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**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 2022**

**RESULTS**

The board of directors (the “Board” or the “Directors”) of China Boton Group Company Limited (the “Company”) approved the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021.

## CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

		Year ended 31 December	
	Note	2022	2021
Revenue	3	2,324,807	2,286,102
Cost of sales	4	(1,537,943)	(1,393,765)
<b>Gross profit</b>		<b>786,864</b>	892,337
Selling and marketing expenses	4	(102,121)	(144,193)
Administrative expenses	4	(359,424)	(359,034)
Net impairment losses on financial assets		(13,438)	(30,494)
Other income		16,472	6,795
Other losses – net	5	(170,290)	(5,444)
<b>Operating profit</b>		<b>158,063</b>	359,967
Finance income		16,526	3,995
Finance costs		(62,375)	(61,434)
Finance costs – net		(45,849)	(57,439)
<b>Profit before income tax</b>		<b>112,214</b>	302,528
Income tax expense	6	(27,733)	(76,975)
<b>Profit for the year</b>		<b>84,481</b>	225,553
<b>Attributable to:</b>			
Owners of the Company		48,317	183,512
Non-controlling interests		36,164	42,041
		<b>84,481</b>	225,553
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>			
<b>Basic earnings per share</b>	7	<b>0.04</b>	0.17

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

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

## CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

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

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

		<u>As at 31 December</u>	
	Note	2022	2021
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred government grants		36,323	37,128
Deferred income tax liabilities	11	95,253	96,073
Borrowings	12	748,344	689,620
Lease liabilities		6,376	11,884
Other non-current liabilities	10	139,218	206,725
		<u>1,025,514</u>	<u>1,041,430</u>
<b>Current liabilities</b>			
Trade and other payables	10	1,025,274	1,171,935
Contract liabilities		87,442	82,028
Lease liabilities		5,312	7,008
Current income tax liabilities		127,800	133,305
Borrowings	12	917,544	706,335
		<u>2,163,372</u>	<u>2,100,611</u>
<b>Total liabilities</b>		<u><u>3,188,886</u></u>	<u><u>3,142,041</u></u>
<b>Total equity and liabilities</b>		<u><u>6,451,006</u></u>	<u><u>6,311,610</u></u>

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

## 1. GENERAL INFORMATION

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

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

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

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

## 2. BASIS OF PREPARATION

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

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

### Changes in accounting policy and disclosures

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

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

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

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

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

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

### **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; and
- Investment properties.

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

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

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



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

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

Breakdown of revenue is as follows:

<b>Analysis of revenue by category</b>	<b>2022</b>	<b>2021</b>
Sales of goods	<b>2,282,297</b>	2,246,388
Rental income	<b>42,510</b>	39,714
	<b><u>2,324,807</u></b>	<b><u>2,286,102</u></b>
<b>Analysis of revenue from external customers by geographic location</b>	<b>2022</b>	<b>2021</b>
The PRC	<b>1,781,734</b>	1,928,015
Europe	<b>3,414</b>	2,205
United States	<b>10,028</b>	9,846
Asia	<b>525,109</b>	345,472
Others	<b>4,522</b>	564
	<b><u>2,324,807</u></b>	<b><u>2,286,102</u></b>

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

#### 4. EXPENSES BY NATURE

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

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

## 5. OTHER LOSSES – NET

	2022	2021
Provision for litigation claims	143,141	—
Losses/(gains) on disposal of property, plant and equipment	3,483	(456)
Loss on disposal of a subsidiary	2,199	—
Fair value loss on investment properties	20,900	5,900
Others	567	—
	<u>170,290</u>	<u>5,444</u>

## 6. INCOME TAX EXPENSE

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

	2022	2021
Current income tax	49,565	101,089
Deferred income tax related to the temporary differences	(21,832)	(24,114)
	<u>27,733</u>	<u>76,975</u>

- (a) No provision for profits tax in the British Virgin Islands and the Cayman Islands has been made as the Group has no income assessable for profits tax for the year in these jurisdictions.
- (b) Pursuant to the corporate income tax law effective from 1 January 2008, the subsidiaries of the Group established in the PRC are subject to income tax at a rate of 25% unless preferential rates are applicable.

