2013 Annual Report

China Flavors and Fragrances Company Limited

中國香精香料有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3318)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Ming Fan
(Chairman & Chief Executive Officer)
Mr. Li Qing Long
Mr. Qian Wu

Independent non-executive Directors

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

COMMITTEES OF THE BOARD

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Mr. Ma Man Wai

AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

Standard Chartered Bank
Bank of China – Shenzhen Branch
Shenzhen Ping An Bank

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2101-02, 21/F
Wing On House
71 Des Voeux Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY-1108
Grand Cayman
British West Indies

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

SHARE LISTING

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

COMPANY WEBSITE

www.chinaffl.com

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of China Flavors and Fragrances Company Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

DIVIDEND

The Board does not recommend payment of any dividend in respect of the year under review.

BUSINESS OVERVIEW

The year of 2013 saw a lot of economic reforms and policy changes rolled out by the PRC central government in the direction of steering the PRC economy towards a domestic-consumption-driven economy. The PRC economy drifted in the course of structural reforms but managed to end the year with a stable annual GDP growth of 7.7% in 2013 over the previous year. On the other hand, improvements continued to be seen in the US economy and the European economies seemed to be bottoming out in the second half of 2013.

In 2013, the Group continues to invest significant resources in research and development. The Group's research center in Shanghai, which was established in 2012, is in full stream operation. It has recruited R&D talents and has started new research projects for product innovation and development. In the second half of the year, the Group got hold of an opportunity by entering into a disposal agreement with an independent third party on 29 October 2013 to realize its investment in its upstream extracts business and the transaction was subsequently completed on 28 February 2014. Accordingly, the results of the Group's extracts segment were accounted for as discontinued operations in the consolidated financial statements of the Group for the year ended 31 December 2013.

Elsewhere in the Group's operations, the Company continued to grow in the year of 2013. Construction of the Group's new production base in Nanshan Shuguang Cang Chu Qu Zong Di, Shenzhen, has been completed in the first half of the year. Advanced automated production system was introduced from overseas to elevate the production process in the new factory. With all this, the Group's production capacity has been uplifted to a new level. During the year, the Group's three business units of flavor enhancers, fine fragrances and food flavors (collectively, the continuing operations) have respectively moved into the new production base and production has since begun.

With the new production base providing a consolidated production platform, the Group has managed to minimize its production overhead costs as much as possible. With its continued research efforts on innovation of production formulas, production methods and with persistent cost control measures, the overall performance of the Group improved further in 2013.

CHAIRMAN'S STATEMENT

FUTURE PROSPECTS

The disposal of the Group's extracts unit may have an impact on the turnover of the Group in the near term; however, the impact on the Group's profitability will not be significant. The Group shall apply the disposal proceeds of the extracts unit to the Group's general working capital. The Group remains open to investment opportunities in the future and would not rule out any mergers or acquisitions in the future for the growth or integration of its businesses either upstream or downstream to sustain development in the long run. The construction of the office building and the R&D building with a total floor area of approximately 90,000 square meters within the new production base is expected to be completed by the end of this year. The Group is optimistic of the long term growth of the flavors and fragrances industry brought forth by the continuous urbanization in China, the increase of income driving domestic consumption and the pursue of quality life and lifestyle by its people. However, the Group shall remain cautious of the impact of the ongoing structural reform on the PRC economy. The Group shall continue to strive for excellence in its research and development work with pioneer spirit, to produce new products and bring forward quality products to meet market demand, enrol new customers, adopt flexible selling strategies and maintain grip on cost control measures. When providing products and services to meet customers' needs, the Group shall also be mindful of its social responsibility and take into its culture of product safety, environmental protection, work safety and contribution to the community.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to all our shareholders, customers, suppliers, business associates for their continued support. I also wish to thank my fellow Directors, the management and staff for their devotion and dedicated work during the year.

Wang Ming Fan
Chairman

Hong Kong
21 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BACKGROUND OF THE GROUP

The Group is principally engaged in the research and development, trading, manufacturing and selling of extracts, flavors and fragrances, which are provided to the Group's customers for making addition and improvement of flavors and fragrances in the customers' manufactured tobacco, food and daily consumer goods. The Group's products add value by enhancing tastes or smells of its customers' products and therefore improve the product quality of the products manufactured by the Group's customers. The Group's flavors are sold principally to manufacturers of tobacco, beverages, daily foods, preserved food, savory and confectionery products whereas the Group's fragrances are sold principally to manufacturers of cosmetics, perfumes, soaps, toiletries, hair care products, deodorant, detergent and air fresheners products.

BUSINESS REVIEW

The year of 2013 saw a lot of economic reforms and policy changes rolled out by the PRC central government in the direction of steering the PRC economy towards a domestic-consumption-driven economy. The PRC economy drifted in the course of structural reforms but managed to end the year with a stable annual GDP growth of 7.7% in 2013 over the previous year. On the other hand, improvements continued to be seen in the US economy and the European economies seemed to be bottoming out in the second half of 2013.

In 2013, the Group continues to invest significant resources in research and development. The Group's research center in Shanghai, which was established in 2012, is in full stream operation. It has recruited R&D talents and has started new research projects for product innovation and development.

In the same year, the Group got hold of an opportunity to realize its investment in its upstream extracts business which is operated by its subsidiary, Tengzhou City Wutong Aroma Chemicals Company Limited ("Wutong Aroma") by entering into an agreement with an independent third party on 29 October 2013 for disposal of the Group's 50% interest in the issued share capital of Universal Fragrances Company Limited which in turn holds the entire share capital of Wutong Aroma ("Disposal Group") and the disposal transaction was subsequently completed on 28 February 2014 (with reference to the Company's announcements dated 29 October 2013 and 28 February 2014 respectively). Accordingly, the results of the Group's extracts segment were accounted for as discontinued operations in the consolidated income statement and consolidated statement of comprehensive income of the Group, whereas the assets and liabilities of the discontinued extracts segment were accounted and classified as assets of disposal group classified as held for sale and liabilities of disposal group classified as held for sale in the consolidated balance sheet of the Group for the year ended 31 December 2013.

During the same year, the Group's investment in Ludao Investments Holdings Limited ("Ludao Investments"), in which the Group held approximately 10.0% equity interest, was restructured and its immediate holding company in the name of China Ludao Technology Company Limited ("China Ludao") became a listed company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). After the listing of China Ludao, the Group's interest in Ludao Investments was diluted into an interest of approximately 7.43% in the issued share capital of China Ludao.

MANAGEMENT DISCUSSION AND ANALYSIS

Continuing operations

The Company continued to grow in the year of 2013. Construction of the Group's new production base in Nanshan Shuguang Cang Chu Qu Zong Di, Shenzhen, has been completed in the first half of the year. The new production base occupies an area of approximately 20,000 square meters, holding the Group's new production factory, production office, quality control room, ancillary warehouses, sewage treatment facilities. Advanced automated production system was introduced from overseas to elevate the production process in the new factory. With all this, the Group's production capacity has been uplifted to a new level of 10,000 tons a year. A formal launch ceremony of the new production base was held on 23 May 2013. During the year, the Group's three business units of flavor enhancers, fine fragrances and food flavors have respectively moved into the new production base and production has since begun.

The continuing operations recorded a turnover of approximately RMB687.5 million in 2013, up 9.4% from approximately RMB628.5 million in 2012. Increase of turnover was seen in all business segments of the continuing operations for the year under review, showing the success of different pricing strategies, in particular, of some of the elastic goods of the three segments, among target customers to grow business with them, bringing new products of food flavors and fine fragrances to the market and boosting sales of higher-end tobacco flavor enhancer products to offset the impact from severe competition in the lower end of the relevant market. Following the operation of the new production base, the Group has received new order from one of the largest manufacturers of confectionaries in Japan for the Group's edible dusting powder products. As a result, the turnovers of fine fragrances was up 23.8%, food flavors, up 16.9% and flavor enhancers, up 2.4%.

With the new production base providing a consolidated production platform, the Group has managed to minimize its production overhead costs as much as possible and with its continued research efforts on innovation of production formulas and production methods, the gross profit of the continuing operations increased by 13.6% to RMB334.1 million in 2013 (2012: RMB294.1 million). The gross profit margin improved to 48.6% in 2013 from 46.8% in 2012. The improvement in gross profit margin was mainly attributable to continuous improvement of product formulas, lower raw material costs for food flavours, fine fragrances and flavor enhancers, sourcing of new suppliers and reduced production overheads induced by the new advanced production system used.

Selling and distribution costs of the continuing operations amounted to RMB131.8 million in 2013 (2012: RMB123.9 million), representing 19.2% (2012: 19.7%) of its turnover. The increase in these costs was mainly attributable to the sales advertising costs and the increased sales commissions to the Group's selling agents of flavor enhancers commensurate with the increase of sales through such agents in the year.

Administrative expenses of the continuing operations amounted to RMB104.7 million in 2013 (2012: RMB97.7 million), representing 15.2% (2012: 15.5%) of its turnover. The increase was mainly due to increase in research and development expenditures, increase in office expenses which included, but not limited to realized expenses of the Group's new production base in Shenzhen, business conference expenses, sales promotion items and provision for write-down of inventories in the continuing operations.

Finance income-net of the continuing operations amounted to RMB2.1 million in 2013 (2012: RMB0.7 million). The increase of the net finance income was mainly attributable to increase of interest income on cash and cash equivalents in the PRC.

Profit for the year from the continuing operations rose to approximately RMB85.1 million in 2013 from approximately RMB57.4 million in 2012.

Discontinued operations

The discontinued extracts segment recorded a turnover of approximately RMB146.1 million in 2013, up 10.5% from approximately RMB132.2 million in 2012. The increase was attributable to business pickup in the second half of 2013 and new structure of products mix. The gross profit margin improved slightly to 26.8% in 2013 from 26.7% in 2012 and the net profit for the year improved to approximately RMB5.7 million in 2013 from approximately RMB2.7 million in 2012. Impairment charge of goodwill for the extracts segment resulted in a loss for the year ended 31 December 2013 of approximately RMB7.1 million.

Overall results of the Group

As at 31 December 2013, the Group's profit attributable to owners of the Company for the year from the continuing operations and the discontinued operations was approximately RMB75.1 million (2012: RMB58.8 million), representing approximately 27.7% increase from the preceding year. The net profit margin of the Group rose to 9.3% for the year from 7.9% for 2012. The increase in net profit margin was mainly attributable to persistent cost control of overall administrative expenses during the year under review in addition to the savings in the cost of goods sold.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS AND PROSPECTS

The disposal of the Group's extracts unit may have an impact on the turnover of the Group in the near term; however, the impact on the Group's profitability will not be significant. The Group shall apply the proceeds of the Disposal Group to the Group's general working capital. The Group remains open to investment opportunities in the future and would not rule out any mergers or acquisitions in the future for the growth or integration of its businesses either upstream or downstream to sustain development in the long run. The construction of the office building and the R&D building with a total floor area of approximately 90,000 square meters within the new production base is expected to be completed by the end of this year. The Group is optimistic of the long term growth of the flavors and fragrances industry brought forth by the continuous urbanization in China, the increase of income driving domestic consumption and the pursue of quality life and lifestyle by its people. However, the Group shall remain cautious of the impact of the ongoing structural reform on the PRC economy. The Group shall continue to strive for excellence in its research and development work with pioneer spirit, to produce new products and bring forward quality products to meet market demand, enrol new customers, adopt flexible selling strategies and maintain grip on cost control measures. When providing products and services to meet customers' needs, the Group shall also be mindful of its social responsibility and take into its culture of product safety, environmental protection, work safety and contribution to the community.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2013, the net current assets of the Group amounted to RMB568.0 million (2012: RMB462.2 million). The cash and bank deposits of the Group's continuing operations amounted to RMB179.7 million (2012: RMB243.1 million). The decrease in cash and bank deposits by the end of 2013 was mainly attributable to the capital expenditures of the construction of the Group's new production base, office building and R&D building. The current ratio of the Group was approximately 3.6 (2012: 4.1).

Total equity of the Group as at 31 December 2013 was approximately RMB1,146.5 million (2012: RMB1,081.1 million). As at 31 December 2013, the Group had no bank borrowings (2012: nil) therefore no debt gearing ratio (total borrowings over total equity) (2012: nil).

