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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3318)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS

The board of directors (the "Board" or the "Directors") of China Boton Group Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2020**	2019
Revenue	*3*	**1,852,933**	1,641,338
Cost of sales	*4*	**(1,078,622)**	(877,666)
Gross profit		**774,311**	763,672
Selling and marketing expenses	*4*	**(129,899)**	(142,849)
Administrative expenses	*4*	**(313,964)**	(294,226)
Net impairment losses on financial assets	*5*	**(14,469)**	(20,948)
Other income		**13,260**	10,142
Other losses — net	*6*	**(12,837)**	(17,165)
Operating profit		**316,402**	298,626
Finance income		**3,171**	1,205
Finance costs		**(84,367)**	(87,234)
Finance costs — net		**(81,196)**	(86,029)
Profit before income tax		**235,206**	212,597
Income tax expense	*7*	**(62,001)**	(49,064)
Profit for the year		**173,205**	163,533
Attributable to:			
Owners of the Company		**116,622**	119,434
Non-controlling interests		**56,583**	44,099
		173,205	163,533
Earnings per share attributable to owners of the Company for the year (expressed in RMB per share)			
Basic earnings per share	*8*	**0.12**	0.13
Diluted earnings per share	*8*	**0.11**	0.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Year ended 31 December	
	2020	2019
Profit for the year	**173,205**	163,533
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(1,205)**	(31,258)
Total comprehensive income for the year	**172,000**	132,275
Attributable to:		
Owners of the Company	**120,736**	87,469
Non-controlling interests	**51,264**	44,806
Total comprehensive income for the year	**172,000**	132,275

CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December **2020**	2019
ASSETS			
Non-current assets			
Intangible assets	*13*	**1,869,692**	1,918,439
Property, plant and equipment		**1,511,704**	1,414,837
Right-of-use assets	*16*	**138,201**	119,313
Investment properties		**553,800**	591,300
Deferred income tax assets	*12*	**8,985**	9,599
		4,082,382	4,053,488
Current assets			
Inventories		**199,857**	213,925
Trade and other receivables	*10*	**780,592**	699,827
Deposits for bank borrowings		**162,877**	167,326
Cash		**263,486**	324,437
		1,406,812	1,405,515
Total assets		**5,489,194**	5,459,003
EQUITY			
Attributable to owners of the Company			
Share capital		**101,522**	84,693
Share premium		**1,292,432**	926,077
Other reserves		**353,723**	330,018
Perpetual subordinated convertible securities	*14*	**—**	383,184
Retained earnings		**977,133**	877,573
		2,724,810	2,601,545
Non-controlling interests		**215,526**	155,321
Total equity		**2,940,336**	2,756,866

CONSOLIDATED BALANCE SHEET *(Continued)*
(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Note	**2020**	2019
LIABILITIES			
Non-current liabilities			
Deferred government grants		**2,292**	3,054
Deferred income tax liabilities	*12*	**108,509**	119,061
Borrowings	*15*	**890,543**	896,111
Lease liabilities	*16*	**17,375**	22,570
Other non-current liabilities	*11*	**186,938**	301,154
		1,205,657	1,341,950
Current liabilities			
Trade and other payables	*11*	**598,765**	521,989
Contract liabilities		**45,505**	72,829
Lease liabilities	*16*	**7,552**	6,805
Current income tax liabilities		**133,391**	154,625
Borrowings	*15*	**557,988**	603,939
		1,343,201	1,360,187
Total liabilities		**2,548,858**	2,702,137
Total equity and liabilities		**5,489,194**	5,459,003

Notes (All amounts in Renminbi thousands unless otherwise stated):

1. GENERAL INFORMATION

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2021.

2. BASIS OF PREPARATION

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

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

Changes in accounting policy and disclosures

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material — amendments to HKAS 1 and HKAS 8
- Definition of a Business — amendments to HKFRS 3
- Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The Group also elected to adopt the following amendments early:

- Annual Improvements to HKFRS Standards 2018-2020 Cycle.
- Covid-19-Related Rent Concessions — amendments to HKFRS 16

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

(b) ***New and amended standards not yet adopted by the Group***

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT INFORMATION

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

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

- Flavor enhancers;
- Food flavors;
- Fine fragrances;
- e-Cigarette products (previously named as "Healthcare products"); and
- Investment properties.

The chief operating decision-makers assess the performance of the segments based on the profit before income tax and profit for the year as follows. e-Cigarette products, previously known as "healthcare products", comprised disposable e-Cigarettes and rechargeable e-Cigarettes and its accessories. Management had renamed the "Healthcare Products" Segment as "e-Cigarette Products" Segment during the year.

