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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 2023

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 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

		Year ended 31 December	
	Note	2023	2022
Revenue	3	2,063,746	2,324,807
Cost of sales	4	(1,265,636)	(1,537,943)
Gross profit		798,110	786,864
Selling and marketing expenses	4	(108,775)	(102,121)
Administrative expenses	4	(342,609)	(359,424)
Net impairment losses on financial assets		(156,889)	(13,438)
Other income		5,386	16,472
Other gains/(losses) – net	5	53,806	(170,290)
Operating profit		249,029	158,063
Finance income		7,461	16,526
Finance costs		(73,019)	(62,375)
Finance costs – net		(65,558)	(45,849)
Profit before income tax		183,471	112,214
Income tax expense	6	(42,841)	(27,733)
Profit for the year		140,630	84,481
Attributable to:			
Owners of the Company		146,370	48,317
Non-controlling interests		(5,740)	36,164
		140,630	84,481
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	7	0.14	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Year ended 31 December	
	2023	2022
Profit for the year	140,630	84,481
Other comprehensive income:		
<i>Items that will not be reclassified subsequent to profit or loss</i>		
Revaluation gain on transfer of owner-occupied property to investment properties, gross of tax	—	12,499
Tax on revaluation gain on transfer of owner-occupied property to investment properties	—	(1,875)
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>4,453</u>	<u>2,838</u>
Total comprehensive income for the year	<u>145,083</u>	<u>97,943</u>
Attributable to:		
Owners of the Company	148,936	57,635
Non-controlling interests	(3,853)	40,308
Total comprehensive income for the year	<u>145,083</u>	<u>97,943</u>

CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment		1,528,866	1,499,035
Right-of-use assets		154,235	119,906
Investment properties		632,000	637,000
Intangible assets		1,721,629	1,768,882
Investment in an associate		1,378	—
Deferred income tax assets		28,735	39,800
Prepayments for property, plant and equipment	9	28,572	33,754
		<u>4,095,415</u>	<u>4,098,377</u>
Current assets			
Inventories		330,619	360,818
Trade and other receivables	9	913,080	1,272,681
Pledged deposits for bank borrowings		260,572	273,728
Financial assets at fair value through profit or loss		57,387	12,387
Cash and cash equivalents		349,794	433,015
		<u>1,911,452</u>	<u>2,352,629</u>
Total assets		<u>6,006,867</u>	<u>6,451,006</u>
EQUITY			
Attributable to owners of the Company			
Share capital		101,522	101,522
Share premium		1,292,432	1,292,432
Retained earnings		1,277,394	1,164,644
Other reserves		455,810	417,095
		<u>3,127,158</u>	<u>2,975,693</u>
Non-controlling interests		<u>249,069</u>	<u>286,427</u>
Total equity		<u>3,376,227</u>	<u>3,262,120</u>

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

		As at 31 December	
	Note	2023	2022
LIABILITIES			
Non-current liabilities			
Deferred government grants		35,518	36,323
Deferred income tax liabilities		85,921	95,253
Borrowings	11	696,156	748,344
Lease liabilities		2,214	6,376
Other non-current liabilities	10	—	139,218
		819,809	1,025,514
Current liabilities			
Trade and other payables	10	834,593	1,025,274
Contract liabilities		29,772	87,442
Lease liabilities		4,735	5,312
Current income tax liabilities		82,630	127,800
Borrowings	11	859,101	917,544
		1,810,831	2,163,372
Total liabilities		2,630,640	3,188,886
Total equity and liabilities		6,006,867	6,451,006

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, 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 consolidated 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 22 March 2024.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) as issued by the Hong Kong Institute of Certified Public Accountants and disclosure 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 (“FVPL”), which are carried at fair value.

Changes in accounting policies

(a) New and amended standards adopted by the Group

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) Amendments to standards and interpretations that have been issued but are not yet effective for the financial year beginning on or after 1 January 2023 and have not been early adopted by the Group

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

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 segment information for the year ended 31 December 2023 is as follows:

	Flavor enhancers	Food flavors	Fine fragrances	e-Cigarette products	Investment properties	Unallocated	Total segments
Segment revenue	774,580	182,026	165,760	901,589	45,728	—	2,069,683
Inter-segment revenue	(5,937)	—	—	—	—	—	(5,937)
Revenue from external customers	<u>768,643</u>	<u>182,026</u>	<u>165,760</u>	<u>901,589</u>	<u>45,728</u>	<u>—</u>	<u>2,063,746</u>
Other income	2,069	666	837	1,814	—	—	5,386
Other gains/(losses) - net	1,682	10	1,257	64,892	(5,000)	(9,035)	53,806
Operating profit/(loss)	241,111	44,555	41,387	(72,920)	18,722	(23,826)	249,029
Finance income	6,086	291	311	359	—	414	7,461
Finance costs	(59,603)	—	—	(2,487)	—	(10,929)	(73,019)
Finance (costs)/income - net	<u>(53,517)</u>	<u>291</u>	<u>311</u>	<u>(2,128)</u>	<u>—</u>	<u>(10,515)</u>	<u>(65,558)</u>
Profit/(loss) before income tax	187,330	44,998	41,809	(75,048)	18,722	(34,340)	183,471
Income tax (expense)/credit	(11,528)	(5,699)	(5,253)	14,052	(2,808)	(31,605)	(42,841)
Profit/(loss) for the year	<u>175,802</u>	<u>39,299</u>	<u>36,556</u>	<u>(60,996)</u>	<u>15,914</u>	<u>(65,945)</u>	<u>140,630</u>
Depreciation and amortisation	54,879	14,893	14,962	39,847	—	7,490	132,071
Net impairment losses/ (reversal of net impairment losses) on financial assets	9,406	(1,996)	(5,173)	153,775	—	877	156,889
Write-down/(reversal of write-down) of inventories to net realisable value	(589)	1,028	1,292	(5)	—	—	1,726
Capital expenditures	<u>27,607</u>	<u>4,473</u>	<u>818</u>	<u>127,758</u>	<u>—</u>	<u>25</u>	<u>160,681</u>

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	<u>795,850</u>	<u>171,743</u>	<u>149,846</u>	<u>1,164,858</u>	<u>42,510</u>	<u>—</u>	<u>2,324,807</u>
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)/income – net	<u>(36,867)</u>	<u>262</u>	<u>271</u>	<u>(6,956)</u>	<u>—</u>	<u>(2,559)</u>	<u>(45,849)</u>
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	<u>144,631</u>	<u>41,894</u>	<u>15,209</u>	<u>14,202</u>	<u>(219)</u>	<u>(131,236)</u>	<u>84,481</u>
Depreciation and amortisation	80,086	5,148	6,292	22,881	—	19,430	133,837
(Reversal of net impairment losses)/net impairment losses on financial assets	(6,940)	3,115	3,602	13,661	—	—	13,438
Write-down/(reversal of write-down) of inventories to net realisable value	755	(89)	(101)	50	—	—	615
Capital expenditures	<u>29,667</u>	<u>4,683</u>	<u>856</u>	<u>134,768</u>	<u>—</u>	<u>26</u>	<u>170,000</u>

Breakdown of revenue is as follows:

Analysis of revenue by category	2023	2022
Revenue from contracts with customers		
Recognised at a point in time		
Sales of goods	2,018,018	2,282,297
Revenue from other sources		
Rental income	45,728	42,510
	<u>2,063,746</u>	<u>2,324,807</u>
Analysis of revenue from external customers by geographic location	2023	2022
The PRC	1,416,963	1,781,734
Asia	624,594	525,109
Others	22,189	17,964
	<u>2,063,746</u>	<u>2,324,807</u>

4. EXPENSES BY NATURE

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

	2023	2022
Depreciation and amortisation	132,071	133,837
Employee benefit expenses	204,432	211,115
Changes in inventories of finished goods and work in progress	4,978	(89,966)
Raw materials and consumables used	1,163,284	1,516,942
Write-downs of inventories to net realisable value	1,726	615
Other taxes and levies	51,827	47,587
Water and electricity	11,784	10,745
Transportation and traveling	23,945	15,771
Advertising costs	9,462	21,202
Consulting expenses	39,057	39,151
Short-term lease expenses	9,190	15,471
Auditor's remuneration		
– Audit services	7,480	7,480
Entertainment	14,782	15,199
Office expenses	17,684	21,018
Donation	986	3,320
Other expenses	24,332	30,001
	<hr/>	<hr/>
Total of cost of sales, selling and marketing expenses and administrative expenses	1,717,020	1,999,488

5. OTHER GAINS/(LOSSES) - NET

	2023	2022
Provision for litigation claims	(9,035)	(143,141)
Gains/(losses) on disposal of property, plant and equipment	2,926	(3,483)
Gains/(losses) on disposal of subsidiaries	62,795	(2,199)
Fair value loss on investment properties	(5,000)	(20,900)
Others	2,120	(567)
	<u>53,806</u>	<u>(170,290)</u>

6. INCOME TAX EXPENSE

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

	2023	2022
Current income tax	41,108	49,565
Deferred income tax	1,733	(21,832)
	<u>42,841</u>	<u>27,733</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.