As indicated by the above figures, the Group has maintained stable financial resources to execute its future commitments and future investments for expansion.

Financing

The Board believes that the existing financial resources will be sufficient to execute future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable terms.

Capital Structure

The share capital of the Company comprises ordinary shares for the year ended 31 December 2013.

Foreign Exchange Risk

The Group has net exchange losses of approximately RMB1.2 million in 2013 (2012: RMB0.6 million). The Group mainly operates in the PRC and most of its transactions are dominated in RMB, hence, no financial instrument was pledged for the value fluctuation of RMB since the hedging cost is relatively high and the conversion of foreign currencies is subject to the rules and regulations of foreign exchange promulgated by the PRC government.

Capital Expenditure

During the year under review, the Group invested approximately RMB138.1 million (2012: RMB94.6 million) in fixed assets, of which RMB2.8 million (2012: RMB1.2 million) was used for the purchase of plant and machinery.

For the year ended 31 December 2013, the Group had capital commitments of approximately RMB17.8 million (2012: RMB12.0 million) in respect of fixed assets, which shall be funded by internal resources.

Charge On Group's Assets

As at 31 December 2013, the Group did not have any pledge or charge on assets (2012: nil except for notes payable guaranteed by bills receivable at the carrying amount of approximately RMB6.0 million and by pledged bank deposits at the carrying amount of approximately RMB7.6 million).

STAFF POLICY

The Group had 930 employees in the PRC and 8 employees in Hong Kong as at 31 December 2013. The Group offers a comprehensive and competitive remuneration, retirement schemes and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are in compliance with the rules and make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are also required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme, as required under the Mandatory Provident Schemes Ordinance, for its employees in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL INVESTMENT

For the year ended 31 December 2013, the Group does not have material investment save for the investment in the new production plant located at Nanshan Shuguang Cang Chu Qu Zong Di No.T505-0059 (南山曙光倉儲區宗地No.T505-0059) in Shenzhen, the PRC, amounting to RMB387.1 million.

CONTINGENT LIABILITIES

At the balance sheet date, the Group did not have any significant contingent liabilities.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Executive Directors

Mr. WANG Ming Fan (王明凡), aged 48, has been an executive director and chief executive officer of the Company since April 2005, responsible for the daily operation of the Group and has been appointed as the Chairman of the Company on 25 October 2012. Mr. Wang has over 20 years of corporate management experience in the flavour and fragrance industry. Mr. Wang first joined the Group in 1996 as a general manager. He is now a member of 中國人民政治協商會議廣東省深圳市委員會 (the Shenzhen Standing Committee of the Chinese People's Political Consultative Conference), the vice chairman of the committee of 中國香精香料化妝品工業協會 (China Association of Fragrance Flavor and Cosmetic Industries) and the vice chairman of 中國食品添加劑和配料協會 (China Food Additive & Ingredients Association). Prior to joining the Group, he was the deputy general manager of 深圳聯海化工有限公司 (Shenzhen Lianhai Chemical Industrial Co., Ltd.) for approximately 10 years. Mr. Wang was accredited as one of the "Ten Outstanding Young People in the Nanshan District of Shenzhen" by 中共深圳市南山區委員會 (Nanshan District Committee, Shenzhen of China Communist) and 深圳市南山區政府 (Nanshan District Government, Shenzhen) in 2004 and the "Chinese Distinguished Private Technology Entrepreneur" by 中華全國工商業聯合會 (All-China Federation of Industry & Commerce) and 中國民營科技實業家協會 (China Private Technology Entrepreneur Association) in 2004. He was the vice chairman of Shenzhen Federation of Youth Entrepreneurs in March 2005 and was accredited as an Outstanding Entrepreneur by Guangdong Food Profession Association.

Mr. LI Qing Long (李慶龍), aged 53, has been an executive director of the Company since April 2005. Mr. Li has more than 20 years of R&D and production experience in the flavour and fragrance industry. Mr. Li joined the Group in March 1991 and served as the deputy general administration manager. Mr. Li is responsible for the R&D and production of flavors and fragrances of the Group. He graduated from 上海輕工業專科學校 (Shanghai Light Industry Professional School) in 1982 with a major in 有機合成工藝 (organic synthesis process). Prior to joining the Group, he worked in 上海日用香精廠 (Shanghai Flavor and Fragrance Factory) for approximately 8 years.

Mr. QIAN Wu (錢武), aged 49, has been an executive director of the Company since March 2007 and is the deputy general manager of Shenzhen Boton Spice Company Limited ("Shenzhen Boton"), an indirect wholly owned subsidiary of the Company. He joined the Group in October 1997 and is the chief supervisor of the applied technology and promotion center for food flavors of the Company and its subsidiaries. He graduated from 中國安徽機電學院 (Anhui Institute of Mechanical and Electrical Engineering) in 1990, with a major in industrial corporate management. Mr. Qian has over 20 years of research and development experience in the flavour and fragrance industry. Prior to joining the Group, Mr. Qian has worked in Wuhu Tobacco Factory for 12 years.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Independent non-executive Directors

Mr. LEUNG Wai Man, Roger (梁偉民), aged 57, has been an independent non-executive director of the Company since November 2005. Mr. Leung obtained a bachelor's degree of laws from The University of Hong Kong in 1981. Mr. Leung also obtained a bachelor's degree of laws from The University of Western Ontario, Canada in 1990. He has been a practising solicitor in Hong Kong since 1984 and is now a partner of a law firm. Mr. Leung was admitted as a solicitor in England and Wales and Ontario, Canada. Mr. Leung has over 20 years of working experience in the legal field. He has served as a member of the Board of Review (Inland Revenue Ordinance) from 1997 to 2005 and has been serving as an appointed Attesting Officer in the PRC since January 2003. Mr. Leung is currently an independent non-executive director and a member of the audit committee of Hi Sun Technology (China) Limited (Stock Code: 818), the shares of which are listed on the Stock Exchange. Hi Sun Technology (China) Limited is principally engaged in the provision of telecommunication solutions, provision of payment solutions and sales of electronic power meters and solutions.

Mr. Leung does not have any relationship with any directors, senior management, substantial shareholders (as defined in the Listing Rules of the Stock Exchange) (the "Listing Rules"), or controlling Shareholders (as defined in the Listing Rules) of the Group.

Save as aforesaid, Mr. Leung did not hold other directorship in any public listed companies in the last 3 years. Mr. Leung has renewed his 2-year contract with the Company, commencing from 9 December 2013 and will receive an annual director's fee of HK$150,000. Save and except for the director's fee, Mr. Leung will not be entitled to any other remuneration for holding his office as an independent non-executive director of the Company.

Mr. ZHOU Xiao Xiong (周小雄), aged 53, has been an independent non-executive director of the Company since November 2005. Mr. Zhou obtained a bachelor's degree in 經濟信息管理系 (Economic Information Management) and had his postgraduate study in 世界經濟 (World Economics) from the 中國人民大學 (Renmin University of China) in 1983 and 1998, respectively. Mr. Zhou obtained a master degree in Master of Businesses Administration from 清華大學 (Qing Hua University) in 2008. Mr. Zhou has worked as senior management in a number of financial institutions in the PRC including 廣東證券有限公司 (Guangdong Securities Company Limited), 中國銀行股份有限公司 (Bank of China Limited) and 中山證券有限責任有限公司 (Zhongshan Securities Company Limited), and has over 20 years of experience in the fields of financial services and investment banking. Mr. Zhou is at present the chairman of J.P. Morgan Futures Company Limited in China.

Mr. Zhou does not have any relationship with any directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling Shareholders (as defined in the Listing Rules) of the Group.

Save as aforesaid, Mr. Zhou did not hold other directorship in any public listed companies in the last 3 years. Mr. Zhou has renewed his 2-year contract with the Company, commencing from 9 December 2013 and will receive an annual director's fee of HK$150,000. Save and except for the director's fee, Mr. Zhou will not be entitled to any other remuneration for holding his office as an independent non-executive director of the Company.

Mr. NG Kwun Wan (吳冠雲), aged 50, has been an independent non-executive director of the Company since December 2009. Mr. Ng is an associate member of the Hong Kong Institute of Certified Public Accountants. He obtained his bachelor degree in Accounting and Finance from the University of Manchester and master degree in professional accounting from the University of New South Wales. Mr. Ng has over 20 years experience in the accounting and finance industry with expertise in direct investment in industrial, infrastructure and property projects. Mr. Ng was the general manager of Tianjin Region of South China (China) Limited (Stock Code: 413), a listed company on the Stock Exchange, from 2006 to 2010. Mr. Ng has enormous experience in direct investment in enterprises in the PRC. From 1998 to 2004, Mr. Ng was the deputy general manager of New World China Enterprises Projects Limited, a wholly owned subsidiary of New World Development Company Limited (Stock Code: 17), and participated in the initial public offering of New World Infrastructure Co. Ltd. in 1997.

Mr. Ng does not have any relationship with any director, senior management or substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Group.

Save as aforesaid, Mr. Ng did not hold other directorship in any public listed Company in the last 3 years. Mr. Ng has renewed his 2-year contract with the Company, commencing from 9 December 2013 and will receive an annual director's fee of HK$150,000. Save and except for the director's fee, Mr. Ng will not be entitled to any other remuneration for holding his office as an independent non-executive director of the Company.

SENIOR MANAGEMENT

Mr. QIU Jing (邱京), aged 37, is the head of sales and marketing department for fine fragrances in Shenzhen Boton. He joined the Group in October 2002. He graduated from 中國武漢大學 (Wuhan University of the PRC) in 1998, with a major in law of economics. Mr. Qiu has over 10 years of sales and marketing experience in the flavour and fragrance industry. Prior to joining the Group, Mr. Qiu has worked in Shell Company for 4 years.

Mr. YANG Ying Chun (楊迎春), aged 39, is the financial controller of the Group and the Vice President of Shenzhen Boton. He is responsible for the Group's overall financial planning and management of the Group. He obtained his MBA degree and master degree of finance and economics, major in accounting from 蘭州大學管理學院 (Lanzhou University) and 天津財經大學 (Tianjin Finance University). Mr. Yang joined the Group since 2005 and has accumulated over 18 years experience in finance industry. Prior to joining the Group, Mr. Yang worked with different companies as finance manager.

Mr. MA Man Wai (馬文威), aged 44, is the company secretary of the Company. Mr. Ma obtained a bachelor's degree in business (accountancy) from Queensland University of Technology, Australia in 1993. He is a member of the Hong Kong Institute of Certified Public Accountants. Before working with the Group in September 2005, Mr. Ma has over 18 years of accounting related experience from accounting firms and international companies.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. XIAO You Jian (肖友檢), aged 71, is the senior engineer of food flavour products of Shenzhen Boton. He joined the Group in March 2002 and he is the chief technology researcher who is responsible for technology development of the Group's food flavours. He graduated from the 中國湖南大學 (Hunan University of the PRC) in 1965, with a major in chemistry. Mr. Xiao has over 46 years of engineering experience in the flavour and fragrance industry. Prior to joining the Group, Mr. Xiao has worked in 國家輕工業部香料工業科研究所 (Research Institute of Fragrance & Flavour Industry of the State's Light Industry Ministry) for 37 years. He received the National Technology Progress Second Class Award from 中國國家科學技術工業委員會 (the State Commission of Science, Technology and Industry of the PRC) in 1986, the Technology Progress Second Class Award from 國家輕工業部 (the State's Light Industry Ministry) in 1985.

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of and is committed to maintaining high standards of corporate governance so as to enhance corporate transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. The Company believes that good corporate practice is essential for effective management, healthy corporate culture and successful business growth. These include a board comprising high calibre members, board committees and effective internal systems and controls.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2013, except for deviation from code provision A.2.1. The following sections set out the Company's corporate governance practices by applying the principles of the CG Code and any deviations thereof during the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD

(a) Board Composition

The Board members as at 31 December 2013 were:

Executive Directors
Mr. Wang Ming Fan *(Chairman and Chief Executive Officer)*
Mr. Li Qing Long
Mr. Qian Wu

Independent Non-executive Directors
Mr. Leung Wai Man, Roger
Mr. Ng Kwun Wan
Mr. Zhou Xiao Xiong

The biographical details of all directors and the relationships among them are set out in "Directors, Senior Management and staff" on pages 13 to 16. To the best knowledge of the Company, there is no financial, business and family relationship among our directors. Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills, experience and diversity appropriate for the requirements of the business of the Company.

