work in progress	**2,768**	2,376
Finished goods	**33,908**	34,545
	50,682	54,767

At 31 December 2022, the amount of inventories is net of a write-down of approximately HK$7,903,000 (2021: HK$7,907,000).

19. TRADE AND BILLS RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**39,135**	45,670
Impairment	**(10,351)**	(9,278)
Trade receivables, net	**28,784**	36,392
Bills receivable	**937**	1,704
	29,721	38,096

The Group requires most of its customers to make payments in advance, however, the Group generally grants credit terms from 30 to 90 days to those customers with good payment history. The credit period for specific customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade receivables are non-interest-bearing, and the carrying amounts of the trade and bills receivables approximate to their fair values.

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19. TRADE AND BILLS RECEIVABLES *(continued)*

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 HK$'000	2021 HK$'000
Within 30 days	**11,774**	24,069
31 to 60 days	**8,042**	4,776
61 to 90 days	**4,529**	2,825
Over 90 days	**4,439**	4,722
	28,784	36,392

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022 HK$'000	2021 HK$'000
At beginning of year	**9,278**	10,258
Impairment losses, net (note 9)	**1,781**	138
Amount written off as uncollectible	**—**	(1,429)
Exchange realignment	**(708)**	311
At end of year	**10,351**	9,278

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECLs). The provision rates are based on the invoice date for groupings of various customer segments with similar loss patterns (i.e., ageing of the balances and recent historical payment patterns). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

19. TRADE AND BILLS RECEIVABLES *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Ageing				
	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
As at 31 December 2022					
Expected credit loss rate	**0.17%**	**1.61%**	**9.84%**	**68.63%**	**26.45%**
Gross carrying amount (HK$'000)	**11,795**	**8,174**	**5,023**	**14,143**	**39,135**
Expected credit losses (HK$'000)	**21**	**132**	**494**	**9,704**	**10,351**
As at 31 December 2021					
Expected credit loss rate	0.16%	1.98%	13.59%	64.82%	20.32%
Gross carrying amount (HK$'000)	24,108	4,872	3,269	13,421	45,670
Expected credit losses (HK$'000)	39	96	444	8,699	9,278

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Non-current prepayments	**—**	9,530
Current assets		
Prepayments	**5,798**	8,391
Deposits and other receivables	**13,242**	12,703
Less: Impairment allowance*	**(2,603)**	(2,819)
	16,437	18,275

* As at 31 December 2022 and 2021, the impairment of the financial assets included in prepayments, deposits and other receivables were measured based on the 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss.

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21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS AND RESTRICTED CASH

	2022 HK$'000	2021 HK$'000
Cash and bank balances	**93,424**	110,125
Deposits		
Restricted cash	**(241)**	—
Pledged for long term bank loans	**—**	(15,000)
Pledged for acceptance bills	**(1,791)**	(4,774)
Cash and cash equivalents	**91,392**	90,351
Cash and bank balances denominated in		
– Renminbi ("RMB")	**25,853**	45,178
– United States dollar ("US$")	**43,238**	45,510
– Japanese yen ("JPY")	**173**	207
– Hong Kong dollar ("HK$")	**21,222**	16,944
– Great Britain Pound ("GBP")	**1**	1
– Euro ("EUR")	**1,775**	1,243
– Thai Baht ("THB")	**1,115**	990
– Indian Rupee ("INR")	**47**	52
	93,424	110,125

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

At 31 December 2022, no deposit was pledged for long term bank loans (2021: HK$15,000,000) (note 24). A bank deposit of HK$ 1,791,000 (2021: HK$4,774,000) was pledged for the Group's acceptance bills.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE AND BILLS PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	2022 HK$'000	2021 HK$'000
Within 30 days	**25,025**	30,741
31 to 60 days	**7,351**	13,508
61 to 90 days	**11,104**	15,871
Over 90 days	**8,456**	1,746
	51,936	61,866

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

23. OTHER PAYABLES AND ACCRUALS

	Notes	2022 HK$'000	2021 HK$'000
Current			
Salary and welfare payables	(a)	**14,698**	15,622
Contract liabilities	(b)	**6,238**	10,030
Other payables and accruals	(c)	**21,746**	26,485
Due to a related party	32(2)	**15,000**	—
		57,682	52,137
Non-current			
Due to a related party	32(2)	**35,400**	35,400

Notes:

(a) The salary and welfare payables are non-interest-bearing and are payable on demand.

