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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors (the "Board" or "Directors") of China Boton Group Company Limited (the "Company") approved the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2023 together with the unaudited comparative figures for the corresponding period in 2022. These unaudited interim condensed consolidated financial statements have been reviewed by the Company's Audit Committee.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	**30 June 2023 (Unaudited)**	31 December 2022 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*7*	**1,479,811**	1,499,035
Right-of-use assets	*8*	**158,016**	119,906
Investment properties		**643,200**	637,000
Intangible assets	*7*	**1,744,300**	1,768,882
Deferred income tax assets		**36,231**	39,800
Prepayments for the purchase of property, plant and equipment	*9*	**24,589**	33,754
Total non-current assets		**4,086,147**	4,098,377
Current assets			
Inventories		**337,773**	360,818
Trade and other receivables	*9*	**1,348,247**	1,272,681
Deposits for bank borrowings		**296,125**	273,728
Financial assets at fair value through profit or loss		**34,923**	12,387
Cash		**240,023**	433,015
Assets classified as held for sale	*10*	**94,943**	—
Total current assets		**2,352,034**	2,352,629
Total assets		**6,438,181**	6,451,006
EQUITY			
Attributable to owners of the Company			
Share capital	*11*	**101,522**	101,522
Share premium		**1,292,432**	1,292,432
Other reserves		**428,571**	417,095
Retained earnings		**1,229,999**	1,164,644
		3,052,524	2,975,693
Non-controlling interests		**311,212**	286,427
Total equity		**3,363,736**	3,262,120

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred government grants		**35,921**	36,323
Deferred income tax liabilities		**82,531**	95,253
Borrowings	*12*	**1,055,551**	748,344
Lease liabilities	*8*	**4,420**	6,376
Other non-current liabilities	*13*	**141,839**	139,218
Total non-current liabilities		**1,320,262**	1,025,514
Current liabilities			
Trade and other payables	*13*	**795,759**	1,025,274
Contract liabilities		**186,579**	87,442
Lease liabilities	*8*	**4,101**	5,312
Current income tax liabilities		**106,959**	127,800
Borrowings	*12*	**640,325**	917,544
Liabilities directly associated with assets classified as held for sale	*10*	**20,460**	—
Total current liabilities		**1,754,183**	2,163,372
Total liabilities		**3,074,445**	3,188,886
Total equity and liabilities		**6,438,181**	6,451,006

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

		(Unaudited)	
		Six months ended 30 June	
	Note	**2023**	2022 (Restated)
Revenue	*14*	**805,245**	1,055,226
Cost of sales	*15*	**(477,140)**	(646,845)
Gross profit		**328,105**	408,381
Other income	*14*	**4,606**	10,566
Other gains/(losses) — net	*14*	**3,735**	(12,418)
Selling and marketing expenses	*15*	**(35,429)**	(40,421)
Administrative expenses	*15*	**(164,906)**	(168,434)
Reversal of net impairment losses/(net impairment losses) on financial assets		**3,559**	(6,966)
Operating profit		**139,670**	190,708
Finance income	*16*	**8,621**	2,267
Finance costs	*16*	**(42,994)**	(30,288)
Finance costs — net	*16*	**(34,373)**	(28,021)
Profit before income tax		**105,297**	162,687
Income tax expense	*17*	**(21,985)**	(37,257)
Profit for the period from continuing operations		**83,312**	125,430
Discontinued operations			
Profit for the period from discontinued operations	*10*	**2,576**	10,982
Profit for the period		**85,888**	136,412
Attributable to:			
Owners of the Company	*18*	**65,355**	96,312
Non-controlling interests		**20,533**	40,100
		85,888	136,412
Earnings per share for profit attributable to owners of the Company (expressed in Renminbi per share)			
Basic and diluted	*18*	**0.06**	0.09

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	(Unaudited) Six months ended 30 June	
	2023	2022 (Restated)
Profit for the period	**85,888**	136,412
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Revaluation gain on transfer of owner-occupied property to investment properties, gross of tax	**—**	5,499
Tax on revaluation gain on transfer of owner-occupied property to investment properties	**—**	(825)
	—	4,674
Items that may be reclassified to profit or loss		
Currency translation differences	**13,343**	(2,916)
Total comprehensive income for the period	**99,231**	138,170
Attributable to:		
Owners of the Company	**75,566**	88,429
Non-controlling interests	**23,665**	49,741
Total comprehensive income for the period	**99,231**	138,170

Notes:

1. GENERAL INFORMATION

China Boton Group Company Limited (previously known as China Flavors and Fragrances Company Limited) (the "Company") and its subsidiaries (together, the "Group") are principally engaged in trading, manufacturing and selling of extracts, flavors and fragrances in the People's Republic of China (the "PRC"), and starting in 2016, penetrating into the market of e-Cigarettes and e-Cigarette-related products, which are sold by tobacco companies, independent e-Cigarette makers and other customers under different brands to consumers in over 20 countries, including in the United States of America and European Union. 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, 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 unaudited interim condensed consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

These unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 28 August 2023.

These interim condensed consolidated financial statements have not been audited.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 (the "Period") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022 (the "2022 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of new and amended standards as set out below.

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards. The Directors consider that application of these new standards, amendments and interpretation to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and on the disclosures set out in this Interim Financial Information.

3.2 Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 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.

4. ESTIMATES

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risk: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

6. **REVENUE AND SEGMENT INFORMATION**

The Group considers the business from product perspective. The Group is organised into five segments: flavor enhancers, food flavors, fine fragrances, e-Cigarette products and investment properties.