The segment information for the year ended 31 December 2020 is as follows:

	Flavor enhancers	Food flavors	Fine fragrances	e-Cigarette products	Investment properties	Unallocated	Total segments
Segment revenue	720,180	145,563	153,438	800,884	34,829	—	1,854,894
Inter-segment revenue	(1,961)	—	—	—	—	—	(1,961)
Revenue from external customers	718,219	145,563	153,438	880,884	34,829	—	1,852,933
Timing of revenue recognition							
At a point in time	718,219	145,563	153,438	800,884	—	—	1,818,104
Over time	—	—	—	—	34,829	—	34,829
Other income	5,439	2,943	3,045	1,833	—	—	13,260
Other (losses)/gains — net	109	—	—	(2,446)	(10,500)	—	(12,837)
Operating profit/(loss)	207,986	45,505	18,011	56,524	10,417	(22,041)	316,402
Finance income	4	205	123	346	—	2,493	3,171
Finance costs	(34,739)	(1,173)	(1,632)	317	—	(47,140)	(84,367)
Finance costs — net	(34,735)	(968)	(1,509)	663	—	(44,647)	(81,196)
Profit/(loss) before income tax	173,251	44,537	16,502	57,187	10,417	(66,688)	235,206
Income tax (expense)/credit	(35,395)	(8,181)	(3,288)	(13,548)	(3,931)	2,342	(62,001)
Profit/(loss) for the year	137,856	36,356	13,214	43,639	6,486	(64,346)	173,205
Depreciation and amortisation	79,951	6,340	6,683	23,072	—	19,433	135,479
Net impairment losses/(gains) on financial assets	4,722	(1,937)	(2,042)	13,726	—	—	14,469
Provision for write-down of inventories	860	849	894	3,570	—	—	6,173

The segment information for the year ended 31 December 2019 is as follows:

	Flavor enhancers	Food flavors	Fine fragrances	e-Cigarette products	Investment properties	Unallocated	Total segments
Segment revenue	603,636	136,289	132,367	739,327	31,125	—	1,642,744
Inter-segment revenue	(1,406)	—	—	—	—	—	(1,406)
Revenue from external customers	602,230	136,289	132,367	739,327	31,125	—	1,641,338
Timing of revenue recognition							
At a point in time	602,230	136,289	132,367	739,327	—	—	1,610,213
Over time	—	—	—	—	31,125	—	31,125
Other income/(loss)	7,695	50	48	2,411	(62)	—	10,142
Other (losses)/gains — net	14	—	—	105	(17,284)	—	(17,165)
Operating profit/(loss)	152,425	35,092	3,686	131,211	6,996	(30,784)	298,626
Finance income	—	156	150	49	—	850	1,205
Finance costs	(26,237)	(2,827)	(2,495)	562	—	(56,237)	(87,234)
Finance costs — net	(26,237)	(2,671)	(2,345)	611	—	(55,387)	(86,029)
Profit/(loss) before income tax	126,188	32,421	1,341	131,822	6,996	(86,171)	212,597
Income tax (expense)/credit	(17,429)	(5,060)	(193)	(30,960)	(280)	4,858	(49,064)
Profit/(loss) for the year	108,759	27,361	1,148	100,862	6,716	(81,313)	163,533
Depreciation and amortisation	70,583	6,417	6,079	25,834	—	19,611	128,524
Net impairment losses on financial assets	7,345	2,318	2,252	9,033	—	—	20,948
Provision for write-down of inventories	97	7	6	6,766	—	—	6,876

Breakdown of revenue is as follows:

Analysis of revenue by category	2020	2019
Sales of goods	**1,818,104**	1,610,213
Rental income	**34,829**	31,125
	1,852,933	1,641,338

Analysis of revenue from external customers by geographic location	2020	2019
The PRC	**1,136,891**	1,334,327
Europe	**4,009**	2,822
United States	**425,231**	135,869
Asia	**286,752**	161,943
Others	**50**	6,377
	1,852,933	1,641,338

The total of non-current assets other than deferred tax assets located in the PRC is RMB4,073,397,000 (2019: RMB4,043,889,000).

4. EXPENSES BY NATURE

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

	2020	2019
Depreciation and amortisation	**135,479**	128,524
Employee benefit expenses, excluding amount excluded in research and development	**161,646**	176,738
Changes in inventories of finished goods and work in progress	**24,397**	(67,464)
Raw materials used	**954,639**	817,824
Provision for write-down of inventories	**6,173**	6,876
Water and electricity	**7,734**	11,086
Transportation and travelling expenses	**22,978**	34,273
Advertising costs	**38,303**	32,259
Consulting expenses	**11,271**	24,227
Lease expenses	**4,422**	1,452
Share-based payments	**4,770**	—
Auditors' remuneration	**6,500**	6,300
Research and development costs		
— Employee benefit expenses	**28,529**	29,262
— Research service fees	**18,064**	9,627
— Experimental materials expenses	**530**	294
— Others	**7,143**	16,012
Entertainment	**5,966**	11,850
Office expenses	**33,852**	23,357
Donation	**330**	70
Other expenses	**49,759**	52,174
Total of cost of sales, selling and marketing expenses and administrative expenses	**1,522,485**	1,314,741

5. IMPAIRMENT OF FINANCIAL ASSETS

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory
- other receivables

While cash and other receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance for trade receivables as at 31 December 2020 and 31 December 2019 was determined by different segments and grouped as Traditional Flavors (including flavor enhancers, food flavors and fine fragrances defined in Note 3) and e-Cigarette Products (defined in Note 3).