(b) Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying goods are yet to be provided. The Group recognised the following revenue-related contract liabilities at the end of the year:

	2022 HK$'000	2021 HK$'000
Short-term advances received from customers	**6,238**	10,030

(c) The other payables and accruals are non-interest-bearing and are due to mature within one year.

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24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Contractual interest rate	Maturity	HK$'000	Contractual interest rate	Maturity	HK$'000
Current						
Lease liabilities (note 17(b))	**1%~5.125%**	**2023**	**121**	1%~5.125%	2022	262
Bank loans – secured	**—**	**—**	**—**	HIBOR+2.25% /LPR-0.40%	2022	30,064
Current portion of long term bank loans – secured	**MLR-1.0%/ HIBOR+1.30%**	**2023**	**15,922**	HIBOR+ 1.30%~2.25%/ LPR+0.05%	2022	28,981
			16,043			59,307
Non-current						
Lease liabilities (note 17(b))	**1%~5.125%**	**2024**	**55**	1%~5.125%	2023	78
Long term bank loans – secured	**LPR+0.05%**	**2024**	**113**	HIBOR +1.30% /LPR+0.05%	2023	30,516
Long term bank loans – secured	**MLR-1.0%**	**2027**	**34,727**	HIBOR +2.25%	2025	30,470
			34,895			61,064
			50,938			120,371

Notes:

"HIBOR" stands for the three-month Hong Kong Interbank Offered Rate in the Hong Kong Dollar Interbank Market at or at about 11 am (Hong Kong time).

"LPR" stands for the Loan Prime Rate designated by the People's Bank of China (中國人民銀行).

"MLR" stands for the Minimum Lending Rate designated by Bank of Thailand.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2022 HK$'000	2021 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**15,922**	59,045
In the second year	**113**	30,516
In the third to fifth years, inclusive	**34,727**	30,470
	50,762	120,031
Other borrowings repayable:		
Within one year or on demand	**121**	262
In the second year	**55**	78
	176	340

The above secured bank loans and unutilised bank facilities were secured by certain of the Group's assets and their carrying values are as follows:

	Notes	2022 HK$'000	2021 HK$'000
Pledged bank deposits	21	**—**	15,000
Property, plant and equipment	16	**44,093**	40,452
Leasehold land	17	**74,442**	57,715
		118,535	113,167

In addition, certain of the Group's bank loans with an amount of HK$44,649,000 was guaranteed by the Company and Ms. Ko Sau Mee, the chairlady and executive director of the Company as at the end of the reporting period (2021:nil)

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24. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2022 HK$'000	2021 HK$'000
Interest-bearing bank borrowings denominated in:		
– RMB	**113**	49,031
– THB	**44,649**	—
– HK$	**6,000**	71,000
	50,762	120,031

The Group has the following undrawn banking facilities:

	2022 HK$'000	2021 HK$'000
Floating rate		
– to expire within one year	**120,004**	146,074
– to expire after one year	**69,887**	114,611
	189,891	260,685

25. DEFERRED INCOME

	2022 HK$'000	2021 HK$'000
At 1 January	**1,716**	1,901
Amortised as income	**(233)**	(241)
Exchange realignment	**(125)**	56
At 31 December	**1,358**	1,716
Current portion	**(226)**	(245)
Non-current portion	**1,132**	1,471

26. DEFERRED TAX

Deferred tax assets

Deferred tax assets have been recognised in respect of temporary differences between the carrying amounts and tax bases of government grants and provisions.