All Directors (including Independent Non-executive Directors) are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association (the "Articles"). Any Director appointed as an addition to the Board or to fill a casual vacancy on the Board shall hold office until the first general meeting after their appointment and shall then be eligible for re-election.

(b) Board Diversity

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

(c) Role and Function

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

The Board effectively leads and controls the long-term vision and strategic direction of the Group. Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group and approves the Group's corporate and strategic directions. The Board is also responsible for implementing policies in relation to financial matters, which include risk management and internal controls and compliance, if applicable. In addition, the Board reviews the financial performance of the Group, approves investment proposals, nomination of directors to the Board and the appointment of key management personnel. These functions are carried out either directly or through Board committees such as Audit Committee, Nomination Committee and Remuneration Committee.

In the appropriate circumstances and as and when necessary, Directors may obtain independent professional advice at the Group's expenses, ensuring that board procedures, and all applicable rules and regulations, are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration function of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest for a substantial shareholder or a director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies. The Board will review those arrangements on a periodic basis to ensure that it remains appropriate to the needs of the Group.

Formal Board meetings will be held at least four times a year at approximately quarterly intervals to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Ad-hoc meetings are convened when the circumstances require. The Company's Bye-laws allow a Board meeting to be conducted by way of teleconference and videoconference.

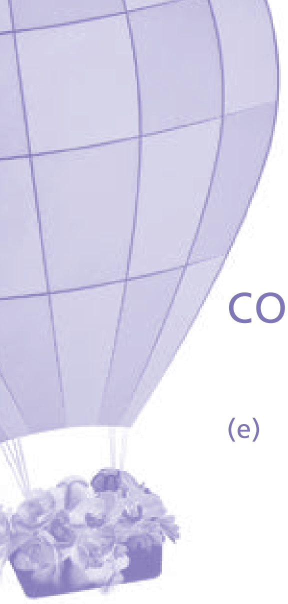
(d) Accountability and Audit

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

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

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Independent Auditor's Report" on pages 35 to 36.



(e) Supply of and Access to Information

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

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

(f) Meeting Records

The Board shall meet at least four times a year at approximately quarterly intervals. There were 4 formal meetings held in the financial year ended 31 December 2013 with full minutes kept by the company secretary.

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

(g) Independent Non-executive Directors

The independent non-executive directors of the Company are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance, law and business. Their skills, expertise and number in the board ensure that strong independent views and judgement are brought in the Board's deliberations and that such views and judgement carry weight in the board's decision making process. Their presence and participation also enable the board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company.

All Independent Non-executive Directors are financially independent from the Company and any of its subsidiaries. All the independent non-executive directors served in the year under review have given annual confirmation of their independence to the Company. Based on the contents of such confirmation, the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

(h) Continuous Professional Development

Under Code provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

During the year, the Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the Company Secretary for record.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee with terms of reference in compliance with the CG Code. As at 31 December 2013, the Remuneration Committee comprises Mr. Wang Ming Fan, an Executive Director and the three Independent Non-executive Directors, namely Mr. Ng Kwun Wan, Mr. Leung Wai Man, Roger and Mr. Zhou Xiao Xiong. Mr. Ng Kwun Wan is the Chairman of the Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his own remuneration package. The Remuneration Committee shall meet at least once a year.

The Remuneration Committee is responsible to make recommendations to the Board regarding the Company's remuneration policy and structure for all directors and senior management, establishment of a formal and transparent procedure for developing the relevant policies and review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives. The terms of reference setting out the Remuneration Committee's authority and responsibilities are available on both websites of the Company and the Stock Exchange.

All Executive and Independent Non-executive Directors have service agreements for a term of 3 years and 2 years respectively. The remuneration of the Independent Non-executive Directors is in the form of a fixed fee while the remuneration of Executive Directors consists of salary, commission, housing reimbursement and allowances, bonus and performance awards that are dependent on the performance of the Group and of the Directors.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a Share Option Scheme in 2005. Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus to reward to the participants who contribute to the success of the Group's operations. Details of the amount of Directors' and senior management's emoluments are set out in Note 24 to the accounts.

During the year, the committee considered the remuneration scale of independent non-executive directors, which remained status quo after review.

There was 1 meeting held in the financial year ended 31 December 2013 with full minutes kept by the company secretary.

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

NOMINATION OF DIRECTORS

The Company established a Nomination Committee with written terms of reference in compliance with the CG Code. As at 31 December 2013, the Nomination Committee comprises Mr. Wang Ming Fan, an Executive Director and the three Independent Non-executive Directors, namely Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and Mr. Ng Kwun Wan. Mr. Leung Wai Man, Roger is the Chairman of the Nomination Committee. Each member of the Nomination Committee shall abstain from voting on any resolutions in respect of the assessment of his own performance or re-nomination as Director. The Nomination Committee shall meet at least twice a year.

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

The committee identified suitable individual qualified to become board members and makes recommendation to the Board on relevant matters relating to the appointment or reappointment of directors if necessary, in particular, candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result on the constitution of strong and diverse Board.

The terms of reference setting out the Nomination Committee's authority and duties are available on both websites of the Company and the Stock Exchange.

During the year, the committee reviewed the composition of the Board, the re-election of directors who should retire from office by rotation at the following annual general meeting and the amended Terms of Reference of the committee.

There were 3 meetings held in the financial year ended 31 December 2013 with full minutes kept by the company secretary.

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

INDEPENDENT AUDITORS' REMUNERATION

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

	Fee paid/payable *RMB'000*
Nature of service	
Audit services	
Annual audit of accounts	2,439
Non-audit services	–
	2,439

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Ng Kwun Wan, the Chairman of the Audit Committee, Mr. Leung Wai Man, Roger and Mr. Zhou Xiao Xiong. Each member of the Audit Committee shall abstain from voting on any resolutions in respect of matters in which he is interested. The Audit Committee shall meet at least twice a year.

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

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

The terms of reference setting out the Audit Committee's authority and duties are available on both websites of the Company and the Stock Exchange.

During the year, the committee discharged its responsibilities by:

- Make recommendations to the Board on the reappointment of the external auditor.
- Review and monitor the integrity of the financial statements of the Company and the Company's annual and interim reports and the auditors' report to ensure that the information presents a true and balanced assessment of the Company's financial position.
- Review the Company's financial controls, internal control and risk management systems to ensure that management has discharged its duty to have an effective internal control system.
- Coordinate with the internal auditors to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- Review the Company's financial and accounting policies and practices.
- Review the external auditor's management letter, material queries raised by the external auditor to the management in respect of the accounting records, financial accounts or systems of control and the management's response to such queries.
- Report to the Board on the matters set out in the CG Code on the audit committee.

There were 2 meetings held in the financial year ended 31 December 2013 with full minutes kept by the company secretary.

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

INTERNAL CONTROLS

The Board, through the Audit Committee, has on-going review of the effectiveness of the system of internal control of the Company and its subsidiaries. Sound internal controls not only facilitate the effectiveness and efficiency of operations, ensuring compliance with laws and regulations, but most importantly, it helps to minimize risk exposure for the Group. The Group is committed to identification, monitoring and management of risks associated with its business activities and has implemented practical and effective control systems. The Board has considered the adequacy of resources, qualifications and experience of staff with their training programmes and budget.

CORPORATE GOVERNANCE REPORT

During the year under review, KL CPA Limited, Certified Public Accountants has been appointed as the Company's internal auditor for the purpose of reviewing the effectiveness of the Company's material internal controls. On-going assessment on internal control have been conducted by KL CPA Limited periodically to determine the Company's risk management, control and governance practices as designed and represented by management. The management of the Company will communicate with the independent internal auditor regularly for all findings and recommendations, appropriate changes will be made to respond to the circumstances.

The internal control system is designed to provide reasonable, not absolute, assurance that the business objectives of the Company will be met and to manage the Company's risks within an acceptable risk profile. Internal control plays an important role in the prevention and detection of fraud or material misstatement of management for reliable management and financial information and records. Internal audits are implemented to provide the Board with reasonable assurance that the processes of the Company operate as designed and the internal control systems of the Group are sound and effective.

COMPANY SECRETARY

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

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

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

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene extraordinary general meeting

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

Procedures by which enquiries may be put to the Board

The Company encourages shareholders' participation at AGMs and all shareholders are given the opportunity to voice their view and to direct enquiries regarding the Group to Directors, including the chairperson of each of the Board Committees. Shareholders are welcome to send in enquires they may have to the Board to the Company's head office and principal place of business in Hong Kong: Room 2101-02, 21/F, Wing On House, 71 Des Voeux Road Central, Hong Kong for the attention of the Company Secretary.

Procedures for shareholders to put forward proposals at a general meeting

Shareholders could put forward proposals at a general meeting to the Company, for the Board's consideration pursuant to the Company's Articles, in writing by post to the Company's head office and principal place of business in Hong Kong: Room 2101-02, 21/F, Wing On House, 71 Des Voeux Road Central, Hong Kong for the attention of the Company Secretary.

INVESTOR RELATIONS

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

All shareholders of the Company will receive annual report and notice of AGM. Notice of the forthcoming AGM shall be made available on HKExNET on 3 April 2014.

The Company's Bye-laws allow a member of the Company to appoint one or two proxies to attend and vote at general meetings. The external auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders concerning the Company's financial statements.

AGM will be held on 9 May 2014.

DIRECTORS' REPORT

The Directors present the annual report and the audited accounts for the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 9 to the accounts.

RESULTS AND APPROPRIATIONS

Details of the Group's result for the year ended 31 December 2013 are set out in the consolidated income statement on page 40.

The Board does not recommend payment of any dividend in respect of the year ended 31 December 2013 (2012: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 7 to the accounts.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 16 to the accounts.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in Note 17 to the accounts and the consolidated statement of changes in equity respectively.

DIRECTORS’ REPORT

DIRECTORS

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

Executive Directors

Mr. Wang Ming Fan
Mr. Li Qing Long
Mr. Qian Wu

Independent Non-executive Directors

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

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

DIRECTORS’ REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of directors’ remuneration and those of the five highest paid individuals in the Group are set out in Note 24 to the accounts respectively.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31 December 2013, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), to be entered in the register referred to therein, or will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long Positions

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

Name of Director	Personal Interests (held as beneficial owner)	Corporate Interests (interest of controlled corporation)	Total Interests	Approximate Percentage of the Issued Share Capital of the Company
Mr. Wang Ming Fan	30,757,192	324,551,838 (Note 1)	355,309,030	56.51%

Notes:

1. By virtue of the SFO, Mr. Wang Ming Fan is deemed to be interested in all the 324,551,838 Shares held by Creative China Limited ("Creative China"), being 51.62% of the issued share capital of the Company, in which 41.19% of the issued share capital of Creative China is owned by Mr. Wang Ming Fan.

2. On 15 January 2014, the Company was notified that 18,674,348 Shares were acquired by Mr. Wang Ming Fan. As a result, at the date of this report, Mr. Wang Ming Fan had a personal interest of 49,431,540 Shares and deemed interest of 324,551,838 Shares through Creative China (as explained in Note 1 above) totalling 373,983,378 Shares, representing 59.48% of the issued share capital of the Company.

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

Name of Director	Class and number of shares held in associated corporation	Percentage of issued shares
Mr. Wang Ming Fan	4,559 ordinary shares	41.19%
Mr. Qian Wu	763 ordinary shares	6.89%
Mr. Li Qing Long	436 ordinary shares	3.94%

Save as disclosed above, none of the directors or chief executives of the Company is aware of any other director or chief executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at 31 December 2013.

DIRECTORS' SERVICE CONTRACT

Two Executive Directors have entered into service contracts with the Company for a term of three years commencing on 9 December 2005 and the remaining Executive Director has entered into a service contract with the Company for a term of three years commencing on 15 March 2007. The service contracts of the three Executive Directors shall continue thereafter unless and until terminated by either party giving not less than three months' notice in writing to the other party.