The Group assesses the performance of the segments based on the profit before income tax and profit for the period. The segment information for the six months ended 30 June 2023 is presented below.

	Continuing Operations							Discontinued Operations	
	Flavor enhancers	Food flavors	Fine fragrances	e-Cigarette products	Investment properties	Unallocated	Total segments	e-Cigarette business operated by two Korean subsidiaries	Total
Segment revenue — sales of goods	308,639	87,349	62,012	326,561	–	–	784,561	191,690	976,251
Segment revenue — rental income	–	–	–	–	23,364	–	23,364	–	23,364
Inter-segment revenue	(2,680)	–	–	–	–	–	(2,680)	–	(2,680)
Revenue from external customers	305,959	87,349	62,012	326,561	23,364	–	805,245	191,690	996,935
Timing of revenue recognition									
At a point in time	305,959	87,349	62,012	326,561	–	–	781,881	191,690	973,571
Over time	–	–	–	–	23,364	–	23,364	–	23,364
Other income	11,298	165	154	1,537	–	(8,548)	4,606	534	5,140
Other gains/(losses) — net	5,449	(143)	(124)	(1,447)	–	–	3,735	267	4,002
Operating profit/(loss)	97,325	26,204	6,466	31,531	5,039	(26,895)	139,670	8,701	148,371
Finance income	7,687	130	121	631	–	52	8,621	–	8,621
Finance costs	(21,115)	(13)	–	(2,687)	–	(19,179)	(42,994)	(494)	(43,488)
Finance costs — net	(13,428)	117	121	(2,056)	–	(19,127)	(34,373)	(494)	(34,867)
Profit/(loss) before income tax	83,897	26,321	6,587	29,475	5,039	(46,022)	105,297	8,206	113,503
Income tax (expense)/credit	(10,109)	(4,248)	(2,013)	(6,781)	(1,656)	2,822	(21,985)	(5,631)	(27,616)
Profit/(loss) for the period	73,788	22,073	4,574	22,694	3,383	(43,200)	83,312	2,575	85,887
Depreciation and amortisation	48,199	3,098	3,787	13,771	–	–	68,855	129	68,984
(Reversal of net impairment losses)/net impairment losses on financial assets	13,052	(1,248)	(1,350)	(14,013)	–	–	(3,559)	–	(3,559)
Provision for write-down of inventories	25	–	–	20	–	–	45	–	45

The segment information for the six months ended 30 June 2022 is presented below.

	Continuing Operations							Discontinued Operations	
	Flavor enhancers (Restated)	Food flavors (Restated)	Fine fragrances (Restated)	e-Cigarette products (Restated)	Investment properties (Restated)	Unallocated (Restated)	Total segments (Restated)	e-Cigarette business operated by two Korean subsidiaries (Restated)	Total (Restated)
Segment revenue - sales of goods	328,664	86,815	65,528	555,893	—	—	1,036,900	143,909	1,180,809
Segment revenue - rental income	—	—	—	(190)	23,372	—	23,182	190	23,372
Inter-segment revenue	(4,856)	—	—	—	—	—	(4,856)	—	(4,856)
Revenue from external customers	323,808	86,815	65,528	555,703	23,372	—	1,055,226	144,099	1,199,325
Timing of revenue recognition									
At a point in time	323,808	86,815	65,528	555,893	—	—	1,032,044	143,909	1,175,953
Over time	—	—	—	(190)	23,372	—	23,182	190	23,372
Other income	8,342	88	82	1,908	—	146	10,566	—	10,566
Other gains/(losses) - net	128	—	—	54	(12,600)	—	(12,418)	102	(12,316)
Operating profit/(loss)	121,803	28,383	7,812	51,050	(2,926)	(15,414)	190,708	13,611	204,319
Finance income	—	181	168	42	—	1,876	2,267	66	2,333
Finance costs	(24,409)	(21)	(19)	(2,841)	—	(2,998)	(30,288)	(12)	(30,300)
Finance costs – net	(24,409)	160	149	(2,799)	—	(1,122)	(28,021)	54	(27,967)
Profit/(loss) before income tax	97,394	28,543	7,961	48,251	(2,926)	(16,536)	162,687	13,665	176,352
Income tax (expense)/credit	(16,073)	(5,054)	(1,140)	(16,376)	(453)	1,839	(37,257)	(2,683)	(39,940)
Profit/(loss) for the period	81,321	23,489	6,821	31,875	(3,379)	(14,697)	125,430	10,982	136,412
Depreciation and amortisation	39,244	4,097	2,597	10,121	—	10,257	66,316	218	66,534
Net impairment losses/(reversal of net impairment losses) on financial assets	(2,829)	(188)	—	9,983	—	—	6,966	—	6,966
Provision for write-down of inventories	25	—	—	22	—	—	47	—	47

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment	Intangible assets
Six months ended 30 June 2023		
Opening net book amount as at 1 January 2023	**1,499,035**	**1,768,882**
Additions	**28,006**	**88**
Other disposals	**(1,444)**	**—**
Depreciation and amortisation	**(39,671)**	**(24,670)**
Assets classified as held for sale	**(6,115)**	**—**
Closing net book amount as at 30 June 2023	**1,479,811**	**1,744,300**
Six months ended 30 June 2022		
Opening net book amount as at 1 January 2022	1,499,250	1,817,799
Additions	11,822	462
Disposal of a subsidiary	(9,927)	—
Other disposals	(240)	(604)
Depreciation and amortisation	(35,947)	(24,549)
Transfer to investment properties	(120,513)	—
Closing net book amount as at 30 June 2022	1,344,445	1,793,108