The movements in deferred tax assets are as follows:

	Government grants HK$'000	Provisions HK$'000	Total HK$'000
At 1 January 2021	285	3,505	3,790
Deferred tax credited/(charged) to the statement of profit or loss (note 13)	(36)	212	176
Exchange realignment	8	113	121
At 31 December 2021 and 1 January 2022	257	3,830	4,087
Deferred tax credited/(charged) to the statement of profit or loss (note 13)	(35)	356	321
Exchange realignment	(18)	(296)	(314)
At 31 December 2022	**204**	**3,890**	**4,094**

The Group has tax losses arising in Hong Kong of HK$78,160,000 (2021: HK$64,553,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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26. DEFERRED TAX *(continued)*

Deferred tax liabilities

The movements in deferred tax liabilities are as follows:

	Withholding taxes HK$'000
At 1 January 2021	2,641
Deferred tax credited to the statement of profit or loss (note 13)	(150)
At 31 December 2021 and 1 January 2022	2,491
Deferred tax charged to the statement of profit or loss (note 13)	1,655
At 31 December 2022	4,146

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, the Group has not recognised deferred tax liabilities of HK$2,404,000 (2021: HK$981,000) in respect of the temporary differences relating to the unremitted profits of the Group's subsidiaries established in Mainland China amounting to HK$37,106,000 (2021: HK$12,040,000), that would be payable on the distribution of these profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. SHARE CAPITAL

Shares

	2022 HK$'000	2021 HK$'000
Issued and fully paid:		
233,917,250 (2021: 233,917,250) ordinary shares	**2,339**	2,339

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

28. SHARE OPTION SCHEME

The Company adopted a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme"), approved by the written resolutions of the shareholders on 17 May 2019 (the "Resolutions").

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was effective on 21 June 2019 after all conditions have been fulfilled.

The purpose of the Pre-IPO Share Option Scheme is to recognise and motivate the contributions that certain executive and non-executive Directors, members of senior management and other employees have made or may make to the Group. The principal terms of the Pre-IPO Share Option Scheme, approved by the Resolutions, are substantially the same as the terms of the Share Option Scheme, except that:

(a) the subscription price per share under the Pre-IPO Share Option Scheme is HK$2.17;

(b) the total number of shares which may be issued upon the exercise of all share options granted under the Pre-IPO Share Option Scheme is 7,765,000, representing approximately 3.3% of the total issued share capital of the Company immediately after the completion of the listing;

(c) save for the share options which have been granted, no further share options will be granted under the Pre-IPO Share Option Scheme on or after 21 June 2019 (the "Listing Date"); and

The share options granted under the Pre-IPO Share Option Scheme are subject to the following vesting and exercise period:

Batch 1 — 50% of the share options shall become vested and exercisable on the 1st anniversary date of the Listing Date (the "1st Vesting Date"), and the exercise period in respect thereof shall commence on the 1st Vesting Date and end on the day immediately before the 10th anniversary date of the offer date (the "Expiration Date") (both dates inclusive).

Batch 2 — 50% of the share options shall become vested and exercisable on the 2nd anniversary date of the Listing Date (the "2nd Vesting Date"), and the exercise period in respect thereof shall commence on the 2nd Vesting Date and end on the Expiration Date (both dates inclusive).

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28. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

A summary of option movements during the year is presented below:

	Weighted average exercise price HK$ per share	Number of options
At 1 January 2021	2.17	7,480,000
Exercised during the year	2.17	(372,500)
Forfeited during the year	2.17	(40,000)
At 31 December 2021	2.17	7,067,500
At 1 January 2022		
Lapsed during the year	2.17	(90,000)
At 31 December 2022	2.17	6,977,500

During the period, no share options were exercised (2021: 372,500 share options exercised).