Each of the independent non-executive directors renewed his service agreement with the Company for a term of two years, commencing on 9 December 2013 and either the Company or the independent non-executive directors may terminate the respective appointment by giving not less than one month's notice in writing to the other party.

Other than disclosed above, none of the directors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' and chief executives' interests in securities" above, the following shareholder had notified the Company of its relevant interests in the issued share capital of the Company.

Long Positions – Ordinary Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Percentage of issued Shares
Creative China (Note 1)	Beneficial owner (Note 1)	324,551,838	51.62%

Note:

1. Creative China is owned as to 41.19% by Mr. Wang Ming Fan, as to 28.11% by Mr. Wong Ming Bun (a former director of the Company), as to 19.87% by Mr. Wang Ming You (a former director of the Company), as to 6.89% by Mr. Qian Wu and as to 3.94% by Mr. Li Qing Long.

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2013.

SHARE OPTIONS

The Group has no share option outstanding as at 31 December 2013 (2012: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 24.8% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 6.7% of the Group's total sales. The aggregate purchase during the year attributable to the Group's five largest suppliers accounted for 40.0% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 9.7% of the Group's total purchase.

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

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the effectiveness of its internal control system during the year under review including the audited annual financial statements of the Group for the year ended 31 December 2013. The Audit Committee is comprised of the three independent non-executive directors of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with the CG Code throughout the period from 1 January to 31 December 2013, as set out in Appendix 14 of the Listing Rules save for the deviation as disclosed in the Corporate Governance Report from pages 17 to 27, which provide further information on the Company's corporate governance practices.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

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

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the model code set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors of the Company have confirmed that, following specific enquiry by the Company, they have compiled with the required standard set out in the model code throughout the year ended 31 December 2013.

AUDITORS

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

On behalf of the Board

Wang Ming Fan
Chairman

Hong Kong
21 March 2014

pwc

羅兵咸永道

Independent Auditor's Report
To the shareholders of China Flavors and Fragrances Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Flavors and Fragrances Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 99, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2014

CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December 2013	2012
ASSETS			
Non-current assets			
Land use rights	6	**54,004**	77,598
Property, plant and equipment	7	**501,010**	437,566
Intangible assets	8	**–**	83,629
Available-for-sale financial assets	10	**19,381**	31,947
Deferred income tax assets	21	**11,558**	10,192
		585,953	640,932
Current assets			
Inventories	11	**98,409**	145,673
Trade and other receivables	12	**249,518**	217,053
Pledged bank deposits	13	**–**	7,624
Cash	14	**179,694**	243,129
		527,621	613,479
Assets of disposal group classified as held for sale	15	**255,338**	–
		782,959	613,479
Total assets		**1,368,912**	1,254,411
EQUITY			
Attributable to owners of the Company			
Share capital	16	**61,878**	61,878
Share premium	16	**433,779**	433,779
Other reserves	17	**114,773**	117,017
Retained earnings		**460,911**	396,114
		1,071,341	1,008,788
Non-controlling interests		**75,184**	72,359
Total equity		**1,146,525**	1,081,147

CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December 2013	2012
LIABILITIES			
Non-current liabilities			
Deferred government grants	19	**7,400**	6,786
Deferred income tax liabilities	21	**–**	15,184
		7,400	21,970
Current liabilities			
Trade and other payables	20	**121,757**	132,238
Current income tax liabilities		**23,149**	19,056
		144,906	151,294
Liabilities of disposal group classified as held for sale	15	**70,081**	–
		214,987	151,294
Total liabilities		**222,387**	173,264
Total equity and liabilities		**1,368,912**	1,254,411
Net current assets		**567,972**	462,185
Total assets less current liabilities		**1,153,925**	1,103,117

The notes on pages 45 to 99 are an integral part of these financial statements.

The financial statements on pages 37 to 99 were approved by the Board of Directors on 21 March 2014 and were signed on its behalf.

Wang Ming Fan
Director

Li Qing Long
Director

BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December 2013	2012
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**154,033**	154,033
Current assets			
Trade and other receivables	12	**265,203**	272,027
Cash	14	**24,800**	25,396
		290,003	297,423
Total assets		**444,036**	451,456
EQUITY			
Attributable to owners of the Company			
Share capital	16	**61,878**	61,878
Share premium and capital reserve	16	**532,297**	532,297
Accumulated losses	18	**(158,781)**	(144,898)
Total equity		**435,394**	449,277
LIABILITIES			
Current liabilities			
Trade and other payables	20	**8,642**	2,179
Total equity and liabilities		**444,036**	451,456
Net current assets		**281,361**	295,244
Total assets less current liabilities		**435,394**	449,277

The notes on pages 45 to 99 are an integral part of these financial statements.

The financial statements on pages 37 to 99 were approved by the Board of Directors on 21 March 2014 and were signed on its behalf.

Wang Ming Fan
Director

Li Qing Long
Director

CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December 2013	2012 (Restated)
Continuing operations			
Revenue	5	**687,537**	628,539
Cost of sales	23	**(353,389)**	(334,436)
		334,148	294,103
Gross profit			
Selling and marketing expenses	23	**(131,848)**	(123,875)
Administrative expenses	23	**(104,671)**	(97,673)
Other income	22	**183**	1,278
Operating profit		**97,812**	73,833
Finance income	25	**3,328**	1,364
Finance costs	25	**(1,221)**	(676)
Finance income – net		**2,107**	688
Profit before income tax		**99,919**	74,521
Income tax expense	26	**(14,834)**	(17,122)
Profit for the year from continuing operations		**85,085**	57,399
Discontinued operations			
(Loss)/profit for the year from discontinued operations	15(c)	**(7,141)**	2,708
Profit for the year		**77,944**	60,107
Attributable to:			
Owners of the Company		**75,119**	58,753
Non-controlling interests		**2,825**	1,354
		77,944	60,107

CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December **2013**	 2012 (Restated)
Profit/(loss) attributable to owners of the Company arises from:			
Continuing operations		**85,085**	57,399
Discontinued operations		**(9,966)**	1,354
		75,119	58,753
Earnings/(losses) per share from continuing and discontinued operations attributable to owners of the Company for the year (expressed in RMB per share)			
Basic and diluted	27		
From continuing operations		**0.14**	0.10
From discontinued operations		**(0.02)**	–
		0.12	0.10

The notes on pages 45 to 99 are an integral part of these financial statements.

Details of dividends to owners of the Company are set out in Note 28.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Year ended 31 December	
	2013	2012 (Restated)
Profit for the year	**77,944**	60,107
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Fair value (losses)/gains on available-for-sale financial assets	**(12,566)**	2,347
Total comprehensive income for the year	**65,378**	62,454
Attributable to:		
Owners of the Company	**62,553**	61,100
Non-controlling interests	**2,825**	1,354
Total comprehensive income for the year	**65,378**	62,454
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	**72,519**	59,746
Discontinued operations	**(9,966)**	1,354
	62,553	61,100

The notes on pages 45 to 99 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to owners of the Company						
	Share capital (Note 16)	Share premium (Note 16)	Other reserves (Note 17)	Retained earnings	Total	Non-controlling interests	Total Equity
Balance at 1 January 2012	52,144	376,356	106,627	348,613	883,740	71,005	954,745
Comprehensive income							
Profit for the year	–	–	–	58,753	58,753	1,354	60,107
Other comprehensive income							
Fair value gains on available-for-sale financial assets	–	–	2,347	–	2,347	–	2,347
Total comprehensive income	–	–	2,347	58,753	61,100	1,354	62,454
Total contributions by and distributions to owners of the Company recognised directly in equity							
Issuance of ordinary shares	6,525	57,423	–	–	63,948	–	63,948
Final scrip dividends relating to 2011	3,209	–	–	(3,209)	–	–	–
Appropriation to reserves	–	–	8,043	(8,043)	–	–	–
Total contributions by and distributions to owners of the Company recognised directly in equity	9,734	57,423	8,043	(11,252)	63,948	–	63,948
Balance at 31 December 2012	61,878	433,779	117,017	396,114	1,008,788	72,359	1,081,147
Balance at 1 January 2013	**61,878**	**433,779**	**117,017**	**396,114**	**1,008,788**	**72,359**	**1,081,147**
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**75,119**	**75,119**	**2,825**	**77,944**
Other comprehensive income							
Fair value losses on available-for-sale financial assets	**–**	**–**	**(12,566)**	**–**	**(12,566)**	**–**	**(12,566)**
Total comprehensive income	**–**	**–**	**(12,566)**	**75,119**	**62,553**	**2,825**	**65,378**
Total contributions by and distributions to owners of the Company recognised directly in equity							
Appropriation to reserves	**–**	**–**	**10,322**	**(10,322)**	**–**	**–**	**–**
Balance at 31 December 2013	**61,878**	**433,779**	**114,773**	**460,911**	**1,071,341**	**75,184**	**1,146,525**

The notes on pages 45 to 99 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December **2013**	2012
Cash flows from operating activities			
Cash generated from operations	29	**115,080**	185,662
Interest paid		**–**	(587)
Income tax paid		**(16,614)**	(15,880)
Net cash generated from operating activities		**98,466**	169,195
Cash flows from investing activities			
Purchase of property, plant and equipment		**(138,121)**	(94,643)
Purchase of land use rights		**–**	(4,819)
Proceeds from disposal of property, plant and equipment		**1,531**	164
Purchase of intangible assets		**–**	(300)
Receipts of short-term bank deposits		**2,000**	4,000
Repayment of short-term bank deposits		**(2,000)**	(4,000)
Receipts of pledged bank deposits		**21,075**	1,242
Repayment of pledged bank deposits		**(20,975)**	(8,866)
Interest received	29	**4,092**	1,563
Net cash used in investing activities		**(132,398)**	(105,659)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**–**	63,948
Proceeds from borrowings		**–**	3,700
Repayment of borrowings		**–**	(23,700)
Net cash generated from financing activities		**–**	43,948
Net (decrease)/increase in cash		**(33,932)**	107,484
Cash at beginning of the year		**243,129**	135,645
Cash at end of the year		**209,197**	243,129

The notes on pages 45 to 99 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Renminbi thousands unless otherwise stated)

1. GENERAL INFORMATION

China Flavors and Fragrances Company Limited (the "Company") and its subsidiaries (together the "Group") manufacture and sell flavors and fragrances in the People's Republic of China (the "PRC"). The Company was incorporated in the Cayman Islands on 9 March 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is: Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Tower, Grand Cayman, Cayman Islands, British West Indies.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of shares of the Company on 29 October 2004, CFF Holdings Limited ("CFF Holdings"), acquired the entire capital of Shenzhen Guanlida Boton Spice Co., Ltd. (renamed as Shenzhen Boton Spice Co., Ltd. on 7 June 2006, "Shenzhen Boton") for cash consideration from its owners. Subsequently, on 25 November 2005, the Company acquired the entire issued share capital of CFF Holdings, through a share exchange with Creative China Limited ("Creative China"), the owner of CFF Holdings and the holding company of the Company. As a result, the Company became the holding company of the Group and CFF Holdings acts as the intermediate holding company of Shenzhen Boton.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

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

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

2.1 Basis of preparation *(continued)*

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013:

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change to the Group resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKAS 19, 'Employee benefits' was revised in June 2011. The changes on the Group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). The adoption of this amended standard does not have significant impact on the Group.

Amendment to HKFRS 7, 'Financial instruments: Disclosures', on asset and liability offseting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The adoption of this amended standard does not have significant impact on the Group.

HKFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The adoption of this newly effective standard does not have significant impact on the Group.

HKAS 27 (revised 2011) 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. This revised standard did not have significant impact on the Group's consolidated financial statements.

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

2.1 Basis of preparation *(continued)*

(a) New and amended standards adopted by the Group (continued)

HKFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The adoption of this newly effective standard does not have significant impact on the Group.

HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The adoption of this newly effective standard does not have significant impact on the Group.

HKAS 28 (revised 2011) 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. This revised standard does not have significant impact on the Group's consolidated financial statements.

Annual improvements 2011, address six issues in the 2009-2011 reporting cycle. It includes changes to: HKFRS 1, 'First time adoption', HKAS 1, 'Financial statement presentation', HKAS 16, 'Property plant and equipment', HKAS 32, 'Financial instruments: Presentation', HKAS 34, 'Interim financial reporting'. These amendments does not have significant impact on the Group's consolidated financial statements.