The closing loss allowances for trade receivables as at 31 December 2020 reconcile to the opening loss allowances as follows:

	2020	2019
Opening loss allowance as at 1 January	**45,217**	24,269
Increase in trade receivables loss allowance recognised in profit or loss during the year	**14,469**	20,948
Receivables written off during the year as uncollectible	**(11,361)**	—
At 31 December	**48,325**	45,217

6. OTHER LOSSES — NET

	2020	2019
Gains on disposal of property, plant and equipment	**151**	119
Loss on deregistration of a subsidiary	**(2,488)**	—
Fair value loss on investment properties	**(10,500)**	(7,400)
Revaluation loss on transfer of right-of-use assets (land use rights) to investment properties	**—**	(9,884)
	(12,837)	(17,165)

7. INCOME TAX EXPENSE

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

	2020	2019
Current income tax	**71,939**	62,099
Deferred income tax related to the temporary differences	**(9,938)**	(13,035)
	62,001	49,064

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

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

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

Dongguan Boton, a major subsidiary of the Group, was qualified as High/New Technology Enterprises, and accordingly it is entitled to the preferential rate of 15% for the years from 2019 to 2021.

Kimsun Huizhou, a major subsidiary of the Group, was qualified as High/New Technology Enterprises, and accordingly it is entitled to the preferential rate of 15% the years from 2017 to 2019.

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

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

	2020	2019
Profit before income tax	**235,206**	212,597
Tax calculated at the tax rate of 15% (2019: 15%)	**35,281**	31,890
Effect of different tax rates available to different companies of the Group	**5,371**	1,310
Tax losses not recognised	**11,259**	13,026
Utilisation of previously unrecognized tax losses	**(1,853)**	(2,138)
Share-based payments expenses not deductible for tax purposes	**716**	—
Taxable gain on disposal of the equity interest of Dongguan Boton	**5,342**	—
Withholding income tax on the profits to be distributed by the Group companies in the PRC	**1,069**	971
Expenses not deductible for tax purposes	**4,816**	4,005
Income tax expense	**62,001**	49,064

8. EARNINGS PER SHARE

(a) Basic

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.

	2020	2019
Profit attributable to owners of the Company	**116,622**	119,434
Weighted average number of ordinary shares in issue (thousands)	**989,655**	889,309
Basic earnings per share (RMB per share)	**0.12**	0.13

(b) Diluted

Diluted earnings per share is calculated based on the weighted average number of ordinary shares outstanding, adjusted for the conversion of PSCS.

	2020	2019
Profit attributable to owners of the Company	**116,622**	119,434
Weighted average number of ordinary shares used to calculate basic earnings per share (thousands)	**989,655**	889,309
Adjustments for:		
— conversion of PSCS (thousands)	**93,381**	184,237
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,083,036**	1,073,546
Diluted earnings per share	**0.11**	0.11

9. DIVIDENDS

The Board does not recommend payment of a final dividend for the year ended 31 December 2020 (2019: The Board does not recommend payment of a final dividend).

10. TRADE AND OTHER RECEIVABLES

	Note	**2020**	2019
Trade receivables	*(a)*	**446,197**	386,777
Less: provision for impairment		**(48,325)**	(45,217)
Trade receivables — net		**397,872**	341,560
Bills receivable	*(b)*	**61,602**	75,685
Prepayments		**247,122**	220,240
Other deposits	*(c)*	**29,735**	25,721
Advances to staff		**7,462**	6,119
Staff benefit payments		**532**	844
Excess of input over output value added tax		**2,007**	5,294
Others		**34,260**	24,364
		780,592	699,827

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

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

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

	2020	2019
Current	**326,691**	201,167
Not exceeding 90 days past due	**46,718**	73,685
More than 90 days but not exceeding 360 days past due	**48,634**	80,083
More than 360 days past due	**24,154**	31,842
	446,197	386,777

(b) **Bills receivable**

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

	2020	2019
Bank acceptance bills	**60,261**	74,320
Commercial acceptance bills	**1,341**	1,365
	61,602	75,685

The maturity profile of bills receivable is as follows:

	2020	2019
Up to 3 months	**34,986**	62,471
3 to 6 months	**26,616**	13,214
	61,602	75,685

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

11. TRADE AND OTHER PAYABLES

	Note	2020	2019
Trade payables	*(a)*	**255,503**	293,524
Payables for business combinations	*(b)*	**296,003**	301,154
Interest payable		**11,456**	13,740
Salaries payable		**38,516**	42,613
Other taxes payable		**45,975**	29,368
Accrued expenses		**13,920**	10,890
Dividends payable to non-controlling interests		**—**	37,600
Payables for additions of right-of-use assets (land use rights)		**34,684**	34,684
Amount due to the directors and employees of Dongguan Boton	*(c)*	**36,491**	—
Other payables		**53,155**	59,570
		785,703	823,143
Less: non-current portion — long-term other payables (Other non-current liabilities)		**(186,938)**	(301,154)
Current portion		**598,765**	521,989

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

(a) As at 31 December 2020 and 2019, the ageing analysis of the trade payables based on invoice date is as follows:

	2020	2019
Up to 3 months	**157,589**	201,398
3 to 6 months	**17,676**	27,150
6 to 12 months	**25,761**	22,265
Over 12 months	**54,477**	42,711
	255,503	293,524

(b) As at 31 December 2020, the amounts represented amounts payable for the acquisition of Kimree and the business acquisitions of Huiji, Da Herong, Fangyuan and Central South.