8. LEASES

(a) Amounts recognised in the balance sheet

The interim condensed consolidated balance sheet shows the following amounts relating to leases:

	As at	
	30 June	31 December
	2023	2022
Right-of-use assets		
Land use rights	**150,263**	109,170
Buildings	**7,753**	10,736
	158,016	119,906
Lease liabilities		
Current	**4,101**	5,312
Non-current	**4,420**	6,376
	8,521	11,688

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

The interim condensed consolidated statement of profit or loss shows the following amounts relating to leases:

	Six months ended 30 June	
	2023	2022
Depreciation and amortisation charge of right-of-use assets:		
Land use rights	**1,661**	1,333
Buildings	**2,982**	4,240
Vehicles	**—**	465
	4,643	6,038
Interest expenses (included in finance costs — net) (Note 16)	**290**	463
Expenses relating to short-term leases (included in cost of sales, selling and marketing expenses and administrative expenses) (Note 15)	**5,233**	7,832

9. TRADE AND OTHER RECEIVABLES

		As at	
		30 June	31 December
	Note	**2023**	2022
Trade receivables	*(a)*	**784,120**	913,025
Less: provision for impairment		**(82,456)**	(86,015)
Trade receivables — net		**701,664**	827,010
Bills receivable	*(b)*	**63,121**	73,459
Prepayments		**490,321**	311,010
Other deposits		**63,948**	61,829
Advances to staff		**6,442**	5,564
Staff benefit payments		**1,064**	871
Excess of input over output value added tax		**30,596**	12,027
Others		**15,680**	14,665
		1,372,836	1,306,435
Less: non-current portion – prepayments for the purchase of property, plant and equipment		**(24,589)**	(33,754)
Current portion		**1,348,247**	1,272,681

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

	As at	
	30 June	31 December
	2023	2022
Current	**313,551**	518,029
Not exceeding 90 days past due	**114,236**	139,672
More than 90 days but not exceeding 360 days past due	**221,805**	214,619
More than 360 days past due	**134,528**	40,705
	784,120	913,025

(b) Bills receivable are with maturity up to 6 months.

The carrying amounts of trade and other receivables are mainly demonstrated in RMB and approximate their fair value.

10. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(a) Description

The assets and liabilities related to two Korean subsidiaries of the Group have been presented as disposal group held for sale. On 31 May 2023, the Group entered into disposal agreements with an independent investor and Mr. Han Sang Un, a minority shareholder of certain subsidiaries of the Group, pursuant to which the independent investor had conditionally agreed to, inter alia, purchase 51% of the equity interest of a subsidiary company (which was the ultimate holding company of two Korean subsidiaries, namely: Mons Co., Ltd. and Boton Medical Co., Ltd. after corporate restructure) at a consideration of RMB100 million from the Group.

(b) Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets of disposal group, is as follows:

	Six months ended 30 June	
	2023	2022
Revenue	**191,690**	144,099
Cost of sales	**(167,992)**	(116,468)
Selling and marketing expenses	**(13,744)**	(12,721)
Administrative expenses	**(2,054)**	(1,401)
Other income	**534**	—
Other gains - net	**267**	102
Finance income	**—**	66
Finance costs	**(494)**	(12)
Profit before income tax	**8,207**	13,665
Income tax expense	**(5,631)**	(2,683)
Profit after income tax of discontinued operation	**2,576**	10,982

	Six months ended 30 June	
	2023	2022
Operating cash (outflows)/inflows	**(6,976)**	4,512
Investing cash inflows	**207**	378
Financing cash flows	**—**	—
Total cash (outflows)/inflows	**(6,769)**	4,890

(c) Assets and liabilities of disposal group classified as held for sale

	As at	
	30 June 2023	31 December 2022
Assets classified as held for sale		
Property, plant and equipment	**6,115**	—
Trade and other receivables	**50,532**	—
Cash and cash equivalents	**26,326**	—
Inventories	**11,970**	—
Total assets of disposal group held for sale	**94,943**	—
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	**16,747**	—
Current other tax liabilities	**3,713**	—
Total liabilities of disposal group held for sale	**20,460**	—

11. SHARE CAPITAL

Movements of the share capital are as follows:

	Issued and fully paid	
	Number of shares ('000)	RMB'000
As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	1,080,512	101,522

Note: All shares issued have the same rights as the other shares in issue.

12. BORROWINGS

		As at	
		30 June	31 December
	Note	**2023**	2022
Non-current			
Secured bank borrowings	*(a)*	**1,014,551**	698,344
Unsecured bank borrowings		**41,000**	50,000
		1,055,551	748,344
Current			
Secured bank borrowings	*(a)*	**398,497**	557,710
Unsecured bank borrowings		**241,828**	359,834
		640,325	917,544
Total borrowings		**1,695,876**	1,665,888

(a) As at 30 June 2023, borrowings amounting to approximately RMB1,413,048,000 (31 December 2022: RMB1,256,054,000) were secured by guarantee of certain deposits, pledge of equity interests in certain subsidiaries, Phase 1 Workshop and Phase 2 Building of Shenzhen Boton Flavors and Fragrances Co., Ltd. and certain properties of the Group and personal guarantee of Mr. Wang Ming Fan, Chairman of the Group.