Annual improvement 2012: amendment to HKFRS 13, 'Fair value measurement'. This amendment is a clarification that there is no change in measurement requirements for short-term receivables and payable when the effect of not discounting is immaterial. This amendment does not have significant impact on the Group's consolidated financial statements.

HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The adoption of this newly effective standard does not have significant impact on the Group.

(All amounts in Renminbi thousands unless otherwise stated)

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

2.1 Basis of preparation *(continued)*

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 32 (amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (amendments)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKAS 39 (amendments)	Novation of derivatives	1 January 2014
HKFRS 9 and HKFRS 7 (amendments)	Mandatory effective date of HKFRS 9 and transition disclosures	1 January 2015
HKFRS 10, HKFRS 12 and HKAS 27 (amendments)	Investment entities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HK (IFRIC) Interpretation 21	Levies	1 January 2014
HKAS 19 (amendments)	Defined benefit plans	1 July 2014
Annual improvements 2012		1 July 2014
Annual improvements 2013		1 July 2014

The Group did not early adopt any of these new or revised HKAS and HKFRS, amendments and interpretation to existing HKAS and HKFRS. Management is currently assessing the financial impact of these revisions to the Group's financial position and performance.

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

2.2 Subsidiaries

2.2.1 Consolidation

(a) Merger accounting

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the common control of the controlling party.

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

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

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

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

(b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

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

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(b) Subsidiaries (continued)

De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Acquisition-related costs are expensed as incurred

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

(c) Disposal of subsidiaries

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

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

2.2 Subsidiaries *(continued)*

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.5 Land use rights

Land use rights are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and charged to the income statement over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.6 Property, plant and equipment

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

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

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

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

Buildings	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

Construction in progress represents buildings, plant and machinery under construction, which is stated at actual construction cost less any impairment loss. Construction in progress is transferred to property, plant and equipment when completed and ready for use.

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

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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

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

(b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected useful life of the contractual customer relationships.

(c) Technology

Technology includes purchased technology and technology acquired from business combinations. They have a finite life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line basis to allocate the cost of technology over their estimated useful lives of 4 to 10 years.

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

2.7 Intangible assets *(continued)*

(d) Trademark

Trademark acquired in a business combination is recognised at fair value at the acquisition date. Trademark has a finite useful life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 10 years.

(e) Other intangible assets

Other intangible assets mainly include computer software and other intangible assets. They have a finite useful life and are carried at cost less accumulated amortisation and impairment. Other intangible assets are amortised on a straight-line basis to allocate the cost of the assets over their estimated useful lives of 3 – 10 years.

The above intangible assets had been reclassified as assets of disposal group classified as held for sale as at 31 December 2013.

2.8 Research and development expenditure

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

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

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

2.8 Research and development expenditure *(continued)*

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

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Disposal group held for sale and discontinued operations

Disposal group is classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The disposal group is stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries), even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

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

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', and 'Cash' in the balance sheet, (Notes 2.14, 2.15).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of it within 12 months of the balance sheet date.

2.11.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Change in the fair value of available-for-sale financial assets is recognised in statement of other comprehensive income.

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

2.11 Financial assets *(continued)*

2.11.2 Recognition and measurement *(continued)*

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as `gains and losses from available-for-sale financial assets'.

Dividends on available-for-sale equity investment are recognised in the consolidated income statement as part of `other income' when the Group's right to receive payments is established.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

2.12 Impairment of financial assets *(continued)*

(a) Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.13 Inventories

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

2.14 Trade and other receivables

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

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

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

2.15 Cash

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

2.16 Share capital

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

2.17 Trade payables

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

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

2.18 Government grants

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

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

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

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

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

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

(b) Deferred income tax

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

2.20 Employee benefits

Pension obligations

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

2.21 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, and rebates and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

2.22 Revenue recognition *(continued)*

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Delivery does not occur until the products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Interest income

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

2.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.24 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The majority of the Group's assets and liabilities were denominated in RMB. The Group did not have significant exposure to foreign exchange risk as the entities of the Group mainly earn their profits in RMB and the value of RMB has been appreciating against other currencies. However, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

At 31 December 2013, if there is a 3% increase in RMB against the relevant currencies, the effect on the profit for the year is a decrease in profit of RMB828,000 (2012: RMB1,848,000).

(ii) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets and liabilities except from cash and pledged bank deposits. The change in interest rates does not have a material impact on the interest income of cash and pledged bank deposits.

(iii) Price risk

The Group is exposed to equity securities price risk mainly because of equity investments of China Ludao Technology Company Limited ("China Ludao"), a company listed in the Stock Exchange of Hong Kong held by the Group and classified as available-for-sale financial assets. The Group is not exposed to commodity price risk. Fluctuation in price of raw materials is normally passed on to customers.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(iii) Price risk *(continued)*

The table below summarises the impact of increase/decrease of share price of China Ludao on equity. The analysis is based on the assumptions that the share price of China Ludao had increased/decreased by 5% as of year end with all other factors remain unchanged:

	Impact on other components of equity, net of tax – increase/(decrease)	
	2013	2012
Share price		
– Increased by 5%	**969**	N/A
– Decreased by 5%	**(969)**	N/A

(b) Credit risk

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

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

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

(c) Liquidity risk

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

The trade and other payables of the Group and the Company as at 31 December 2013 and 2012 are due within one year.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus total borrowings.

The Group has no borrowing as at 31 December 2013.

3.3 Fair value estimation

The financial instruments carried at fair value by valuation method are analysed into three levels as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2013, available-for-sale financial assets of the Group were in level 1 of the above hierarchy. There is a transfer of available-for-sale financial assets from level 3 to level 1 fair value hierarchy classification during the year. Please refer to Note 10 for details.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as discounted cash flow method described in Note 10. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7(a). The recoverable amounts of CGUs, which are not larger than the operating segments under HKFRS 8, have been determined based on fair value less cost to sell calculations (Note 15).

(d) Land use rights and building ownership rights certificates

As at 31 December 2013, land use rights certificates of certain parcels of land with aggregate carrying amounts of RMB380,000 (2012: RMB380,000) and building ownership certificates for the buildings with carrying values of approximately RMB65,969,000 (2012: RMB21,399,000), including buildings with carrying values of approximately RMB20,394,000 and land use rights certificates with carrying amounts of RMB380,000, which have been included in the disposal group held for sale in current year, had not yet been obtained by the Group.

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

(e) Recognition of deferred income tax assets

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

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

5. SEGMENT INFORMATION

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

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

- Flavor enhancers,
- Food flavors,
- Fine fragrances and
- Extracts.

The chief operating decision-makers assess the performance of the segments based on the profit before income tax and profit for the year as follows.

On 29 October 2013, the Group entered into an agreement to dispose of its entire equity interest in Universal Fragrances Company Limited and its subsidiaries ("Disposal Group") and the results of Disposal Group have been presented as discontinued operations (Note 15). Comparative figures of the Group's segment information have been restated accordingly.

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

The segment information for the year ended 31 December 2013 is as follows:

	Continuing Operations					Discontinued Operations		
	Flavor enhancers	Food flavors	Fine fragrances	Unallocated	Total segments	Extracts	Unallocated	Total
Segment revenue	384,600	172,174	132,837	–	689,611	146,818	–	836,429
Inter-segment revenue	–	–	(2,074)	–	(2,074)	(693)	–	(2,767)
Revenue from external customers	384,600	172,174	130,763	–	687,537	146,125	–	833,662
Operating profit/(loss)	76,657	19,769	5,251	(3,865)	97,812	7,404	(953)	104,263
Finance income	–	–	–	3,328	3,328	764	–	4,092
Finance costs	–	–	–	(1,221)	(1,221)	(536)	41	(1,716)
Finance income – net	–	–	–	2,107	2,107	228	41	2,376
Profit/(loss) before income tax	76,657	19,769	5,251	(1,758)	99,919	7,632	(912)	106,639
Income tax expense	(11,128)	(2,912)	(794)	–	(14,834)	(1,070)	–	(15,904)
Profit/(loss) for the year after income tax	65,529	16,857	4,457	(1,758)	85,085	6,562	(912)	90,735
After tax loss recognised on the re-measurement of assets of disposal group	–	–	–	–	–	–	(12,791)	(12,791)
Profit/(loss) for the year	65,529	16,857	4,457	(1,758)	85,085	6,562	(13,703)	77,944
Depreciation and amortisation	6,774	2,518	1,361	–	10,653	12,978	131	23,762
(Reversal of provision) / provision for doubtful trade and other receivables	–	–	(539)	–	(539)	77	–	(462)
Impairment charge of disposal group	–	–	–	–	–	–	12,791	12,791
Provision for write-down of inventories	–	–	1,086	–	1,086	205	–	1,291

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

The segment information for the year ended 31 December 2012 is as follows:

	Continuing Operations					Discontinued Operations		
	Flavor enhancers (Restated)	Food flavors (Restated)	Fine fragrances (Restated)	Unallocated (Restated)	Total segments (Restated)	Extracts (Restated)	Unallocated (Restated)	Total (Restated)
Segment revenue	375,692	147,232	106,594	–	629,518	135,019	–	764,537
Inter-segment revenue	–	–	(979)	–	(979)	(2,806)	–	(3,785)
Revenue from external customers	375,692	147,232	105,615	–	628,539	132,213	–	760,752
Operating profit/(loss)	70,762	18,565	(5,024)	(10,470)	73,833	3,815	(946)	76,702
Finance income	–	–	–	1,364	1,364	199	–	1,563
Finance costs	–	–	–	(676)	(676)	(458)	(139)	(1,273)
Finance income – net	–	–	–	688	688	(259)	(139)	290
Profit/(loss) before income tax	70,762	18,565	(5,024)	(9,782)	74,521	3,556	(1,085)	76,992
Income tax (expense)/ credit	(13,925)	(3,634)	951	(514)	(17,122)	237	–	(16,885)
Profit/(loss) for the year	56,837	14,931	(4,073)	(10,296)	57,399	3,793	(1,085)	60,107
Depreciation and amortisation	7,449	2,637	998	182	11,266	16,065	272	27,603
(Reversal of provision)/ provision for doubtful trade and other receivables	–	–	(90)	–	(90)	503	–	413
(Reversal of provision)/ provision for write-down of inventories	–	–	(710)	–	(710)	356	–	(354)

Breakdown of revenue is as follows:

Analysis of revenue by category	2013	2012 (Restated)
From continuing operations:		
Sales of goods	**687,537**	628,539

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

The Group's revenue from external customers in the PRC for the year ended 31 December 2013 is RMB658,232,000 (2012: RMB610,009,000), and the total revenue from external customers from other countries is RMB29,305,000 (2012: RMB18,530,000).

Analysis of revenue by geographic	2013	2012
		(Restated)
From continuing operations:		
PRC	**658,232**	610,009
Southeast Asia	**29,305**	18,530
	687,537	628,539

The total of non-current assets other than available-for-sale financial assets and deferred tax assets located in the PRC is RMB555,014,000 (2012: RMB598,793,000).

6. LAND USE RIGHTS – GROUP

The Group's interests in land use rights represent prepaid operating lease payments for land occupied by the Group in the PRC and its net book amount is analysed as follows:

	2013	2012
Opening net book amount	**77,598**	74,789
Additions	**–**	4,819
Amortisation charge	**(1,882)**	(2,010)
Transferred to disposal group classified as held for sale (Note 15)	**(21,712)**	–
Closing net book amount	**54,004**	77,598

The lease periods of land use rights are 50 years; the remaining lease periods of the Group's land use rights range from 32 to 44 years (2012: 33 to 45 years).

As at 31 December 2013, land use rights certificates of certain parcels of land with aggregate carrying amounts of approximately RMB380,000 (2012: RMB380,000) had not yet been obtained by the Group. After consultation with legal counsel, the directors concluded that there is no legal restriction for the Group to apply for and obtain the land use rights certificates. The amounts have been included in disposal group held for sale in current year (Note 15).