(c) RMB36,490,500 represented capital contributions from the directors and employees of Dongguan Boton for the transfer of equity interests of Dongguan Boton, and the amount was included as other liability of the Group.

12. DEFERRED INCOME TAX

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

Before offsetting:

	2020	2019
Deferred tax assets:		
— to be recovered after more than 12 months	**32**	40
— to be recovered within 12 months	**14,959**	15,484
	14,991	15,524
Deferred tax liabilities:		
— to be recovered after more than 12 months	**(51,676)**	(61,642)
— to be recovered within 12 months	**(62,839)**	(63,344)
	(114,515)	(124,986)

After offsetting:

	2020	2019
Deferred income tax assets	**8,985**	9,599
Deferred income tax liabilities	**(108,509)**	(119,061)

As at 31 December 2020, deferred income tax assets and deferred income tax liabilities were offset, where they are in the same entity, to the extent of RMB6,006,000 (2019: RMB5,925,000)

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

	2020	2019
At 1 January	**(109,462)**	(122,497)
Charged to consolidated income statement	**9,938**	13,035
At 31 December	**(99,524)**	(109,462)

13. INTANGIBLE ASSETS

	Goodwill	Customer relationships	Patents, Formula and Trademark	Development costs	Non-competition agreement	Computer software	Total
Year ended 31 December 2020							
Opening net book amount	**1,625,741**	**192,306**	**68,287**	**17,622**	**13,506**	**977**	**1,918,439**
Additions	**—**	**—**	**—**	**—**	**—**	**410**	**410**
Amortisation charge	**—**	**(29,886)**	**(13,029)**	**(4,539)**	**(1,375)**	**(328)**	**(49,157)**
Closing net book amount	**1,625,741**	**162,420**	**55,258**	**13,083**	**12,131**	**1,059**	**1,869,692**
At 31 December 2020							
Cost	**1,625,741**	**298,857**	**112,539**	**22,693**	**18,476**	**3,820**	**2,082,126**
Accumulated amortisation	**—**	**(136,437)**	**(57,281)**	**(9,610)**	**(6,345)**	**(2,761)**	**(212,434)**
Net book amount	**1,625,741**	**162,420**	**55,258**	**13,083**	**12,131**	**1,059**	**1,869,692**

Amortisation of RMB49,157,000 (2019: RMB49,140,000) is included in administrative expenses.

14. PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

The Company issued perpetual subordinated convertible securities ("PSCS") on 15 August 2016 to Huiji, Da Herong, Fangyuan and Central South, respectively as part of the purchase consideration for acquisition of the Four Businesses. The PSCS is convertible into 378,544,000 shares of the Company at an initial conversion price of HKD3.00 per share.

The PSCS constitutes direct, unsecured and subordinated obligations of the Company and rank *pari passu* without any preference or priority among themselves. In the event of the winding-up of the Company, the rights and claims of the PSCS holder(s) shall; (a) rank ahead of those persons whose claims are in respect of any class of share capital of the Company; and (b) be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Company.

The PSCS has no maturity date and does not confer a right to receive distributions.

Outstanding balances of the PSCS holders amounted to approximately RMB383,184,000 (representing Huiji, Da Herong, Fangyuan and Central South) were converted to ordinary shares of 184,237,332 through allotment during the year.

	2020 Number of convertible shares (thousands)	2019 Number of convertible shares (thousands)	**2020 PSCS**	2019 PSCS
At 1 January	**184,237**	206,539	**383,184**	429,568
Conversion	**(184,237)**	(22,302)	**(383,184)**	(46,384)
At 31 December	**—**	184,237	**—**	383,184

15. BORROWINGS

	2020	2019
Non-current		
Bank borrowings		
— secured	**1,026,147**	1,113,243
— unsecured	**—**	2,158
Less: current portion of non-current borrowings	**(135,604)**	(219,290)
	890,543	896,111
Current		
Bank borrowings		
— secured	**94,850**	210,300
— unsecured	**327,534**	174,349
	422,384	384,649
Current portion of non-current borrowings	**135,604**	219,290
	557,988	603,939
Total borrowings	**1,448,531**	1,500,050

16. LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2020	2019
Right-of-use assets		
Land use rights	**115,146**	91,160
Buildings	**21,660**	27,673
Vehicles	**1,395**	480
	138,201	119,313
Lease liabilities		
Current	**7,552**	6,805
Non-current	**17,375**	22,570
	24,927	29,375

The lease periods of the land use rights are mainly 50 years. The remaining lease periods of the Group's land use rights mainly range from 37 to 44 years (2019: 38 to 45 years).

As at 31 December 2020, the Group's bank borrowings were secured over land use rights with the carrying amounts of RMB129,460,000 (2019: RMB35,067,000).

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

Opening net book amount as at 1 January 2019 as restated	112,289
Additions	50,475
Transfer to investment properties	(34,684)
Depreciation and amortisation	(8,767)
Closing net book amount as at 31 December 2019	119,313
Opening net book amount as at 1 January 2020 as restated	119,313
Additions	3,893
Transfer from investment properties*	27,000
Depreciation and amortisation	(12,005)
Closing net book amount as at 31 December 2020	138,201

* The amount represents transfer of land use rights located at Xiantao City, Hubei Province, the PRC, from investment properties to right-of-use assets (land use rights) due to change of management intention to use the land use rights to develop buildings of the Group during the year.