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

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

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

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

- (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:

	<b>2022</b>	2021
Profit before income tax	<b>112,214</b>	302,528
Tax calculated at the tax rate of 15% (2021: 15%)	<b>16,832</b>	45,379
Effect of different tax rates available to different companies of the Group	<b>(2,252)</b>	4,583
Tax losses not recognised	<b>10,507</b>	19,494
Utilisation of previously unrecognized tax losses	<b>(3,477)</b>	(280)
Withholding income tax on the profits to be distributed by the Group companies in the PRC	<b>6,510</b>	1,146
Expenses not deductible for tax purposes	<b>7,544</b>	12,880
Accelerated research and development deductible expenses	<b>(7,931)</b>	(6,227)
Income tax expense	<b>27,733</b>	76,975

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

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

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

### (b) Diluted earnings per share

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

## 8. DIVIDENDS

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

## 9. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

**(b) Bills receivable**

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

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

The maturity profile of bills receivable is as follows:

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

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

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

**10. TRADE AND OTHER PAYABLES**

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

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

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

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

(b) As at 31 December 2022, the amounts represented amounts payable for the acquisition of Kimree which includes payables RMB101 million, and the contingent consideration of the acquisition of Kimree of RMB139.2 million.

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

## 11. DEFERRED INCOME TAX

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

### Before offsetting:

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



**After offsetting:**

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

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

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

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

**12. BORROWINGS**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **PRINCIPAL BUSINESSES OF THE GROUP**

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

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

### **BUSINESS REVIEW**

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

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

Eight subsidiaries of the Group had obtained licences from the State Tobacco Monopoly Administration (國家煙草專賣局). As a result, the Group had obtained a series of licences in respect of e-liquids, manufacturing of electronic cigarettes for own brands (also including original equipment manufacturing of electronic cigarettes for clients) and brand holding of electronic cigarettes. However, during the reporting period, there were new policies on the production, design and sales requirement imposed on all e-Cigarette products and non-national standard products could not be sold after 1 October 2022 which affected the sales of existing products. The e-Cigarette Products Segment would modify all e-Cigarette products to best fit the national standard requirements.

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

## Revenue

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

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

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

## Flavor enhancers

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

### ***Food flavors***

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

### ***Fine fragrances***

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

### ***e-Cigarette products***

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

### ***Investment properties***

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

### **Gross Profit**

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

## **Expenses**

### ***Selling and marketing expenses***

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

### ***Administrative expenses***

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

### **Net impairment losses on financial assets**

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

### **Other income**

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

### **Other losses - net**

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

### **Finance costs - net**

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

## **Net Profit**

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

## **Principal risks and uncertainties**

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

## **Environmental policies**

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

## **Future Plans and Prospects**

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

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

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

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

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

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

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

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

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

### **Financing**

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

### **Capital Structure**

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

### **Foreign Exchange Risk and Interest Rate Risk**

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

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



## **Capital Expenditure**

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

## **Charge on Group's Assets**

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

## **Staff Policy**

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

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

## **Material Investment**

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

## **Contingent Liabilities**

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

## **PROFIT GUARANTEE IN RELATION TO SHARE TRANSFER IN DONGGUAN BOTON**

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

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

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

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

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

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

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

For the year ended 31 December 2022, the net profit and the revenue of DG Boton amounted to RMB57,103,000 and RMB321,589,000 respectively. Therefore, the Profit Guarantee for the net profit was fulfilled but the Profit Guarantee for the revenue was not yet fulfilled.

## **LEGAL PROCEEDINGS AGAINST TWO VENDORS OF AN ACQUISITION**

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

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

Details of the legal proceedings were disclosed on the Company's announcements dated 13 August 2020, 30 September 2022 and 10 March 2023 respectively.

## **COMPLETION OF DISCLOSEABLE TRANSACTION - ACQUISITION OF PROPERTY IN HONG KONG**

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

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

## **CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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

## **CHANGE OF ADDRESS OF PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS**

The address of the principal share registrar and transfer office of the Company in the Cayman Islands, Tricor Services (Cayman Islands) Limited had been changed to Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands with effect from 1 October 2022.

## **ACQUISITION OF LAND USE RIGHT IN THE PRC**

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

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

## **DIVIDEND**

The Board did not recommend payment of any dividend in respect of the year ended 31 December 2022 (2021: 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 15 May 2023 to 19 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited on 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 12 May 2023.

## **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 2022, except for deviation from code provision C.2.1.

In accordance with the CG Code provision C.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual to ensure a balance of power and authority. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The 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 2022. 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 2022 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 2022.

## **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, 23 March 2023

*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.*