(All amounts in Renminbi thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
Year ended 31 December 2012						
Opening net book amount	52,653	44,680	8,070	6,039	247,251	358,693
Additions	102	1,226	2,821	6,779	84,467	95,395
Disposals	(621)	(1)	(110)	(6)	–	(738)
Transfers	190	4,267	–	–	(4,457)	–
Depreciation	(3,887)	(7,425)	(2,860)	(1,612)	–	(15,784)
Closing net book amount	48,437	42,747	7,921	11,200	327,261	437,566
At 31 December 2012						
Cost	76,974	84,166	27,129	38,306	327,261	553,836
Accumulated depreciation	(28,537)	(41,419)	(19,208)	(27,106)	–	(116,270)
Net book amount	48,437	42,747	7,921	11,200	327,261	437,566
Year ended 31 December 2013						
Opening net book amount	**48,437**	**42,747**	**7,921**	**11,200**	**327,261**	**437,566**
Additions	**12,084**	**2,834**	**4,092**	**6,105**	**113,610**	**138,725**
Disposals	**(85)**	**(1,423)**	**(24)**	**(1,531)**	**–**	**(3,063)**
Transfers	**45,854**	**5,398**	**–**	**17**	**(51,269)**	**–**
Depreciation	**(3,874)**	**(6,393)**	**(2,183)**	**(1,806)**	**–**	**(14,256)**
Transferred to disposal group classified as held for sale (Note 15)	**(21,767)**	**(31,635)**	**(1,231)**	**(864)**	**(2,465)**	**(57,962)**
Closing net book amount	**80,649**	**11,528**	**8,575**	**13,121**	**387,137**	**501,010**
At 31 December 2013						
Cost	**105,690**	**24,258**	**25,876**	**25,926**	**387,137**	**568,887**
Accumulated depreciation	**(25,041)**	**(12,730)**	**(17,301)**	**(12,805)**	**–**	**(67,877)**
Net book amount	**80,649**	**11,528**	**8,575**	**13,121**	**387,137**	**501,010**

Depreciation expense of RMB6,975,000 (2012: RMB8,284,000) was charged to cost of sales and RMB7,281,000 (2012: RMB7,500,000) was charged to administrative expenses.

As at 31 December 2013, building ownership certificates for the buildings with carrying values of approximately RMB65,969,000 (2012: RMB21,399,000), including buildings with carrying values of approximately RMB20,394,000, which have been included in disposal group held for sales in current year, had not yet been obtained by the Group. After consultation with legal counsel, the Company's directors concluded that there is no legal restriction for the Group to apply for and obtain the building ownership certificates.

(All amounts in Renminbi thousands unless otherwise stated)

8. INTANGIBLE ASSETS – GROUP

	Goodwill	Contractual customer relationships	Technology	Trademark	Computer software and others	Total
Year ended 31 December 2012						
Opening net book amount	48,306	21,624	14,470	6,570	2,168	93,138
Additions	–	–	300	–	–	300
Amortisation charge	–	(4,622)	(4,242)	(730)	(215)	(9,809)
Closing net book amount	48,306	17,002	10,528	5,840	1,953	83,629
At 31 December 2012						
Cost	48,306	45,400	70,700	40,800	3,370	208,576
Accumulated amortisation and impairment charge	–	(28,398)	(60,172)	(34,960)	(1,417)	(124,947)
Net book amount	48,306	17,002	10,528	5,840	1,953	83,629
Year ended 31 December 2013						
Opening net book amount	**48,306**	**17,002**	**10,528**	**5,840**	**1,953**	**83,629**
Amortisation charge	**–**	**(3,828)**	**(3,016)**	**(608)**	**(172)**	**(7,624)**
Impairment charge	**(12,791)**	**–**	**–**	**–**	**–**	**(12,791)**
Transferred to disposal group classified as held for sale (Note 15)	**(35,515)**	**(13,174)**	**(7,512)**	**(5,232)**	**(1,781)**	**(63,214)**
Closing net book amount	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2013						
Cost	**–**	**–**	**32,200**	**–**	**–**	**32,200**
Accumulated amortisation and impairment charge	**–**	**–**	**(32,200)**	**–**	**–**	**(32,200)**
Net book amount	**–**	**–**	**–**	**–**	**–**	**–**

Amortisation charge of RMB7,624,000 (2012: RMB9,809,000) was included in administrative expenses.

As at 31 December 2013, technology with carrying values of approximately RMB32,200,000 (2012: RMB25,091,000) has been fully amortised and was still in use.

(All amounts in Renminbi thousands unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2013	2012
Unlisted shares at cost	**100,600**	100,600
Investments arising from share-based compensation (Note (i))	**3,732**	3,732
Amount due from a subsidiary (Note (ii))	**49,701**	49,701
	154,033	154,033

(i) The amount represents injection of capital by way of granting of share options of the Company to employees of subsidiaries in exchange for their services rendered to the subsidiaries in prior years.

(ii) The amount due from a subsidiary is unsecured, interest-free and provided as part of owner's equity.

Name	Place of incorporation and kind of legal entity	Authorised/registered capital	Paid up capital	Interest held	Principal activities
Directly held:					
CFF Holdings	British Virgin Islands, limited liability company	HKD389,500 divided into 38,950,000 shares of HKD0.01 each	HKD300	100%	Investment holding
Boton Investments Limited ("BIL")	British Virgin Islands, limited liability company	50,000 shares of a single class of par value of USD1 each	USD1	100%	Investment holding
Neland Development Limited	British Virgin Islands, limited liability company	50,000 shares of a single class of par value of USD1 each	USD100	100%	Investment holding
Top Brave Investment Limited	British Virgin Islands, limited liability company	50,000 shares with a par value of USD1 each of a single class	USD100	100%	Investment holding
Kings Joe Holdings Limited *	British Virgin Islands, limited liability company	50,000 shares with a par value of USD1 each of a single class	USD100	100%	Investment holding

(All amounts in Renminbi thousands unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES – COMPANY *(continued)*

Name	Place of incorporation and kind of legal entity	Authorised/registered capital	Paid up capital	Interest held	Principal activities
Indirectly held:					
Shenzhen Boton	The PRC, limited liability company	RMB245,000,000	RMB245,000,000	100%	Manufacture and sale of flavors and fragrances
波頓(上海)香料科技有限公司 ("Boton Shanghai")	The PRC, limited liability company	RMB1,000,000	RMB1,000,000	100%	Research and sale of food and flavors
Boton Flavors and Fragrances (Hong Kong) Limited	Hong Kong, limited liability company	HKD10,000 divided into 10,000 shares of HKD1 each	HKD1	100%	Trading
Citiwell International Group Limited	British Virgin Islands, limited liability company	50,000 shares of a single class of par value of USD1 each	USD50,000	100%	Investment holding
Best Fortune International Investment Limited	Hong Kong, limited liability company	HKD10,000 divided into 10,000 shares of HKD1 each	HKD100	100%	Investment holding
Pakily Limited	Hong Kong, limited liability company	HKD10,000 divided into 10,000 shares of HKD1 each	HKD1	100%	Dormant
中香香料(深圳)有限公司 (Zhongxiang Aroma (Shenzhen) Co., Ltd.)	The PRC, limited liability company	HKD15,000,000	HKD15,000,000	100%	Manufacture and sale of food flavors
Universal Fragrances Company Limited ("Universal") (Note (a))	Cayman Islands, limited liability company	HKD380,000 divided into 38,000,000 shares of HKD0.01 each	HKD200	50%	Investment holding
Glory Team Holdings Limited ("GTHL")	British Virgin Islands, limited liability company	50,000 shares with a par value of USD1 each of a single class	USD8	50%	Investment holding
Vincent Profit Corporation Limited ("VPCL")	Hong Kong, limited liability company	HKD10,000 divided into 10,000 shares of HKD1 each	HKD2	50%	Investment holding

(All amounts in Renminbi thousands unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES – COMPANY *(continued)*

Name	Place of incorporation and kind of legal entity	Authorised/registered capital	Paid up capital	Interest held	Principal activities
Indirectly held: *(continued)*					
Wutong Aroma Chemicals Company Limited ("Wutong Aroma")	The PRC, limited liability company	RMB45,000,000	RMB45,000,000	50%	Manufacture and sale of pharmaceutical intermediates and flavor and fragrance ingredient flavors
上海悟通香料有限公司 ("SHWT") *	The PRC, limited liability company	RMB1,000,000	RMB1,000,000	50%	Manufacture and sale of chemical products
濟南悟通化學科技有限公司 ("JNWT") *	The PRC, limited liability company	RMB1,000,000	RMB1,000,000	50%	Research and sale of chemical products

* Established during the year.

(a) Pursuant to the articles of association of Universal, BIL is entitled to appoint 60% or more of the members of the board of directors, and also the financial controllers and supervisors of Universal. As GTHL, VPCL, Wutong Aroma, SHWT and JNWT are wholly owned subsidiaries of Universal, the management considers the Company to have control over Disposal Group. Accordingly, Universal, GTHL, VPCL, Wutong Aroma, SHWT and JNWT are accounted for as subsidiaries of the Group. Disposal Group was classified as held for sale as at 31 December 2013.

(All amounts in Renminbi thousands unless otherwise stated)

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2013	2012
At 1 January	**31,947**	29,600
Fair value change	**(12,566)**	2,347
At 31 December	**19,381**	31,947

In July 2008, the Group acquired approximately 10% equity interest in Ludao Investments Holding Limited ("Ludao Investments"), an unlisted company established in the British Virgin Islands with limited liability. The only asset of Ludao Investments is a 100% equity interest in Zhejiang Ludao Technology Company Limited, a company established in the PRC, which is mainly engaged in manufacturing and selling of aerosols. On 16 September 2013, Ludao Investments underwent a group reorganisation, pursuant to which Ludao Investments and its subsidiary were transferred to China Ludao, which was listed on the Stock Exchange of Hong Kong later on 11 October 2013. As at 31 December 2013, the Group held 29,700,000 shares in China Ludao, representing an equity interest of approximately 7.43%.

Available-for-sale financial assets include the following:

	2013	2012
Listed securities:		
– Equity securities – Hong Kong	**19,381**	–
Unlisted securities:		
– Equity securities	**–**	31,947

	2013	2012
Market value of listed securities	**19,381**	–

(All amounts in Renminbi thousands unless otherwise stated)

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP *(continued)*

Available-for-sale financial assets are denominated in the following currencies:

	2013	2012
HK dollar	**19,381**	–
RMB	**–**	31,947
	19,381	31,947

The fair value of the approximately 7.43% equity interest in China Ludao is determined by its current bid price in an active market as at 31 December 2013 (2012: discounted cash flow method).

11. INVENTORIES – GROUP

	2013	2012
Inventories – Cost		
Raw materials	**55,157**	63,640
Work in progress	**2,225**	9,846
Finished goods	**42,113**	73,396
	99,495	146,882
Less: provision for write-down of inventories	**(1,086)**	(1,209)
Inventories – Net	**98,409**	145,673

The cost of inventories recognised as expense and included in cost of sales for the year amounting to RMB315,810,000 (2012: RMB297,397,000).

During the year, write-down of inventories to net realisable value amounting to RMB1,086,000 (2012: RMB356,000) has been made and included in 'administration expenses' in the consolidated income statement.

The Group did not reverse any inventory write-down during the year (2012: RMB710,000).

(All amounts in Renminbi thousands unless otherwise stated)

12. TRADE AND OTHER RECEIVABLES

	Note	Group 2013	Group 2012	Company 2013	Company 2012
Trade receivables	(a)	**171,430**	126,708	**–**	–
Less: provision for impairment	(b)	**(11,373)**	(14,142)	**–**	–
Trade receivables – net		**160,057**	112,566	**–**	–
Bills receivable	(c)	**61,826**	80,879	**–**	–
Prepayments		**16,386**	10,338	**160**	158
Advances to staff		**2,528**	4,018	**–**	–
Staff benefit payments		**8,524**	7,824	**–**	–
Amounts due from subsidiaries	(d)	**–**	–	**264,949**	271,781
Other receivables		**197**	1,428	**94**	88
		249,518	217,053	**265,203**	272,027

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

Except for the amounts due from subsidiaries which are dominated in HK dollar, the carrying amounts of trade and other receivables are mainly denominated in RMB.