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

	2020	2019
Depreciation and amortisation charge of right-of-use assets:		
Land use rights	**3,013**	2,137
Buildings	**8,063**	6,615
Vehicles	**929**	15
	12,005	8,767
Interest expenses (included in finance costs — net)	**1,646**	968
Expenses relating to short-term leases (included in cost of sales, selling and marketing expenses and administrative expenses) *(Note 4)*	**4,422**	1,452

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL BUSINESSES OF THE GROUP

During the year ended 31 December 2020, the Group was principally engaged in the research and development, manufacturing, trading and selling of extracts, flavors and fragrances. It also engaged in design and manufacturing of high-quality electronic cigarettes and the related products as well.

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

BUSINESS REVIEW

In the year 2020, the continuous outbreak of the Covid-19 pandemic, with variation of new strains of the virus, caused global public health crisis and most countries implemented enormous and stringent control, such as physical lockdowns and social distancing. Most economic activities were seriously affected and induced the COVID-19 recession. The Group had to cope with the severe economic environment.

During the year ended 31 December 2020, through its five business segments, the total revenue of the Group amounted to approximately RMB1,852.9 million (2019: RMB1,641.3 million), representing an increase of 12.9% when compared to last year. The Group's gross profit was increased to approximately RMB774.3 million (2019: RMB763.7 million), representing a slight increase of 1.4% when compared to last year and the Group's net profit for the review period was RMB173.2 million (2019: approximately RMB163.5 million) representing a mild increase of 5.9% when compared to last year. The e-Cigarette Products Segment and the Flavor Enhancers Segment have contributed approximately 82.0% of the total revenue of the Group as at 31 December 2020 in aggregate.

RENAMED OF "e-CIGARETTE PRODUCTS" SEGMENT FROM "HEALTHCARE PRODUCTS" SEGMENT

During the reporting period, the Group had renamed its major business segment to "e-Cigarette Products" segment from "Healthcare Products" segment which could better reflect the business nature and activities of this segment since majority of the revenue and net profit were contributed by the sales of various e-Cigarette products of the Group during the year ended 31 December 2020.

The Group has the leading manufacturing and research & development ("R&D") capacity in flavors, fragrances and e-Cigarette sectors in the PRC, together with the largest production base for full-chained industrial production, ranging from flavors, tar to vaporizers. In 2020, the Group created the largest e-Cigarette production base in the PRC. Its production base in Huizhou and Jiangxi covers nearly 250,000 m^2, and that in Jiangxi covers 150,000 m^2. Our 1,100 production lines are in compliance with international standards. The Group takes the lead in securing approval in eight major internationally quality system certifications, including GMP, ISO9001, ISO14001, ISO13485, etc, while its products were approved by CE, FCC, RoHS, UL, PSE certifications, etc. The first "Boton Electronic Cigarettes Industrial Parks" initiated by the government authority was founded in the "Boton Hi-tech Park" in 2019, while "Kung Fu", the new brand launched by China Tobacco Sichuan was processed in the plant of Kimsun (Huizhou) of the Group.

In 2020, the Group continues to roll out its own brands of e-Cigarettes, while its own brands have exhibited the strongest potential growth amongst its industrial peers in the sectors of e-Cigarettes, heat-not-burn (HNB) tobacco and e-liquid. Our brand, "Ammo" ranks the second in the market share of e-Cigarettes in the PRC, whereas the Korean brand "BUBBLE" ranks first in the market share of e-Cigarettes in South Korea.

The Group believes that the development of its own brand is technology-driven. In 2020, the Group scaled up its investment in R & D technology, conjuring up a set of core technologies that took the leading position in the industry. The Group has secured more than 5,700 e-Cigarette patents in the PRC and abroad.

The Group sets out to formulate medium and long-term development plan for its e-Cigarette business, as well as to continue to increase R & D investment in the full-chained industrial production, ranging from flavors, fragrances to e-liquid and further to e-Cigarettes. Our Group has developed the set of core technologies that are leading the development in the industry. The Group continues to initiate marketing model that have proved successful in the Korean markets to achieve its global strategy. The Group's e-Cigarette business continues to sustain a double-digit growth and is poised to be the industrial lead in the future. We have grown to be a batch of renowned brands in the sector of heat-not-burn tobacco and e-Cigarettes, in both the PRC and overseas markets, resulting in consolidated fundamental for future development of the Group.

Revenue

The Group recorded a total revenue of approximately RMB1,852.9 million, representing an increase of 12.9% (2019: RMB1,641.3 million) for the year ended 31 December 2020. The increase was mainly attributable to the segment of flavor enhancers.