The fair value of the share options granted under the Pre-IPO Share Option Scheme was estimated at approximately HK$6,023,000, of which has been fully recognized as of June 30, 2021.

The fair value of the share options under the Pre-IPO Share Option Scheme granted was estimated as at the date of grant, using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	Batch 1	Batch 2
Dividend yield (%)	—	—
Expected volatility (%)	36.545%	36.545%
Risk-free interest rate (%)	1.946%	1.946%
Expected life of options (year)	10	10
Weighted average share price (HK$ per share)	2.17	2.17

The expected life of the share options is not necessarily indicative of the exercise patterns that may occur. The expected volatility may not necessarily reflect the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

As at 31 December 2022, the Company had 6,977,500 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 6,977,500 additional ordinary shares of the Company and additional share capital of HK$70,000 and share premium of HK$ 20,455,000.

At the date of approval of these financial statements, the Company had 6,977,500 share options outstanding under the Scheme, which represented approximately 3.0% of the Company's shares in issue as at that date.

28. SHARE OPTION SCHEME *(continued)*

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purposes of: (a) motivating the eligible participants to optimise their performance and efficiency for the benefit of the Group; and (b) attracting and retaining, or otherwise maintaining ongoing business relationships with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

The board of directors (the "Board") may at its discretion grant options to eligible participants ("Eligible Participants") as follows:

(i) any eligible employee ("Eligible Employee") means any employees (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any entity in which the Group holds at least 20% of its issued share capital ("Invested Entity");

(ii) any non-executive director (including independent non-executive directors) of the Company, any subsidiary or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of any member of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

For the purposes of the Share Option Scheme, share options may be granted to any company wholly owned by one or more Eligible Participants.

The exercise price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (b) the average of the closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options.

28. SHARE OPTION SCHEME *(continued)*

Share Option Scheme *(continued)*

The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share options granted and yet to be exercised under any other scheme of the Company shall not, in aggregate, exceed 10% of the total number of shares in issue on the Listing Date, i.e., 23,454,475 shares, and 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to any Eligible Participant in the Share Option Scheme within any 12-month period up to and including the date of the grant is limited to 1% in aggregate of the shares of the Company in issue at the date of the grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or a substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors, excluding the independent non-executive director who or whose associates are the grantee. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period up to and including the date of the grant, are subject to shareholders' approval in advance in a general meeting.

The Share Option Scheme became effective on 21 June 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

As at 31 December 2022 and the date of approval of these financial statements, no share option was granted and outstanding under the Share Option Scheme.

29. RESERVES

(i) The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on pages 72 of the financial statements.

(ii) In accordance with PRC Company Law, the PRC subsidiary of the Group is required to allocate 10% of its profit after tax to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to certain restrictions set out in PRC Company Law, part of the SSR may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The SSR of the PRC subsidiary attributable to the parent amounted to HK$ 51,448,000 and HK$50,696,000 as at 31 December 2022 and 2021, respectively.

(iii) On 29 December 2020, China Medical Beauty acquired a 30% equity interest in Euro Asia Aerosol at a cash consideration of HK$120,000,000. As a result, the equity interest of China Medical Beauty in Euro Asia Aerosol increased from 70% to 100%. The change in the Group's shareholding interest in Euro Asia Aerosol resulted in a decrease in reserves of HK$107,016,000 and a decrease in non-controlling interests of HK$12,984,000 in the consolidated statement of changes in equity.

30. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 **HK$'000**	2021 HK$'000
Contracted, but not provided for:		
Plant and machinery	**5,992**	8,786

31. CONTINGENT LIABILITIES

The Group had no significant contingent liability as at 31 December 2022 and 2021.