(a) The credit period granted to customers is between 30 days to 180 days. The ageing analysis of the trade receivables from the date of sales is as follows:

	Group 2013	Group 2012
Up to 3 months	**113,707**	90,194
3 to 6 months	**42,014**	13,921
6 to 12 months	**4,336**	7,546
Over 12 months	**11,373**	15,047
	171,430	126,708

(All amounts in Renminbi thousands unless otherwise stated)

12 TRADE AND OTHER RECEIVABLES *(continued)*

(a) *(continued)*

As at 31 December 2013, trade receivables of RMB98,647,000 (2012: RMB24,791,000) were past due but not impaired. These relate to a number of independent creditworthy customers that have a good track record of payment with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. The ageing analysis of these trade receivables is as follows:

	Group	
	2013	2012
Up to 3 months	**60,645**	11,484
3 to 6 months	**34,767**	7,339
6 to 12 months	**3,235**	5,968
	98,647	24,791

As at 31 December 2013, trade receivables of RMB15,406,000 (2012: RMB17,306,000) were impaired and partially provided for. The amount of the provision was RMB11,373,000 as of 31 December 2013 (2012: RMB14,142,000). It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Group	
	2013	2012
3 to 6 months	**2,932**	682
6 to 12 months	**1,101**	1,578
Over 12 months	**11,373**	15,046
	15,406	17,306

(All amounts in Renminbi thousands unless otherwise stated)

12 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2013	2012
At 1 January	**(14,142)**	(14,244)
Reversal/(Addition) of provision	**541**	(413)
Receivables written off during the year as uncollectible	**77**	515
Transferred to disposal group classified as held for sale	**2,151**	–
At 31 December	**(11,373)**	(14,142)

(c) Bills receivable

The balance represents bank acceptance notes with maturity profile as follows:

	As at 31 December	
	2013	2012
Up to 90 days	**27,730**	38,514
91 days to 180 days	**34,096**	42,365
	61,826	80,879

(d) Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

13. PLEDGED BANK DEPOSITS – GROUP

Pledged bank deposits represented bank deposits of the Group which were placed as guarantee deposits for issuing notes payable.

As at 31 December 2012, the effective interest rate on pledged bank deposits was 2.8% per annum by the Group. All pledged bank deposits were denominated in RMB and kept in bank accounts opened with banks in the PRC, where the remittance of funds is subject to the PRC foreign exchange control. As at 31 December 2013, the amounts have been included in disposal group held for sale in current year (Note 15).

(All amounts in Renminbi thousands unless otherwise stated)

14. CASH

	Group		Company	
	2013	2012	**2013**	2012
Cash at bank and on hand	**92,726**	136,625	**24,800**	25,396
Short-term bank deposits	**86,968**	106,504	**–**	–
	179,694	243,129	**24,800**	25,396

The carrying amounts of cash and short-term bank deposits are mainly denominated in RMB.

(a) The effective interest rate on short-term bank deposits with maturity within 3 months was 2.86% (2012: 2.66%) per annum. These deposits have an average maturity of 86 days (2012: 19 days).

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

15. DISPOSAL GROUP HELD-FOR-SALE AND DISCONTINUED OPERATIONS – GROUP

The assets and liabilities related to Disposal Group, a 50% owned subsidiary of the Company, have been presented as held for sale following the entering into an agreement by the Group on 29 October 2013 to sell Disposal Group to an independent investor. The transaction was completed on 28 February 2014.

Group	2013	2012
Operating cash flows	**13,470**	36,082
Investing cash flows	**(5,877)**	(17,881)
Financing cash flows	**–**	(20,000)
Total cash flows	**7,593**	(1,799)

(All amounts in Renminbi thousands unless otherwise stated)

15. DISPOSAL GROUP HELD-FOR-SALE AND DISCONTINUED OPERATIONS – GROUP *(continued)*

(a) Assets of disposal group classified as held for sale

	As at 31 December	
	2013	2012
Land use rights	**21,712**	–
Property, plant and equipment	**57,962**	–
Other intangible assets	**27,699**	–
Goodwill	**35,515**	–
Deferred income tax assets	**3,180**	–
Inventories	**35,162**	–
Trade and other receivables	**37,081**	–
Pledged bank deposits	**7,524**	–
Cash	**29,503**	–
Total	**255,338**	–

(b) Liabilities of disposal group classified as held for sale

	As at 31 December	
	2013	2012
Deferred government grants	**5,197**	–
Deferred income tax liabilities	**14,734**	–
Trade and other payables	**49,957**	–
Current income tax liabilities	**193**	–
Total	**70,081**	–

In accordance with HKFRS 5, the assets and liabilities held for sale were written down to their fair value less costs to sell of HKD140,000,000. This is a non-recurring fair value which has been measured using the prices in the disposal agreement of Disposal Group.

(All amounts in Renminbi thousands unless otherwise stated)

15. DISPOSAL GROUP HELD-FOR-SALE AND DISCONTINUED OPERATIONS – GROUP *(continued)*

(c) Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets of disposal group, is as follows:

	2013	2012
Revenue	**146,125**	132,213
Cost of sales	**(106,973)**	(96,919)
Selling and marketing expenses	**(7,482)**	(6,945)
Administrative expenses	**(24,928)**	(25,909)
Other (loss)/income	**(291)**	429
Finance income	**764**	199
Finance costs	**(495)**	(597)
Profit before income tax of discontinued operations	**6,720**	2,471
Income tax (expenses)/credit	**(1,070)**	237
Profit after tax of discontinued operations	**5,650**	2,708
Pre-tax loss recognised on the re-measurement of assets of disposal group	**(12,791)**	–
Tax	**–**	–
After tax loss recognised on the re-measurement of assets of disposal group	**(12,791)**	–
(Loss)/profit for the year from discontinued operations	**(7,141)**	2,708
(Loss)/profit for the year from discontinued operations attributable to:		
– Owners of the company	**(9,966)**	1,354
– Non-controlling interests	**2,825**	1,354
(Loss)/profit for the year from discontinued operations	**(7,141)**	2,708

16. SHARE CAPITAL, SHARE PREMIUM AND CAPITAL RESERVE

Group	Number of shares (thousands)	Ordinary shares	Share premium	Total
At 1 January 2012	509,374	52,144	376,356	428,500
Final scrip dividends related to 2011	39,410	3,209	–	3,209
Issuance of ordinary shares (Note (a))	80,000	6,525	57,423	63,948
At 31 December 2012	628,784	61,878	433,779	495,657
At 1 January and 31 December 2013	**628,784**	**61,878**	**433,779**	**495,657**

Company	Number of shares (thousands)	Ordinary shares	Share premium	Capital reserve (Note (b))	Total
At 1 January 2012	509,374	52,144	376,356	98,518	527,018
Final scrip dividends related to 2011	39,410	3,209	–	–	3,209
Issuance of ordinary shares (Note (a))	80,000	6,525	57,423	–	63,948
At 31 December 2012	628,784	61,878	433,779	98,518	594,175
At 1 January and 31 December 2013	**628,784**	**61,878**	**433,779**	**98,518**	**594,175**

The total authorised number of ordinary shares is 800 million shares (2012: 800 million shares) with par value of HKD0.1 per share (2012: HKD0.1 per share). All issued shares are fully paid.

(a) The Company issued and placed 80 million new ordinary shares on 9 July 2012 to the public. The ordinary shares issued have the same rights as the other shares in issue. The consideration of the placement shares issued amounting to HKD80,000,000 (equivalent to RMB65,248,000). The related transaction costs amounting to HKD1,594,000 (equivalent to RMB1,300,000) have been netted off with the consideration amount.

(b) Capital reserve of the Company represents the difference between the consideration paid and nominal value of the shares allotted by the Company.

(All amounts in Renminbi thousands unless otherwise stated)

17. OTHER RESERVES – GROUP

	Reserve fund Note (a)	Discretionary surplus reserve Note (a)	Enterprise expansion fund Note (a)	Merger reserve Note (b)	Available-for-sale financial assets reserve	Total
At 1 January 2012	67,107	6,034	6,966	22,920	3,600	106,627
Fair value change of available-for-sale financial assets	–	–	–	–	2,347	2,347
Profit appropriations	8,043	–	–	–	–	8,043
At 31 December 2012	75,150	6,034	6,966	22,920	5,947	117,017
At 1 January 2013	**75,150**	**6,034**	**6,966**	**22,920**	**5,947**	**117,017**
Fair value change of available-for-sale financial assets	**–**	**–**	**–**	**–**	**(12,566)**	**(12,566)**
Profit appropriations	**10,322**	**–**	**–**	**–**	**–**	**10,322**
At 31 December 2013	**85,472**	**6,034**	**6,966**	**22,920**	**(6,619)**	**114,773**

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

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

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

(All amounts in Renminbi thousands unless otherwise stated)

18. ACCUMULATED LOSSES – COMPANY

	2013	2012
At 1 January	**(144,898)**	(131,566)
Loss for the year	**(13,883)**	(10,123)
Final scrip dividend	**–**	(3,209)
At 31 December	**(158,781)**	(144,898)

Loss for the year represents loss attributable to owners of the Company dealt with in the financial statements of the Company.

19. DEFERRED GOVERNMENT GRANTS – GROUP

	2013	2012
At 1 January	**6,786**	–
Receipt of grants	**5,899**	7,438
Recognised in consolidated income statement	**(88)**	(652)
Transferred to disposal group classified as held for sale (Note 15)	**(5,197)**	–
At 31 December	**7,400**	6,786

As at 31 December 2012, amounts mainly represent various government grants received by Shenzhen Boton and Wutong Aroma for subsidising the research and development, the environment protection expenditures and the land use right of the factory. As at 31 December 2013, the amounts of government grants received by Wutong Aroma have been included in disposal group held for sale in current year (Note 15). There are no unfulfilled conditions and other contingencies attached to government grants that have been recognised as subsidy income (Note 22).

(All amounts in Renminbi thousands unless otherwise stated)

20. TRADE AND OTHER PAYABLES

	Note	Group 2013	Group 2012	Company 2013	Company 2012
Trade payables	(a)	**61,523**	74,682	**–**	–
Notes payable	(b)	**–**	13,148	**–**	–
Other taxes payable		**144**	3,684	**–**	–
Accrued expenses		**6,438**	14,675	**597**	1,372
Salaries payable		**19,904**	13,669	**–**	–
Other payables		**33,748**	6,380	**8,045**	807
Amount due to local government authority	(c)	**–**	6,000	**–**	–
		121,757	132,238	**8,642**	2,179

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

(a) The ageing analysis of the trade payables is as follows:

	Group 2013	Group 2012
Up to 3 months	**56,113**	62,123
3 to 6 months	**2,186**	3,628
6 to 12 months	**54**	4,364
Over 12 months	**3,170**	4,567
	61,523	74,682

(b) As at December 2013, the amounts of notes payable have been included in disposal group held for sale in current year.

(c) As at 31 December 2012, the amount due to local government authority represented the subsidy on technical improvement support received from Tengzhou government authority in advance which should be returned to Tengzhou government authority as the conditions for the subsidy were not met. As at 31 December 2013, the amounts have been included in the disposal group held for sale in current year.

(All amounts in Renminbi thousands unless otherwise stated)

21. DEFERRED INCOME TAX – GROUP

	2013	2012
Deferred tax assets:		
– to be recovered after more than 12 months	**2,120**	3,950
– to be recovered within 12 months	**9,438**	6,242
	11,558	10,192
Deferred tax liabilities:		
– to be settled after more than 12 months	**–**	(14,401)
– to be settled within 12 months	**–**	(783)
	–	(15,184)

The movements of the deferred income tax account were as follows:

	2013	2012
At 1 January	**(4,992)**	(9,224)
Credited to consolidated income statement	**4,996**	4,232
Transferred to disposal group classified as held for sale (Note 15)	**11,554**	–
At 31 December	**11,558**	(4,992)

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

(All amounts in Renminbi thousands unless otherwise stated)

21. DEFERRED INCOME TAX – GROUP *(continued)*

Deferred tax assets:

	Accelerated amortisation and Impairment charge of intangible assets	Provision for impairment of trade and other receivables	Provision for write-down of inventories	Accrued expense, salaries payable and uninvoiced expenses	Deferred grants	Total
At 1 January 2012	15,337	1,801	235	1,883	–	19,256
Credited/(charged) to consolidated income statement	295	(90)	(54)	2,130	1,311	3,592
At 31 December 2012	15,632	1,711	181	4,013	1,311	22,848
At 1 January 2013	**15,632**	**1,711**	**181**	**4,013**	**1,311**	**22,848**
(Charged)/credited to consolidated income statement	**(321)**	**1,002**	**444**	**3,435**	**(14)**	**4,546**
Transferred to disposal group classified as held for sale (Note 15)	**(12,656)**	**(513)**	**(353)**	**(1,017)**	**(1,297)**	**(15,836)**
At 31 December 2013	**2,655**	**2,200**	**272**	**6,431**	**–**	**11,558**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB1,061,000 (2012: RMB636,000) in respect of tax losses amounting to RMB6,342,000 (2012: RMB3,639,000) that can be carried forward against future taxable income. Losses amounting to nil (2012: RMB152,000), RMB13,000 (2012: RMB352,000), RMB19,000 (2012: 350,000), nil (2012: RMB1,398,000) and RMB349,000 (2012: nil) will expire in 2014, 2015, 2016, 2017 and 2018 respectively.These tax losses have not been recognised due to uncertainty of their future recoverability.