(b) The carrying amounts of the borrowings were denominated in the following currencies:

	As at	
	30 June	31 December
	2023	2022
United States dollars	**127,950**	127,950
Hong Kong dollars	**330,708**	337,139
RMB	**1,237,218**	1,200,799
	1,695,876	1,665,888

13. TRADE AND OTHER PAYABLES

		As at	
		30 June	31 December
	Note	**2023**	2022
Trade payables	*(a)*	**429,473**	554,972
Payables for business combinations		**141,839**	240,218
Interest payable		**10,750**	5,476
Salaries payable		**28,802**	37,267
Other taxes payable		**43,268**	36,095
Accrued expenses		**15,294**	14,828
Provisions for Litigation Claims		**138,194**	143,141
Amount due to the directors and employees of Dongguan Boton		**36,491**	36,491
Other payables		**93,487**	96,004
		937,598	1,164,492
Less: non-current portion — long-term other payables (Other non-current liabilities)		**(141,839)**	(139,218)
Current portion		**795,759**	1,025,274

(a) The ageing analysis of the trade payables based on invoice date is as follows:

	As at	
	30 June	31 December
	2023	2022
Up to 3 months	**372,054**	460,390
3 to 6 months	**32,887**	49,471
6 to 12 months	**15,593**	23,785
Over 12 months	**8,939**	21,326
	429,473	554,972

14. REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES) — NET

The Group is principally engaged in trading, manufacturing 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. Revenue consists of sales of extracts, flavors, fragrances, e-Cigarette products and rental on investment properties. Revenue, other income and other gains/(losses) — net recognised for the six months ended 30 June 2023 were as follows:

	Six months ended 30 June	
	2023	2022
		(Restated)
Revenue		
Sales of goods	**781,881**	1,032,044
Rental income	**23,364**	23,182
	805,245	1,055,226
Other income		
Government grants	**803**	7,335
Others	**3,803**	3,231
	4,606	10,566
Other gains/(losses) – net		
Fair value gains/(losses) on investment properties	**6,200**	(12,600)
Others	**(2,465)**	182
	3,735	(12,418)

15. EXPENSES BY NATURE

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

		Six months ended 30 June	
		2023	2022
	Note		(Restated)
Depreciation and amortisation		**68,855**	66,316
Employee benefit expenses, excluding amount included in research and development and share-based payments		**64,557**	82,760
Changes in inventories of finished goods and work in progress		**23,567**	2,700
Raw materials and consumables used		**422,245**	604,506
Provision for write-down of inventories		**45**	47
Operating lease payments		**5,233**	7,832
Transportation and traveling expenses		**7,550**	5,126
Advertising costs		**5,307**	12,800
Share-based payments	*(a)*	**2,385**	2,385
Research and development costs			
– Employee benefit expenses		**20,172**	19,270
– Others		**10,563**	5,591
Consulting expenses		**6,512**	10,003
Entertainment		**6,253**	5,412
Office expenses		**9,071**	10,740
Other expenses		**25,160**	20,212
Total		**677,475**	855,700

(a) Share-based payments recognised as part of employee benefit expense and equity in the share-based payment reserve, amounted to approximately RMB2,385,000. It was calculated based on the total share-based payments of approximately RMB23,850,000 amortized over five years.

The total share-based payments arose from the change of shareholding structure in Boton Flavors and Fragrances Co., Ltd. (previously known as "Dongguan Boton Flavors and Fragrances Company Limited") ("Dongguan Boton") in 2020 which involved a five years profit guarantee in favour of Shenzhen Boton Flavors and Fragrances Co., Ltd..

16. FINANCE COSTS — NET

	Six months ended 30 June	
	2023	2022
		(Restated)
Finance income		
— Interest income	**8,621**	2,267
Finance costs		
— Interest on borrowings	**(41,284)**	(24,821)
— Interest on lease liabilities	**(290)**	(463)
— Exchange losses	**(1,420)**	(5,004)
	(42,994)	(30,288)
Finance costs — net	**(34,373)**	(28,021)

17. INCOME TAX EXPENSE

The amount of taxation charged to the interim condensed consolidated income statement represents:

	Six months ended 30 June	
	2023	2022
		(Restated)
Current income tax	**31,138**	31,760
Deferred income tax	**(9,153)**	5,497
Total	**21,985**	37,257

(a) No provision for profits tax in the British Virgin Islands, the Cayman Islands and Hong Kong was made as the Group has no assessable income for profits tax for the six months ended 30 June 2023 in those 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 Flavors and Fragrances Co., Ltd., 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.

Boton Flavors and Fragrances Co., Ltd., (previously known as "Dongguan Boton Flavors and Fragrances Company Limited") 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 Technology (Huizhou) Co., Ltd., 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.

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

18. 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 period.

	Six months ended 30 June	
	2023	2022
Profit attributable to owners of the Company	**65,355**	96,312
Weighted average number of ordinary shares in issue (thousand shares)	**1,080,512**	1,080,512
Basic earnings per share (RMB per share)	**0.06**	0.09

(b) Diluted

Diluted earnings per share is calculated based on the weighted average number of ordinary shares outstanding. Diluted earnings per share is the same as basic earnings per share due to there is no potential dilutive effect on the earnings per share for both the six months ended 30 June 2023 and the six months ended 30 June 2022.

19. DIVIDENDS

The Board does not recommend payment of interim dividend for the six months ended 30 June 2023 (2022: nil).