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32. RELATED PARTY TRANSACTIONS

(1) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2022 HK$'000	2021 HK$'000
Sales of products to:			
Euro Asia Packaging (Guangdong) Co., Ltd. (廣東歐亞包裝有限公司) ("Euro Asia Packaging")	(i)	**1**	14
Purchases of products from:			
Euro Asia Packaging	(i)	**23,383**	18,782
Hong Kong Aluminum Cans Limited ("Hong Kong Aluminum Cans")	(i)	**173**	4,132
Total		**23,556**	22,914
Lease rental expenses charged by:			
Mr. Lin Wan Tsang*	(ii), (iii)	**63**	65

* Ultimate shareholder of the Company

Notes:

(i) All companies are fellow subsidiaries controlled by the ultimate shareholder of the Company. The sales and purchases among the companies were made according to prices and conditions as mutually agreed.

(ii) The lease rental expenses charged by Mr. Lin Wan Tsang were determined based on the underlying contracts as agreed between the Group and Mr. Lin Wan Tsang.

(iii) These continuing connected transactions fall within the de minimis threshold under Rule 14A.76(1) of the Listing Rules and therefore is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements contemplated under the Listing Rules.

32. RELATED PARTY TRANSACTIONS *(continued)*

(2) Balances with related parties

	2022 HK$'000	2021 HK$'000
Due to:		
Euro Asia Packaging**	**14,825**	7,003
Hong Kong Aluminum Cans**	**—**	378
European Asia***	**50,400**	35,400
	65,225	42,781

** Included in "Trade and bills payables" in the consolidated statement of financial position

*** As at 31 December 2022, HK$15,000,000 and HK$35,400,000 were included in "Other payables and accruals" and "Due to a related party" in the consolidated statement of financial position, respectively. As at 31 December 2021, HK$35,400,000 was included in "Due to a related party" in the consolidated statement of financial position.

The amounts due to Euro Asia Packaging and Hong Kong Aluminum Cans were trade in nature.

The amount of HK$35,400,000 due to European Asia is the payment for the purchase of a 30% equity interest in Euro Asia Aerosol. According to the supplemental agreement between China Medical Beauty and European Asia, HK$35,400,000 will be settled before 31 December 2024. In addition to the aforementioned balance, the Group had an outstanding balance due to European Asia of HK$15,000,000 (2021: nil) as at 31 December 2022. The balance is unsecured, interest-free and has no fixed terms of repayment.

(3) Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 11 above, is as follows:

	2022 HK$'000	2021 HK$'000
Fees	2,759	2,660
Salaries, allowances and benefits in kind	1,384	2,051
Pension scheme contributions	157	147
Equity-settled share option expense	—	275
Performance related bonuses	1,576	1,151
Total compensation paid to key management personnel	5,876	6,284

The related party transactions in respect of (1) above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

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33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2022		2021	
Financial assets	**Financial assets at amortised cost HK$'000**	**Total HK$'000**	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills receivables	**29,721**	**29,721**	38,096	38,096
Financial assets included in prepayments, deposits and other receivables	**10,523**	**10,523**	9,884	9,884
Restricted cash	**241**	**241**	—	—
Pledged bank deposits	**1,791**	**1,791**	19,774	19,774
Cash and cash equivalents	**91,392**	**91,392**	90,351	90,351
	133,668	**133,668**	158,105	158,105

	2022		2021	
Financial liabilities	**Financial liabilities at amortised cost HK$'000**	**Total HK$'000**	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	**51,936**	**51,936**	61,866	61,866
Due to a related party	**35,400**	**35,400**	35,400	35,400
Financial liabilities included in other payables and accruals	**36,746**	**36,746**	26,485	26,485
Interest-bearing bank and other borrowings	**50,938**	**50,938**	120,371	120,371
	175,020	**175,020**	244,122	244,122

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At 31 December 2022 and 2021, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of restricted cash, cash and cash equivalents, pledged bank deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, amounts due to a related party and interest-bearing bank and other borrowings approximate to their respective carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings, amounts due to a related party, restricted cash, cash and cash equivalents and pledged bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade and bills receivables, deposits and other receivables, trade and bills payables, and other payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The contractual interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are set out in note 24 above.