The breakdowns of the total revenue of the Group for the year ended 31 December 2020 (excluding intersegment revenue) were as follows:

	For the year ended 31 December				
	2020		2019		
	Revenue *RMB (M)*	**% of total revenue**	Revenue *RMB (M)*	% of total revenue	% change
Flavor enhancers	**718.2**	**38.8%**	602.2	36.7%	19.3%
Food flavors	**145.6**	**7.9%**	136.3	8.3%	6.8%
Fine fragrances	**153.4**	**8.3%**	132.4	8.1%	15.9%
e-Cigarette products	**800.9**	**43.2%**	739.3	45.0%	8.3%
Investment properties	**34.8**	**1.8%**	31.1	1.9%	11.9%
Total	**1,852.9**	**100.0%**	1,641.3	100.0%	12.9%

Flavor enhancers

The revenue of flavor enhancers amounted to approximately RMB718.2 million for the year ended 31 December 2020 (2019: RMB602.2 million), representing an increase of 19.3% when compared to last year and it was due to the continuous support from the existing customers brought about the stable growth of the sales of this segment in the tobacco industry. The Group continued to develop new customized premium formula in the flavor enhancer products and assisted this segment to maintain the top revenue and profit generator position among the Group.

Food flavors

The food flavors segment recorded a revenue of approximately RMB145.6 million for the year ended 31 December 2020 (2019: RMB136.3 million), representing an increase of 6.8% when compared to last year. Due to the expansion of customer base and increase in sales of international market (especially in Indonesia) of the food flavors industry, the revenue of this segment had recorded an increase during the year ended 31 December 2020. The Group would continue to develop new flavors from the natural resources and to cater the market trends and to maintain the stable revenue record of this segment.

Fine fragrances

The fine fragrances segment recorded a revenue of approximately RMB153.4 million for the year ended 31 December 2020 (2019: RMB132.4 million), representing an increase of 15.9% when compared to last year. The increase in the revenue of the fine fragrance segment was due to the COVID-19 pandemic control and precautionary measures which increased the sales of fragrances products, e.g. cleaning, personal hygiene and laundry products, etc..

e-Cigarette products (previously known as "Healthcare products" segment and renamed in 2020)

The revenue of e-Cigarettes (which comprised disposable e-Cigarettes and rechargeable e-Cigarettes) and its accessories amounted to approximately RMB800.9 million during the year ended 31 December 2020, representing an increase of 8.3% from approximately RMB739.3 million of last year. The increase was due to the expansion of international distribution network and the expansion of trading business of the e-Cigarettes products of the Group in South Korea during the year 2020. The Group would continue to develop the trading business in South Korea and other parts of the world in the coming years.

Investment properties

The revenue of this segment was approximately RMB34.8 million, representing an increase of 11.9% from approximately RMB31.1 million last year. The increase was due to the continuous stable leasing of the properties at Shenzhen which generated stable revenue during the year ended 31 December 2020.

Gross Profit

The operations recorded a gross profit of approximately RMB774.3 million for the year ended 31 December 2020 (2019: RMB763.7 million), representing a slight increase of 1.4% when compared to last year but the gross profit margin reduced from 46.5% in 2019 to 41.8% in 2020. Although the expansion in the sales of all business segments enhanced the revenue of the Group during the year ended 31 December 2020, the raw materials costs were also increased during these severe economic environment which reduced the gross profit margin significantly. As a result, the gross profit increased while the gross profit margin decreased during the year ended 31 December 2020.

Expenses

Selling and marketing expenses

Selling and marketing expenses amounted to approximately RMB129.9 million for the year ended 31 December 2020 (2019: RMB142.8 million) representing approximately 7.0% to revenue of the year (8.7% to revenue in 2019) and also representing a decrease of 9.0% when compared to last year. The decrease in these expenses was mainly attributable to the decrease in the sales agents commission cost and the transportation cost during the year under review.

Administrative expenses

Administrative expenses amounted to approximately RMB314.0 million for the year ended 31 December 2020 (2019: RMB294.2 million) representing approximately 16.9% to revenue of the year 2020 (17.9% to revenue in 2019) and also representing an increase of 6.7% when compared to last year. The increase in these expenses was mainly attributable to the increase in the research and development expenses and office expenses of the Group during the year under review.

Net impairment losses on financial assets

The Group had applied the expected credit losses for all trade receivables. There was a net impairment loss of RMB14.5 million for trade receivables of the Group during the reporting period (2019: RMB20.9 million).

Other income

Other income amounted to approximately RMB13.3 million for the year ended 31 December 2020 (2019: RMB10.1 million). The increase was mainly due to the increase in the PRC government grants and subsidies of the Group during the year ended 31 December 2020.

Other losses — net

Other losses — net amounted to approximately RMB12.8 million for the year ended 31 December 2020 (2019: losses of RMB17.2 million). The loss was mainly due to the revaluation loss of the investment properties of the Group during the year ended 31 December 2020.

Finance costs — net

Finance costs — net amounted to approximately RMB81.2 million for the year ended 31 December 2020 (2019: RMB86.0 million) which mainly consisted of the interest expenses on borrowings obtained in the year. Due to the decrease in the borrowings and the decrease of the interest expenses at the year ended 31 December 2020, that caused the decrease in the Finance costs net.

Net Profit

Net profit for the year ended 31 December 2020 amounted to approximately RMB173.2 million (2019: RMB163.5 million), representing a mild increase of 5.9% when compared to last year. The mild increase was due to the increase of the net profits of the flavor enhancers segment during the year ended 31 December 2020. Net profit margin for the year decreased to approximately 9.3% (2019: 10.0%).