Certain subsidiaries of the Company, Shenzhen Boton Flavors & Fragrances Company Limited (“SZ Boton”), Boton Flavors and Fragrances Company Limited (formerly know as “Dongguan Boton Flavors and Fragrances Co., Ltd.”) (“DG Boton”) and Kimsun Technology (Huizhou) Co., Ltd., are qualified as High/New Technology Enterprises, and accordingly it is entitled to the preferential rate of 15% for the year.

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.

	2023	2022
Profit attributable to owners of the Company	<u>146,370</u>	<u>48,317</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,080,512</u>	<u>1,080,512</u>
Basic earnings per share (RMB per share)	<u><u>0.14</u></u>	<u><u>0.04</u></u>

(b) Diluted earnings per share

For the year ended 31 December 2023 and 2022, 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. DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2023 (2022: nil).

9. TRADE AND OTHER RECEIVABLES

	Note	2023	2022
Trade receivables	(a)	728,106	913,025
Less: provision for expected credit loss		<u>(241,444)</u>	<u>(86,015)</u>
Trade receivables – net		486,662	827,010
Bills receivable	(b)	<u>12,898</u>	<u>73,459</u>
		<u>499,560</u>	<u>900,469</u>
Other receivables:			
– Prepayments	(c)	320,653	311,010
– Other deposits	(d)	57,451	61,829
– Excess of input over output value added tax		42,535	12,027
– Advances to staff		5,537	5,564
– Others		<u>17,376</u>	<u>15,536</u>
		443,552	405,966
Less: provision for expected credit loss		<u>(1,460)</u>	<u>—</u>
Other receivables – net		<u>442,092</u>	<u>405,966</u>
		941,652	1,306,435
Less: non-current - Prepayments for property, plant and equipment		<u>(28,572)</u>	<u>(33,754)</u>
Current		<u>913,080</u>	<u>1,272,681</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 customer is between 30 to 360 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	2023	2022
Less than 3 months	455,314	518,029
More than 3 months but not exceeding 1 year	60,459	339,297
More than 1 year	<u>212,333</u>	<u>55,699</u>
	<u>728,106</u>	<u>913,025</u>

(b) Bills receivable

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

	2023	2022
Bank acceptance bills	10,944	72,646
Commercial acceptance bills	1,954	813
	<u>12,898</u>	<u>73,459</u>

The maturity profile of bills receivable is as follows:

	2023	2022
Up to 3 months	2,254	12,758
3 to 6 months	10,644	60,701
	<u>12,898</u>	<u>73,459</u>

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

(d) The amount mainly represents deposits for suppliers and rental deposits.

10. TRADE AND OTHER PAYABLES

	Note	2023	2022
Trade payables	(a)	363,440	554,972
Payables for business combination	(b)	150,000	240,218
Provisions for litigation claims	(d)	103,244	143,141
Interest payable		1,604	5,476
Salaries payable		48,150	37,267
Other taxes payable		43,108	36,095
Accrued expenses		18,475	14,828
Amount due to the directors and employees of DG Boton	(c)	36,491	36,491
Others		70,081	96,004
		<u>834,593</u>	<u>1,164,492</u>
Less: non-current - Other non-current liabilities		—	(139,218)
Current		<u>834,593</u>	<u>1,025,274</u>

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

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

	2023	2022
Less than 3 months	294,701	460,390
More than 3 months but not exceeding 1 year	53,240	73,256
More than 1 year	15,499	21,326
	<u>363,440</u>	<u>554,972</u>

- (b) As at 31 December 2023, the amount payable for the acquisition of Kimree, Inc. (“Kimree”) was RMB150,000,000 (2022: RMB240,218,000).
- (c) The balance represented considerations from the directors and employees of DG Boton for the proposed transfer of equity interests of DG Boton.
- (d) In January 2016, the Company signed an acquisition agreement with the shareholders of Kimree, to acquire 100% equity interests in Kimree. In March 2016, the then shareholders of Kimree as lenders (“Lenders”) and the Company as borrower entered into a loan agreement, pursuant to which the Company borrowed RMB101,000,000 in aggregate from the Lenders. In 2020, the Lenders initiated legal proceedings against the Company and requested for the repayment of the loan and litigation claims in cash. Subsequently, the court ruled in favour of the Lenders. The loans payable and provision for litigation claims as at 31 December 2022 were RMB101,000,000 and RMB143,141,000, respectively.