The following table demonstrates the sensitivity to a reasonably possible change in the PBOC base rate, the Hong Kong Interbank Rate, LPR base rate and the MLR base rate, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) during the year.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2022		
LPR base rate	**25**	**—**
Hong Kong Interbank Rate	**25**	**15**
MLR base rate	**25**	**56**
LPR base rate	**(25)**	**—**
Hong Kong Interbank Rate	**(25)**	**(15)**
MLR base rate	**(25)**	**(56)**
2021		
PBOC base rate	25	51
Hong Kong Interbank Rate	25	35
PBOC base rate	(25)	(51)
Hong Kong Interbank Rate	(25)	(35)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 21% and 24% of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 99% and 99% of inventory costs were denominated in the units' functional currencies for the years ended 31 December 2022 and 2021, respectively.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the US$ exchange rate, HK$ exchange rate and the THB$ exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2022			
If RMB weakens against US$	**5**	**2,285**	**1,838**
If RMB strengthens against US$	**(5)**	**(2,285)**	**(1,838)**
If RMB weakens against THB$	**5**	**(2,234)**	**(1,676)**
If RMB strengthens against THB$	**(5)**	**2,234**	**1,676**
If RMB weakens against HK$	**5**	**—**	**(18,871)**
If RMB strengthens against HK$	**(5)**	**—**	**18,871**
2021			
If RMB weakens against US$	5	6,718	5,644
If RMB strengthens against US$	(5)	(6,718)	(5,644)
If RMB weakens against THB$	5	(5,197)	(3,898)
If RMB strengthens against THB$	(5)	5,197	3,898
If RMB weakens against HK$	5	—	(18,486)
If RMB strengthens against HK$	(5)	—	18,486

* Excluding retained profits.

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31 December 2022

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade and bills receivables*	—	—	—	40,072	40,072
Financial assets included in prepayments, deposits and other receivables					
– Normal**	13,127	—	—	—	13,127
Restricted cash					
– Not yet past due	241	—	—	—	241
Pledged bank deposits					
– Not yet past due	1,791	—	—	—	1,791
Cash and cash equivalents					
– Not yet past due	91,392	—	—	—	91,392
	106,551	—	—	40,072	146,623

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade and bills receivables*	—	—	—	47,374	47,374
Financial assets included in prepayments, deposits and other receivables					
– Normal**	12,703	—	—	—	12,703
Pledged bank deposits					
– Not yet past due	19,774	—	—	—	19,774
Cash and cash equivalents					
– Not yet past due	90,351	—	—	—	90,351
	122,828	—	—	47,374	170,202

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 19 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through capital contribution and financial support from related parties and bank borrowings.

The maturity profile of financial liabilities as at 31 December 2022 and 2021, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2022			
	On demand HK$'000	**Less than 1 year HK$'000**	**Over 1 year HK$'000**	**Total HK$'000**
Trade and bills payables	**8,456**	**43,480**	**—**	**51,936**
Financial liabilities included in other payables and accruals	**—**	**36,746**	**—**	**36,746**
Due to a related party	**—**	**—**	**35,400**	**35,400**
Lease liabilities	**—**	**126**	**57**	**183**
Interest-bearing bank borrowings (excluding lease liabilities)	**—**	**17,727**	**37,613**	**55,340**
	8,456	**98,079**	**73,070**	**179,605**

	As at 31 December 2021			
	On demand HK$'000	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Trade and bills payables	1,746	60,120	—	61,866
Financial liabilities included in other payables and accruals	—	26,485	—	26,485
Due to a related party	—	—	35,400	35,400
Lease liabilities	—	262	78	340
Interest-bearing bank borrowings (excluding lease liabilities)	—	59,551	65,475	125,026
	1,746	146,418	100,953	249,117

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals, and amounts due to a related party less cash and cash equivalents, pledged bank deposits and restricted cash. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods are as follows:

	2022 HK$'000	2021 HK$'000
Interest-bearing bank and other borrowings	**50,938**	120,371
Trade and bills payables	**51,936**	61,866
Financial liabilities included in other payables and accruals	**36,746**	26,485
Due to a related party	**35,400**	35,400
Less: Cash and cash equivalents, pledged bank deposits and restricted cash	**(93,424)**	(110,125)
Net debt	**81,596**	133,997
Equity attributable to owners of the parent	**267,875**	246,503
Capital and net debt	**349,471**	380,500
Gearing ratio	**23%**	35%

NOTES TO FINANCIAL STATEMENTS

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**5,892**	5,892
Total non-current assets	**5,892**	5,892
CURRENT ASSETS		
Prepayments, deposits and other receivables	**35,505**	36,369
Pledged bank deposits	**—**	15,000
Cash and cash equivalents	**16,355**	1,260
Total current assets	**51,860**	52,629
CURRENT LIABILITIES		
Other payables	**74,150**	24,425
Interest-bearing bank and other borrowings	**—**	9,529
Total current liabilities	**74,150**	33,954
NET CURRENT (LIABILITIES)/ASSETS	**(22,290)**	18,675
TOTAL ASSETS LESS CURRENT LIABILITIES	**(16,398)**	24,567
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**—**	30,471
Total non-current liabilities	**—**	30,471
Net liabilities	**(16,398)**	(5,904)
EQUITY		
Issued capital	**2,339**	2,339
Reserves (note)	**(18,737)**	(8,243)
Total equity	**(16,398)**	(5,904)

Ko Sau Mee
Director

Lin Hing Lung
Director

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2022	**1,661**	**(15,718)**	**5,814**	**(8,243)**
Total comprehensive loss for the year	**—**	**(6,354)**	**—**	**(6,354)**
Dividends paid	**(4,140)**	**—**	**—**	**(4,140)**
As at 31 December 2022	**(2,479)**	**(22,072)**	**5,814**	**(18,737)**

	Share premium account HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2021	7,431	(10,806)	5,122	1,747
Total comprehensive loss for the year	—	(4,912)	—	(4,912)
Equity-settled share option arrangements	—	—	692	692
Exercise and vesting of share-based awards	803	—	—	803
Dividends paid	(6,573)	—	—	(6,573)
As at 31 December 2021	1,661	(15,718)	5,814	(8,243)

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2023.

FINANCIAL SUMMARY

A summary of the results and the assets, liabilities and non-controlling interests of the Group for the last five financial years is as follows.

RESULTS

	Year ended 31 December				
	2022 HK$'000	**2021 HK$'000**	**2020 HK$'000**	**2019 HK$'000**	**2018 HK$'000**
Revenue	**559,785**	610,350	665,651	561,535	610,864
Profit before tax	**55,157**	28,509	93,253	50,734	61,592
Income tax expenses	**(13,240)**	(10,493)	(29,617)	(12,620)	(14,664)
Profit for the year	**41,917**	18,016	63,636	38,114	46,928
Profit attributable to:					
Owners of the Company	**41,996**	18,093	53,161	37,412	41,686
Non-controlling interests	**(79)**	(77)	10,475	702	5,242
	41,917	18,016	63,636	38,114	46,928

ASSETS AND LIABILITIES

	As at 31 December				
	2022 HK$'000	**2021 HK$'000**	**2020 HK$'000**	**2019 HK$'000**	**2018 HK$'000**
Total assets	**475,208**	522,808	521,275	422,075	420,661
Total liabilities	**207,561**	276,477	295,551	144,428	192,225
	267,647	246,331	225,724	277,647	228,436
Equity					
Equity attributable to owners of the Company	**267,875**	246,503	225,820	275,474	220,803
Non-controlling interests	**(228)**	(172)	(96)	2,173	7,633
	267,647	246,331	225,724	277,647	228,436