Principal risks and uncertainties

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

Environmental policies

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

Future Plans and Prospects

In the year 2021, the Group would continue to maintain the standardised and institutionalised operation and production units internally and improve the efficiency of the research and development ability. Externally, the Group will further boost the oversea distribution networks and will continue to maintain the market leading position in the PRC and South Korea. The Company will continue to provide good quality of flavors and fragrances products and e-Cigarette products to cater the customers' trend and demands.

Despite the impact of the COVID-19 recession, the Group strives to work align with the long term objectives, including green economy, decarbonization and resilience to maintain a sustainable growth of the Group and to carry on the Group's vision of "the commitment to improve the quality of life and becomes a symbol of quality!". The Group will further boost the expansion of the existing business segments and to accelerate the achievement of the Group's short-term objectives.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2020, the net current assets of the Group amounted to approximately RMB63.6 million (2019: RMB45.3 million). The increase in net current assets was mainly attributable to increase in trade and other receivables while decrease in income tax liabilities and short term borrowings. The cash and deposit for bank borrowings of the Group amounted to RMB426.4 million (2019: RMB491.8 million). The decrease in cash and deposit for bank borrowings by the end of 2020 was mainly attributable to increase in income tax paid and decrease in new borrowings in the year. Accordingly, the current ratio of the Group was 1.0 (2019: 1.0).

Currently the Group has successfully improved the recovery of the trade receivables of the Group as at 31 December 2020. The Group strives to adopt stringent credit control over the trade receivable and this can enhance the cash position of the Group and improves our liquidity and current ratio from time to time.

Total equity of the Group as at 31 December 2020 was approximately RMB2,940.3 million (2019: RMB2,756.9 million) mainly driven up by increase in share capital, share premium and other reserves. As at 31 December 2020, the Group had borrowings totalling approximately RMB1,448.5 million (2019: RMB1,500.1 million), therefore debt gearing ratio was 49.3% (total borrowings over total equity) (2019: 54.4%). The borrowings comprised (i) current bank borrowings and current portion of long term borrowings of approximately RMB558.0 million (2019: RMB603.9 million) and (ii) long-term borrowings of approximately RMB890.5 million (2019: RMB896.1 million). The borrowings are denominated in RMB, USD and HKD. As at 31 December 2020, the effective interest rates of the borrowings was 3.85% per annum. Details of borrowings are set out in Note 15 to the Consolidated Financial Statements in this announcement.

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

Financing

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

Capital Structure

The share capital of the Company comprised ordinary shares for the reporting period. The total number of issued shares of the Company was 1,080,512,146 ordinary shares as at 31 December 2020.

Foreign Exchange Risk and Interest Rate Risk

The Group had net exchange gains of approximately RMB3.3 million in 2020 (2019: net exchange gains of RMB4.6 million). The Group mainly operates in the PRC. Most of its transactions are basically denominated in RMB with some transactions and some bank borrowings in USD. The Company shall monitor the exchange rate of RMB against the USD closely.

It is looking into the possibility of currency hedging and will take appropriate action when favourable opportunities arise. As at 31 December 2020, the Group had bank borrowings of a total of RMB1,448.5 million denominated in RMB, USD and HKD. Lending rates on bank borrowings denominated in RMB fluctuate with reference to The People's Bank of China Prescribed Interest Rate while bank borrowings denominated in HKD fluctuate with reference to the Hong Kong Inter-bank rates and fixed interest rates on those bank borrowings denominated in USD. The Group did not hedge its interest rate risk. The Board is of the opinion that the interest rate risk would not have material impact on the Group.

Capital Expenditure

During the year ended 31 December 2020, the Group invested approximately RMB167.7 million (2019: RMB282.5 million) in fixed assets, of which RMB9.6 million (2019: RMB2.6 million) was used for the purchase of plant and machinery. For the year ended 31 December 2020, the Group had capital commitments of approximately RMB67.2 million (2019: RMB13.4 million) in respect of fixed assets, which shall be funded by internal resources.

Charge on Group's Assets

As at 31 December 2020, the Group had charged: (i) its equity interests in some subsidiaries; (ii) land use rights located at Dongguan City owned by Dongguan Boton; (iii) certain buildings, warehouses and investment properties located at Shenzhen City owned by Shenzhen Boton (together with personal guarantee of Mr Wang Ming Fan) as pledge of financing raised in the year under review.

Staff Policy

The Group had 1,212 employees in the PRC, Hong Kong and South Korea as at 31 December 2020 (2019: 2,225 employees in the PRC, Hong Kong and South Korea). The decrease in the number of employees was mainly attributable to the decrease in labour force in the production plant located in Huizhou and Dongguan, the PRC. The Company appreciates talents and value staff as valuable asset of the Group. The Group offers a comprehensive and competitive remuneration, retirement schemes, a share option scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are in compliance with the rules and make contribution to a social insurance scheme in the PRC.

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

Material Investment

For the year ended 31 December 2020, the Group did not have material investment.

Contingent Liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities.