(All amounts in Renminbi thousands unless otherwise stated)

21. DEFERRED INCOME TAX – GROUP *(continued)*

Deferred tax liabilities:

	Fair value gain on land use right from business acquisition	Fair value gain on intangible assets from business acquisition	Fair value gain on property, plant and equipment from business acquisition	Withholding tax on the earnings anticipated to be remitted by subsidiaries (Note (a))	Total
At 1 January 2012	(3,484)	(20,200)	(2,297)	(2,499)	(28,480)
Credited/(charged) to consolidated income statement	105	836	214	(515)	640
At 31 December 2012	(3,379)	(19,364)	(2,083)	(3,014)	(27,840)
At 1 January 2013	**(3,379)**	**(19,364)**	**(2,083)**	**(3,014)**	**(27,840)**
Credited/(charged) to consolidated income statement	**88**	**862**	**110**	**(610)**	**450**
Transferred to disposal group classified as held for sale (Note 15)	**3,291**	**18,502**	**1,973**	**3,624**	**27,390**
At 31 December 2013	**–**	**–**	**–**	**–**	**–**

(a) Pursuant to the Corporate Income Tax Law of the People's Republic of China (hereinafter "the CIT Law"), a 10% withholding tax will be levied on the dividends declared by companies established in the PRC from profits generated after 1 January 2008 to their foreign investors. As at 31 December 2013, the Group recognised the relevant deferred tax liabilities of RMB610,000 on approximately RMB12,200,000 of profits confirmed to be remitted by Wutong Aroma in the foreseeable future. The amounts have been included in disposal group held for sales in current year. As at 31 December 2013, the Group did not recognise deferred tax liabilities of RMB39,616,800 on approximately RMB396,168,000 of profits generated by Shenzhen Boton after 1 January 2008 as the directors confirmed that no dividends would be declared by Shenzhen Boton out of those profits in the foreseeable future considering the cash flow requirements of the Group.

(b) As at 31 December 2012, deferred tax assets and deferred tax liabilities balances of RMB12,656,000 were related to the same company and were offset against each other. As at 31 December 2013, the amounts have been included in disposal group held for sale in current year (Note 15).

(All amounts in Renminbi thousands unless otherwise stated)

22. OTHER INCOME

	2013	2012 (Restated)
Government grants	–	300
Others	**183**	978
	183	1,278

23. EXPENSES BY NATURE

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

	2013	2012 (Restated)
Depreciation and amortisation	**10,653**	11,266
Employee benefit expenses, excluding amount included in research and development costs (Note 24)	**83,530**	87,372
Changes in inventories of finished goods and work in progress	**9,759**	10,392
Raw materials used	**306,051**	287,005
Reversal of provision for impairment of trade and other receivables	**(539)**	(90)
Provision/(reversal of provision) for write-down of inventories	**1,086**	(710)
Water and electricity	**2,855**	2,370
Sales commission	**21,363**	20,232
Transportation and travelling	**19,146**	19,612
Advertising costs	**31,004**	23,448
Consulting expenses	**17,254**	16,678
Lease expenses	**3,685**	3,886
Auditors' remuneration	**2,439**	2,380
Professional fees	**374**	774
Research and development costs		
– Employee benefit expenses (Note 24)	**15,039**	15,216
– Others	**7,998**	3,047
Entertainment	**8,342**	9,717
Office expenses	**31,831**	24,121
Other expenses	**18,038**	19,268
Cost of sales, selling and marketing expenses and administrative expenses	**589,908**	555,984

(All amounts in Renminbi thousands unless otherwise stated)

24. EMPLOYEE BENEFIT EXPENSES

	2013	2012 (Restated)
Wages, allowance and bonus	**87,372**	89,668
Retirement scheme contribution (Note (a))	**3,603**	3,805
Others	**7,594**	9,115
	98,569	102,588

(a) Retirement scheme contribution

Shenzhen Boton made defined contributions to a retirement scheme managed by the local government in the PRC based on 21% (2012: 18.5%) of the basic salary of eligible staff. It is the local government's responsibility to pay the retirement pension to those staff who retired.

(b) Directors' and chief executive's emoluments

The remuneration of directors and the chief executive for the year ended 31 December 2013 is set out below.

Name of director	Fees	Salaries	Retirement scheme contribution	Compensation for loss of office as director	Total
Mr. Wang Ming Fan*	–	1,441	10	–	1,451
Mr. Li Qing Long	–	1,003	10	–	1,013
Mr. Qian Wu	–	931	10	–	941
Mr. Leung Wai Man, Roger	120	–	–	–	120
Mr. Zhou Xiao Xiong	120	–	–	–	120
Mr. Ng Kwun Wan	120	–	–	–	120
	360	3,375	30	–	3,765

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

(All amounts in Renminbi thousands unless otherwise stated)

24. EMPLOYEE BENEFIT EXPENSES *(continued)*

(b) Directors' and chief executive's emoluments *(continued)*

The remuneration of directors and the chief executive for the year ended 31 December 2012 is set out below.

Name of director	Fees	Salaries	Retirement scheme contribution	Compensation for loss of office as director	Total
Mr. Wang Ming Fan*	–	1,451	10	–	1,461
Mr. Li Qing Long	–	1,008	10	–	1,018
Mr. Qian Wu	–	933	10	–	943
Mr. Leung Wai Man, Roger	122	–	–	–	122
Mr. Zhou Xiao Xiong	122	–	–	–	122
Mr. Ng Kwun Wan	122	–	–	–	122
Mr. Wong Ming Bun**	–	1,636	10	85	1,731
Mr. Wang Ming You**	–	753	10	73	836
	366	5,781	50	158	6,355

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

** Mr. Wong Ming Bun and Mr. Wong Ming You were removed from the board of the Company at the extraordinary general meeting of the Company held on 9 November 2012.

During the year, there was no arrangement under which a director waived or agreed to waive any emoluments and no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group.

(All amounts in Renminbi thousands unless otherwise stated)

24. EMPLOYEE BENEFIT EXPENSES *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2013 include 3 directors and 2 senior management personnel (2012: five directors) whose emoluments are reflected in the analysis presented above.

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands (in HK dollar)		
HKD500,001 – HKD1,000,000	**2**	–
HKD1,000,001 – HKD1,500,000	**2**	3
HKD1,500,001 – HKD2,000,000	**1**	1
HKD2,000,001 – HKD2,500,000	**–**	1

25. FINANCE INCOME AND COSTS

	2013	2012 (Restated)
Finance income		
– Interest income	**3,328**	1,364
Finance costs		
– Interest expense	**–**	(105)
– Exchange losses	**(1,221)**	(571)
	(1,221)	(676)
Finance income – net	**2,107**	688

(All amounts in Renminbi thousands unless otherwise stated)

26. INCOME TAX EXPENSE

The amount of taxation charged to the income statement represents:

	2013	2012 (Restated)
Current income tax	**18,559**	20,798
Deferred income tax	**(3,725)**	(3,676)
	14,834	17,122

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

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

Shenzhen Boton, a subsidiary of the Group, was qualified as High/New Technology Enterprises, and accordingly it is entitled to the preferential rate of 15% for the years from 2011 to 2013.

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

	2013	2012 (Restated)
Profit before income tax	**99,919**	74,521
Tax calculated at the tax rate of 15% (2012: 15%)	**14,988**	11,178
Tax losses not recognised	**425**	231
Effect of change in tax rate	**(3,561)**	–
Expenses not deductible for tax purposes	**2,982**	5,713
Taxation charge	**14,834**	17,122

27. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2013	2012 (Restated)
Profit/(loss) attributable to owners of the Company		
– Continuing operations	**85,085**	57,399
– Discontinued operations	**(9,966)**	1,354
Profit attributable to owners of the Company	**75,119**	58,753
Weighted average number of ordinary shares in issue (thousands)	**628,784**	587,910
Basic earnings/(losses) per share (RMB per share)		
– Continuing operations	**0.14**	0.10
– Discontinued operations	**(0.02)**	–

In both 2013 and 2012, diluted earnings per share are the same as basic earnings per share due to the absence of dilutive potential ordinary shares as at year end date.

28. DIVIDENDS

The Board did not recommend payment of any dividend in respect of the year ended 31 December 2013 (2012: nil).

(All amounts in Renminbi thousands unless otherwise stated)

29. CASH GENERATED FROM OPERATIONS

	2013	2012
Profit before income tax	**93,848**	76,992
Adjustments for:		
– Depreciation and amortisation (Notes 6, 7 and 8)	**23,762**	27,603
– (Reversal of provision)/provision for doubtful trade and other receivables	**(462)**	413
– Provision/(reversal of provision) for write-down of inventories	**1,291**	(354)
– Loss on disposals of property, plant and equipment	**1,532**	574
– Interest income	**(4,092)**	(1,563)
– Interest expense	**–**	537
– Loss on the re-measurement of assets of disposal group	**12,791**	–
Changes in working capital:		
– Inventories	**10,811**	10,181
– Trade and other receivables	**(67,647)**	38,245
– Trade and other payables and deferred government grants	**43,246**	33,034
Cash generated from operations	**115,080**	185,662

30. COMMITMENTS – GROUP

(a) Capital commitments

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

	2013	2012
Property, plant and equipment contracted but not provided for	**17,839**	12,009

(All amounts in Renminbi thousands unless otherwise stated)

30. COMMITMENTS – GROUP *(continued)*

(b) Operating lease commitments

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

	2013	2012
Not later than 1 year	**528**	606
Later than 1 year and not later than 5 years	**309**	55
	837	661

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Creative China Limited, a company incorporated in the British Virgin Islands, which owns 51.62% of the Company's shares. Creative China Limited is owned as to 41.19% by Mr. Wang Ming Fan, 28.11% by Mr. Wong Ming Bun, a former director of the Company, 19.87% by Mr. Wang Ming You, a former director of the Company, 6.89% by Mr. Qian Wu and 3.94% by Mr. Li Qing Long.

Key management compensation is disclosed under Note 24.

32. EVENT AFTER REPORTING PERIOD

On 28 February 2014, the Group completed the disposal of its entire interest in Disposal Group. After the completion, the Disposal Group ceased to be subsidiaries of the Group. The actual gain or loss by the disposal will be recognised by the Group in 2014.

FIVE YEAR SUMMARY

(All amounts in Renminbi thousands unless otherwise stated)

	Year ended 31 December				
	2009	2010	2011	2012 Restated	**2013**
Turnover	589,612	676,541	731,890	628,539	**687,537**
Net profit for the year	63,397	66,591	62,159	57,399	**85,085**

ASSETS AND LIABILITIES

	As at 31 December				
	2009	2010	2011	2012	**2013**
Total assets	952,193	1,048,733	1,110,153	1,254,411	**1,368,912**
Total liabilities	(117,288)	(145,566)	(155,408)	(173,264)	**(222,387)**
Shareholders' funds	834,905	903,167	954,745	1,081,147	**1,146,525**

Notes:

1. The results for year ended 31 December 2013, and the assets and liabilities as at 31 December 2013 have been extracted from the audited consolidated income statement and audited consolidated balance sheet as set out on pages 40 and 37 respectively, of the consolidated financial statements.