20. CONTINGENT LIABILITIES

The Group has no contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from contingent liabilities.

21. COMMITMENTS

(a) Capital commitments

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

	As at	
	30 June	31 December
	2023	2022
Property, plant and equipment contracted but not provided for	**375,124**	28,247

(b) Operating lease commitments

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

	As at	
	30 June	31 December
	2023	2022
Not later than 1 year	**1,863**	256

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

There was no significant transaction with related parties during the six months ended 30 June 2023 (2022: nil).

MANAGEMENT DISCUSSION & ANALYSIS

PRINCIPAL BUSINESSES OF THE GROUP

During the six months period ended 30 June 2023, 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 China 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 is slowly recovering in Year 2023 after the Covid-19 Pandemic. The ease of supply-chain disruptions and slow-down of raising pace of interest rate so that inflationary pressure became less sharp in the first quarter of 2023. However, the ongoing war in Ukraine and geoeconomic fragmentation among western countries, Russia and China made negative drags on the global economic recovery and lead to more food and energy price spikes and push inflation up which seriously affected global economic growth and investments in the second quarter of 2023 onwards.

As at the six months ended 30 June 2023, the Group had already obtained a series of licences from the State Tobacco Monopoly Administration (國家煙草專賣局) in respect of e-liquids, manufacturing of e-Cigarettes for own brands (also including original equipment manufacturing of electronic cigarettes for clients) and e-Cigarettes brand holding business. The Group had fully complied with 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) during the six months ended 30 June 2023 and would deploy adequate resources in e-Cigarette Products Segment in the coming year for development.

For the six months ended 30 June 2023, the Group's total revenue amounted to approximately RMB805.2 million (2022: RMB1,055.2 million), representing a decrease of 23.7% when compared to the same period of last year. The Group's gross profit decreased to approximately RMB328.1 million (2022: RMB408.4 million), representing a decrease of 19.7% when compared to the same period of last year. The Group's net profit for the reporting period was approximately RMB83.3 million (2022: approximately RMB125.4 million) representing a decrease of 33.6% when compared to the same period of last year.

Revenue

The breakdowns of the total revenue of the Group for the six months period ended 30 June 2023 (excluding inter-segment revenue) were as follows:

	For the six months ended 30 June				
	2023		2022		
	Revenue RMB (m)	**% of total revenue**	Revenue RMB (m) (Restated)	% of total revenue	% change
Flavor enhancers	**306.0**	**38.0%**	323.8	30.7%	-5.5%
Food flavors	**87.3**	**10.8%**	86.8	8.2%	+0.6%
Fine fragrances	**62.0**	**7.7%**	65.5	6.2%	-5.3%
e-Cigarette products	**326.5**	**40.6%**	555.7	52.7%	-41.2%
Investment properties	**23.4**	**2.9%**	23.4	2.2%	0.0%
Total	**805.2**	**100.0%**	1,055.2	100.0%	-23.7%

Flavor enhancers

Revenue of flavor enhancers amounted to approximately RMB306.0 million during the reporting period, representing a decrease of 5.5% from approximately RMB323.8 million of the corresponding period last year. During the reporting period, downstream customers strictly controlled their inventory and reduced the operating stocks which resulted in decrease in the number of orders and decrease in the revenue of this segment. The Group continues to deploy sufficient resources to enhance the quality of flavor enhance products for the traditional tobacco industries.

Food flavors

Revenue of food flavors amounted approximately RMB87.3 million during the reporting period, representing a slight increase of 0.6% from approximately RMB86.8 million of the corresponding period last year. The Group continued to develop new flavors in the competitive food market and maintained stable revenue by this segment.

Fine fragrances

Revenue of fine fragrances amounted approximately RMB62.0 million during the reporting period, representing a decrease of 5.3% from approximately RMB65.5 million of the corresponding period last year. The household daily necessities, including: laundry detergent, cleaning and disinfection products were highly demanded during the COVID-19 pandemic in 2022. However, after the COVID-19 pandemic, the demand had declined in 2023 and affected the revenue of this segment during the reporting period.

e-Cigarette products

Revenue of sales of e-Cigarettes (which comprised disposable e-Cigarettes and rechargeable e-Cigarettes) and its accessories amounted approximately RMB326.5 million during the reporting period, representing a decrease of 41.2% from approximately RMB555.7 million of the corresponding period last year. It was mainly due to new PRC policies and new tax rates imposed on different e-Cigarette products. In addition, the Group had deployed significant manpower and resources to make full compliance of the PRC Government's requirements which increased the costs and expenses accordingly.

During the reporting period, the e-Cigarette Products Segment had undergone corporate restructure for the disposal of a group of companies, including two Korean subsidiaries, i.e. Mons Co., Ltd. and Boton Medical Co., Ltd.. In addition, the Group would enter into various agreements incidental to the aforesaid disposal whereby the Group would be exclusive manufacturer and supplier of certain electronic cigarettes products. The disposal would benefit the Group by recording a considerable gain and strengthened the liquidity of the Group. The Group would continue deploy sufficient resources to strengthen this segment to regain the growth momentum.

Investment properties

Revenue of this segment was approximately RMB23.4 million, which was same as last year. This segment provides stable revenue income to the Group.

Gross Profit

The Group recorded a gross profit of approximately RMB328.1 million, representing a decrease of 19.7% for the six months ended 30 June 2023 (2022: RMB408.4 million).