CONNECTED TRANSACTION — DISPOSAL OF EQUITY INTEREST IN DONGGUAN BOTON AND PROFIT GUARANTEE

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

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

In addition, each of the purchasers had unconditionally and irrevocably warranted to SZ Boton while certain purchasers had unconditionally and irrevocably warranted to Champion that DG Boton group would maintain an annual growth of not less than 10% of its revenue and net profit excluding extraordinary items (the "Profit Guarantee") in the five financial years after the completion date (the "Relevant Period"). If the Profit Guarantee could not be met in any two consecutive years during the Relevant Period, the purchasers must, within 30 days after the issue of the audited financial statement, transfer the respective equity interest (save and except the respective equity interest transferred from Champion to Mr. Qian Wu, Mr. Li Qing Long and Ms. Yang Yifan under the Equity Transfer Agreement) to the vendors at the consideration pursuant to the Equity Transfer Agreement. The amount of the Profit Guarantee for the first financial year ended 31 December 2020 was calculated based on the revenue and net profit excluding extraordinary items stated in the audited report of DG Boton group for the financial year ended 31 December 2019. If there was any event of force majeure relating to natural disasters including flooding which might materially and adversely affect the achievement of the Profit Guarantee, subject to the approval of SZ Boton, the Profit Guarantee in the relevant financial year should be achieved in the subsequent financial year and the Relevant Period shall be extended accordingly. The Profit Guarantee shall survive the completion of the Transaction but shall be automatically terminated upon completion of the Proposed Spin-off and the Proposed A-Share Listing. The Profit Guarantee for the first financial year ended 31 December 2020 was fulfilled.

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

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

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

On 28 December 2020, the vendors had received all consideration pursuant to the Equity Transfer Agreement.

Details of the Transaction were disclosed in the Company's announcement dated 12 June 2020.

CHANGE OF COMPANY NAME, STOCK SHORT NAME AND COMPANY LOGO

On 10 June 2020, the Company announced that subsequent to (i) the passing of the special resolution approving the change of the Company's name by the shareholders of the Company at the annual general meeting held on 15 May 2020 and (ii) the issue of the certificate of incorporation on change of name of the Company by the Registrar of Companies in the Cayman Islands on 19 May 2020, the change of the Company's official registered English name from "China Flavors and Fragrances Company Limited" to "China Boton Group Company Limited" and the change of the Chinese name of the Company from "中國香精香料有限公司" to "中國波頓集團有限公司" became effective on 19 May 2020. The logo of the Company had also been changed to reflect the change of the Company's name.

Subsequently, on 8 June 2020, the Registrar of Companies in Hong Kong had issued the certificate of registration of alteration of name of registered non-Hong Kong company and confirmed the Company's new name of "China Boton Group Company Limited 中國波頓集團有限公司" was registered in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Accordingly, the Company's English and Chinese stock short names had been changed from "CHINA FLAVORS"/"中國香精香料" to "CHINA BOTON"/"中國波頓" respectively on 16 June 2020.

Details of the name change of the Company were disclosed in the Company's announcements dated 28 February 2020, 15 May 2020 and 10 June 2020 respectively.

CHANGE OF COMPANY WEBSITE

On 6 August 2020, the Company announced that the website of the Company had been changed from "http://www.chinaffl.com" to "http://www.boton.com.hk" with effect from 7 August 2020 to reflect the Change of the Company Name. All announcements, notices or other documents submitted by the Company for publication on the website of The Stock Exchange of Hong Kong Limited would also be published on the aforesaid new website of the Company.

Details of the change of the Company website were disclosed in the Company's announcement dated 6 August 2020.

LEGAL PROCEEDINGS AGAINST TWO VENDORS OF AN ACQUISITION

On 13 August 2020, the Company announced that it has commenced legal proceedings in Hong Kong on 10 August 2020 against two vendors, Mr. Liu Qiuming and Mr. Xiang Zhiyong (the "Vendors"), of an acquisition in relation to a share purchase agreement dated 26 January 2016 (the "Share Purchase Agreement"), pursuant to which the Company had acquired Kimree, Inc. and its subsidiaries at a consideration of RMB750 million. Since the Vendors had breached the non-competition clauses of the Share Purchase Agreement, the Company claimed, *inter alia*, for injunction order to restrain Mr. Liu Qiuming from committing acts in breach of the non-competition clauses and damages against the Vendors.

Details of the legal proceedings were disclosed in the Company's announcement dated 13 August 2020.

DIVIDEND

The Board did not recommend payment of any dividend in respect of the year ended 31 December 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 17 May 2021 to 21 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited on Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 14 May 2021.

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.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and 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 2020, except for deviation from code provision A.2.1.

In accordance with the CG Code A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual to ensure a balance of power and authority. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The 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.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the effectiveness of its internal control system and risk management during the year under review including the audited annual financial statements of the Group for the year ended 31 December 2020. The Audit Committee is consisted of the three independent non-executive directors of the Company.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the results announcement.

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 ended 31 December 2020.

PUBLICATION OF ANNUAL REPORT AND ESG REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

A copy of annual report containing all information required by relevant paragraphs of Appendix 16 of the Listing Rules and a copy of ESG report will be published on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.boton.com.hk) respectively in due course.

By order of the Board
China Boton Group Company Limited
WANG Ming Fan
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the executive Directors are Mr. Wang Ming Fan, Mr. Li Qing Long and Mr. Yang Ying Chun. The independent non-executive Directors are Mr. Ng Kwun Wan, Mr. Leung Wai Man, Roger, and Mr. Zhou Xiao Xiong.