Net Profit

The Group's net profit for the six months ended 30 June 2023 was approximately RMB83.3 million (2022: RMB125.4 million), representing a decrease of 33.6% from the corresponding period last year. After the Covid-19 pandemic, the global economy faced a chain of adverse situation which affected the international trade and consumption pattern. The costs of raw material, transportation and related expenditures increased significantly. In addition, new policies and new tax rates on e-Cigarette products implemented in the PRC also pushed up the direct and indirect costs and expense. As a result, the net profit of the Group declined substantially during the reporting period. Net profit margin for the reporting period had diminished to approximately 10.3% (2022: 11.9%).

Other Income

Other income was RMB4.6 million for the six months ended 30 June 2023 (2022: RMB10.6 million), representing a decrease of 56.4%. The decrease was due to decrease of government subsidies granted to PRC subsidiaries of the Group during the reporting period.

Other Gains/(Losses) — Net

Other gains — net was approximately RMB3.7 million for the six months ended 30 June 2023 (2022: Loss of RMB12.4 million). The gain was mainly due to the revaluation gain of the investment properties of the Group during the reporting period.

Expenses

Selling and marketing expenses was approximately RMB35.4 million for the six months ended 30 June 2023 (2022: RMB40.4 million), representing approximately 4.4% (2022: 3.8%) of the total revenue of the reporting period and also representing a decrease of 12.4% when compared to the corresponding period of last year. The decrease in selling and marketing expenses was mainly due to the decrease of advertising costs of the Group in the reporting period.

Administrative expenses amounted to approximately RMB164.9 million for the six months ended 30 June 2023 (2022: RMB168.4 million), representing approximately 20.5% (2022: 16.0%) of the total revenue of the reporting period and also representing a mild decrease of 2.1% when compared to the corresponding period of last year. The decrease of the administrative expenses was mainly due to decrease in the operating leases and consulting expenses of the Group during the reporting period.

Reversal of Net Impairment Losses/(Net Impairment Losses) on Financial Assets

The Group had applied the expected credit losses for all trade receivables. There was a reversal of impairment loss of RMB3.6 million for trade receivables of the Group during the reporting period (2022: provision for RMB7.0 million).

Finance Costs — Net

Net finance costs was approximately RMB34.4 million for the six months ended 30 June 2023 (2022: RMB28.0 million). The increase in net finance costs for the reporting period was mainly attributable to the increase in interest on borrowings.

Discontinued Operations

The discontinued operations represented the financial performance of two Korean subsidiaries, namely: Mons Co., Ltd. and Boton Medical Co., Ltd. during the six months period ended 30 June 2023. The Company had executed disposal agreements on 31 May 2023 to dispose the aforesaid Korean subsidiaries but the disposal was not yet completed during the Reporting Period. Details of the disposal were disclosed under the paragraph of "Discloseable and Connected Transaction – Disposal of Subsidiaries" of the "Management Discussion and Analysis" section.

During the Reporting Period, the profit for the period from discontinued operations of the Group was RMB2.6 million (2022: RMB11.0 million). The decrease in profit of the discontinued operations was due to the implementation of new e-Cigarette tax rates in Korea and decrease of revenue during the reporting period.

Corporate Culture

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.

Prospects

The global economy faces a long road ahead for full recovery after the COVID-19 recession. Global GDP growth slowed down substantially in 2023. During the first half year of 2023, the global economy showed a sign of improvement but remained fragile with various significant downswing factors. Decrease of energy prices help releasing part of the inflation pressure and boost global consumption. However, as the prolonged wars between Russia and Ukraine continue, core inflation is still high. Rising geopolitical tensions have prompted several regions and countries to implement trade and investment restrictions. Increasing restrictive trade policies are barriers to cross-border trade and drag back the development prospects.

Under the severe business environment and change of consumption pattern, the Group continues to deploy sufficient resources to enhance the quality of flavor enhance products for the traditional tobacco industries and also to enhance the flavors and fragrances formula so as to improve the quality and variety of the products in the Food Flavors Segment and the Fine Fragrances Segment in order to best fit the customers' requirement and volatile market competition. The Group targets to maintain stable growth of these major business segments.

For the e-Cigarette Products Segment, after the implementation of new mandatory regulation on all e-Cigarette products in the fourth quarter of 2022, all companies with e-Cigarette business must obtain necessary licences in respect of manufacturing, wholesale, retail, import or export, and marketing, of tobacco products and pay respective sales taxes with new tax rates in 2023. During the reporting period, the Group had modified all e-Cigarette products' design and production to the national standard requirement according to new policies in the PRC and adjusted its marketing policies and business direction to overcome the challenges. Despite the changes would require additional research and development costs and related expenses, the Group will accelerate the development of the e-Cigarette business to expand into the international electronic cigarette market.

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 30 June 2023, the Group had net current assets of approximately RMB597.9 million (31 December 2022: RMB189.3 million). As at 30 June 2023, the Group's cash and deposit for bank borrowings were approximately RMB536.1 million (31 December 2022: RMB706.7 million). The current ratio of the Group was approximately 1.3 as at 30 June 2023 (31 December 2022: 1.1). The increase in net current assets in the reporting period was mainly attributable to decrease in trade and other payables and borrowings.

The equity attributable to shareholders of the Company as at 30 June 2023 amounted to approximately RMB3,363.7 million (31 December 2022: RMB3,262.1 million). As at 30 June 2023, the Group had a total borrowings of approximately RMB1,695.9 million (31 December 2022: RMB1,665.9 million) therefore a debt gearing ratio of 50.4% (total borrowings over total equity) (31 December 2022: 51.1%). The debt gearing ratio was slightly decreased in the reporting period when compared to the corresponding period last year. During the period, interest rates of the short-term borrowings range from 3.4% to 5.2% while those of the long-term borrowings range from 2.8% to 6.1%. The Group adopts a central management of its financial resources and always maintain a prudent approach for a steady financial position.

Financing

The Group has secured financing for its acquisitions, either by bank borrowings or fund raising by equity. Together with funds generated from business operations, the Group is confident of sufficient funding to meet its operation and expansion plans.

Capital Structure

The share capital of the Company comprised ordinary shares for the reporting period. On 30 June 2023, the total number of issued shares of the Company was 1,080,512,146 ordinary shares.

Foreign Exchange Risk and Interest Rate Risk

The Group had net exchange losses of approximately RMB1.4 million for the six months ended 30 June 2023 (2022: exchange losses of RMB5.0 million). The Group had operations in the PRC and South Korea during the reporting period. Most of its transactions are basically denominated in RMB and KRW save for some transactions and some bank borrowings in USD and HKD. The Company shall monitor the exchange rate of RMB against the USD, HKD and KRW closely.

It is looking into the possibility of currency hedging and will take appropriate action when favourable opportunities arise. As at 30 June 2023, the Group had bank borrowings of a total of RMB1,695.9 million (31 December 2022: 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. 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.

Charge on Group's Assets

As at 30 June 2023, the Group had charged: (i) its equity interests in some subsidiaries; (ii) guarantee of certain deposits and (iii) certain buildings, warehouses and investment properties located at Shenzhen City owned by Shenzhen Boton Flavors and Fragrances Co., Ltd. (together with personal guarantee of Mr. Wang Ming Fan), as pledge of financing raised in the last financial year.

Capital Expenditure

During the six months ended 30 June 2023, the Group had cash outflow of approximately RMB19.7 million (2022: RMB19.2 million) for investment in fixed assets, of which RMB13.5 million (2022: RMB4.2 million) was used for the purchase of machineries.

Capital Commitments

At 30 June 2023, the Group had capital commitments of RMB375.1 million approximately (31 December 2022: RMB28.2 million) in respect of fixed assets, which are to be funded by internal resources and financing.

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended 30 June 2023 (2022: nil).

STAFF POLICY

The Group had 1,981 employees in the PRC, Hong Kong and South Korea as at 30 June 2023 (2022: 1,518 employees in the PRC, Hong Kong and South Korea). 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 each required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant PRC laws and regulations. In addition, the Group has adopted a provident fund scheme, as required under the Mandatory Provident Fund 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

During the six months ended 30 June 2023, the Group had no material investment.

CONTINGENT LIABILITIES

At 30 June 2023, the Group had no contingent liabilities.

COMPLETION OF ACQUISITION OF LAND USE RIGHT IN GUANGDONG PROVINCE, 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 had made a 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 proposed to construct a headquarter and phase 2 of the intelligent manufacturing base of electronic vaporizer of the Group (the "Construction Project") on the Land. The Land had an aggregate gross site area of approximately 54,533 square metres and the land use right thereof would be granted for a term of 50 years for industrial use.

On 7 April 2023, the Company announced that the bidding was successful. The Group had entered into an agreement (the "Grant Contract") with the vendor to obtain the land use right of the Land at the consideration of RMB40,490,000 (equivalent to approximately HK$46,232,016). Pursuant to the Grant Contract, the Group agreed that the fixed asset investment, included but not limited to the consideration for that acquisition, investment for the construction of buildings and machinery costs, on the Land would be approximately RMB400,000,000 (equivalent to approximately HK$456,725,280).

The Group planned to construct the Construction Project and would devote adequate resources on the development of electronic vaporizer to increase the return to the shareholders of the Company. The Construction Project would be a strategic move to expand the e-Cigarette Products Segment of the Company. Details of the aforesaid acquisition were disclosed in the Company's announcements dated 9 December 2022 and 7 April 2023 respectively.

ADOPTION OF SECOND AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

On 19 May 2023, the shareholders of the Company had approved amendments to the existing amended and restated memorandum and articles of the Company and adopted the second amended and restated memorandum and articles of association of the Company (the "2nd M&A") with immediate effect after the close of the annual general meeting of the Company. Details of the 2nd M&A was disclosed on the announcement of the Company dated 19 May 2023.

LEGAL PROCEEDINGS AGAINST VENDORS OF AN ACQUISITION

As at 30 June 2023, the Group had 4 legal proceedings involving Mr. Liu Qiuming ("Mr. Liu") and Mr. Xiang Zhiyong ("Mr. Xiang"), and the remaining four vendors in the acquisition of Kimree, Inc. and its subsidiaries by the Company in 2016 (the "Kimree Acquisition").

As Mr. Liu and Mr. Xiang had breached the non-competition clauses of a share purchase agreement entered into between the Company and corporate entities wholly owned by Mr. Liu and Mr. Xiang in the Kimree Acquisition (the "Non-competition Clauses"), on 10 August 2020, the Company commenced legal proceedings in Hong Kong by issuing a Writ of Summons for claiming against the Mr. Liu and Mr. Xiang for, inter alia, an 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 was disclosed in the announcement of the Company dated 13 August 2020.

There were two other legal proceedings between the Group and the Mr. Liu and Mr. Xiang 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 disputes in relation to the settlement method of the loan. In 2020, Mr. Liu and Mr. Xiang initiated legal proceedings at the Shenzhen Intermediate People's Court of Guangdong Province (廣東省深圳市中級人民法院) against the Company for the repayment of the loan in cash. Subsequently, the case was tried in the Higher People's Court of Guangdong Province (廣東省高級人民法院). The final judgement was made in favour of Mr. Liu and Mr. Xiang (the "PRC Judgement"). Details of the legal proceedings were disclosed in the announcement of the Company dated 30 September 2022 and 10 March 2023 respectively.

During the six months period ended 30 June 2023, the Company had issued a writ of summon in Hong Kong to claim against the six warrantors of the Kimree Acquisition for damages of misrepresentation in respect of the Kimree Acquisition. For the PRC Judgement, the Company had reached agreements with Mr. Liu and Mr. Xiang in respect of the judgements and the Company would pay RMB128.7 million and RMB121.3 million to Mr. Liu and Mr. Xiang respectively by installments.

DISCLOSEABLE AND CONNECTED TRANSACTION – DISPOSAL OF SUBSIDIARIES

On 31 May 2023, the Group entered into disposal agreements with the purchaser and Mr. Han Sang Un, a minority shareholder of certain subsidiaries of the Group, pursuant to which the purchaser had conditionally agreed to, inter alia, purchase 51% of the equity interest of a target company (which was the ultimate holding company of two Korean subsidiaries, namely: Mons Co., Ltd. and Boton Medical Co., Ltd., after corporate restructure) at a consideration of RMB100 million from the Group (the "Disposal"). Completion of the Disposal would be subject to, inter alia, the completion of the corporate restructure of the target company, Mons Co., Ltd., Boton Medical Co., Ltd. and certain intermediate subsidiaries of the Group and of Mr. Han. Upon completion, the Company would cease to have any equity interest in the target company.

The Group would apply the sale proceeds from the Disposal as to approximately RMB50.0 million for repayment of loan and the remaining for the development of e-Cigarettes Products Segment. The Disposal would benefit the Group by recording a considerable gain from the Disposal and strengthen the Group's liquidity. Further, various agreements would be entered into incidental to the Disposal whereby the Group would be exclusive manufacturer and supplier of certain electronic cigarettes.

The Disposal constituted a discloseable and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules. Therefore, the Disposal is subject to reporting, announcement, circular and independent shareholders' approval requirements of the Listing Rules. None of the shareholders or directors of the Company had material interest in the Disposal nor required to abstain from voting. On 21 June 2023, the Stock Exchange had granted a waiver from the requirement to convene a general meeting under Rule 14A.37 of the Listing Rules and therefore no extraordinary general meeting of the Company would be convened for the purposes of considering and approving the Disposal. The Company had appointed an independent financial adviser to advise the independent board committee and the shareholders of the Company on the Disposal.

Details of the Disposal were disclosed in the announcements of the Company dated 31 May 2023 and 21 June 2023 respectively and in the circular of the Company dated 12 July 2023.

The Company had received consideration of the Disposal on 14 August 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

AUDIT COMMITTEE

The committee was established with written terms of reference which has been adopted for the purpose of reviewing and providing supervision on the financial reporting process and risk management and internal control systems of the Group. The Audit Committee (the "Committee") comprises four members, all being independent non-executive directors of the Company, namely, Mr. Ng Kwun Wan (Chairman), Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and Mr. Yau How Boa. The Committee has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023.

REMUNERATION COMMITTEE

The committee was set up to consider and approve the remuneration packages of the senior employees of the Group, including the terms of salary and bonus schemes and other long-term incentive schemes. The committee comprises four independent non-executive directors of the Company, namely, Mr. Ng Kwun Wan (Chairman), Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong, Mr. Yau How Boa and one executive director, Mr. Wang Ming Fan.

NOMINATION COMMITTEE

The committee reviews the structure, size and diversity (including but not limited to gender, age, cultural and educational background, or professional experience) of the Board from time to time and recommends to the Board on appointments of Directors and the succession plan for Directors. The committee comprises four independent non-executive directors of the Company, namely, Mr. Leung Wai Man, Roger (Chairman), Mr. Ng Kwun Wan, Mr. Zhou Xiao Xiong, Mr. Yau How Boa and one executive director, Mr. Wang Ming Fan.

CORPORATE GOVERNANCE

The Board of the Company recognises the importance of and is committed to maintaining high standards of corporate governance so as to enhance corporate transparency and safeguard the interests of the Company and its shareholders, customers, staff and other stakeholders. It strives to maintain effective accountability systems through well-developed corporate policies and procedures, risk management and internal systems and controls. The Company has complied with all the code provisions and, where applicable, adopted the recommended best practices, as set out in the Corporate Governance Code of Appendix 14 of the Listing Rules throughout the six-month period ended 30 June 2023, except code provision C.2.1.

Pursuant to code provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing, to ensure a balance of power and authority. Mr. Wang Ming Fan, who is an executive director and chief executive of the Company, is also the Chairman of the Company. The Board considers that the present structure is more suitable for the Company for it provides strong and consistent leadership in the planning and execution of long-term business plans and strategies of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the model code set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have compiled with the required standard set out in the model code throughout the six-month period ended 30 June 2023.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.boton.com.hk). The 2023 interim report containing all the information required by the Listing Rules will be dispatched to shareholders and will be published on the aforementioned websites in due course.

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

Hong Kong, 28 August 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, Mr. Zhou Xiao Xiong and Mr. Yau How Boa.