In June 2023, the Company had reached agreements with the Lenders in respect of the judgements and the Company would pay RMB250,000,000 in aggregate to the Lenders (representing the loans payable and provision for litigation claims) by monthly installments from June 2023 to June 2024. Provision for litigation claims and the legal costs of RMB9,035,000 during the year were included in “Other gains/(losses) – net” (Note 5). Upon the full payment of the installment, the Lenders will have no right of recourse for any kind, penalty or interest relating to the litigation claims. The loans amounts were fully settled in 2023. Part of the provision for litigation claims was settled in 2023. As at 31 December 2023, the remaining balance of RMB103,244,000 was included in other payables.

11. BORROWINGS

	2023	2022
Non-current		
Bank borrowings		
— secured	886,289	1,106,054
— unsecured	186,000	50,000
Less: current portion of non-current borrowings	(376,133)	(407,710)
	<u>696,156</u>	<u>748,344</u>
Current		
Bank borrowings		
— secured	245,500	150,000
— unsecured	237,468	359,834
	<u>482,968</u>	<u>509,834</u>
Current portion of non-current borrowings	376,133	407,710
	<u>859,101</u>	<u>917,544</u>
Total borrowings	<u><u>1,555,257</u></u>	<u><u>1,665,888</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL BUSINESSES OF THE GROUP

During the year ended 31 December 2023, the Group was principally engaged in manufacturing, trading and selling of extracts, flavors and fragrances. It also engaged in design and manufacturing of high-quality electronic cigarettes and the related products as well.

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

BUSINESS REVIEW

In 2023, the global economy continued to experience variabilities and instabilities. Countries lifted up barriers and lockdown after the pandemic. The global economy was expected to quickly recover or surpass pre-pandemic levels. However, spread of geopolitical conflicts together with prolonged wars in Ukraine and Middle East area persisted the threat of energy crisis and affected the supply chain and fragmentation of international trade which vacillated the consumption pattern and confidence of customers.

During the year ended 31 December 2023, the Group had undergone corporate restructure and disposed two subsidiaries in Korea. The disposal had benefited the Group by recording a gain from the disposal and strengthen the Group’s liquidity.

During the year ended 31 December 2023, the total revenue of the Group amounted to approximately RMB2,063.7 million (2022: RMB2,324.8 million), representing a decrease of 11.2% when compared to last year. The Group’s gross profit was increased to approximately RMB798.1 million (2022: RMB786.9 million), representing a mild increase of 1.4% when compared to last year and the Group’s net profit for the year was approximately RMB140.6 million (2022: RMB84.5 million), representing an increase of 66.5% when compared to last year. The increase was mainly due to a gain on disposal in the amount of approximately RMB62.8 million in relation to the disposal of two subsidiaries in Korea to an independent third party. After excluding the gain on disposal, the net profit of the Group was approximately RMB77.8 million for the year, representing a decrease of 7.9% as compared to last year. The e-Cigarette Products Segment and the Flavor Enhancers Segment have contributed approximately 81.0% of the total revenue of the Group as at 31 December 2023 in aggregate (2022: 84.3%).

Revenue

The Group recorded a total revenue of approximately RMB2,063.7 million, representing a decrease of 11.2% (2022: RMB2,324.8 million) for the year ended 31 December 2023.

The breakdowns of the total revenue of the Group for the year ended 31 December 2023 (excluding inter-segment revenue) were as follows:

	For the year ended 31 December				
	2023		2022		% change
	Revenue RMB (M)	% of total revenue	Revenue RMB (M)	% of total revenue	
Flavor enhancers	768.6	37.3%	795.9	34.2%	-3.4%
Food flavors	182.0	8.8%	171.7	7.4%	+6.0%
Fine fragrances	165.8	8.0%	149.8	6.5%	+10.7%
e-Cigarette products	901.6	43.7%	1,164.9	50.1%	-22.6%
Investment properties	45.7	2.2%	42.5	1.8%	+7.5%
Total	<u>2,063.7</u>	<u>100.0%</u>	<u>2,324.8</u>	<u>100.0%</u>	<u>-11.2%</u>

Flavor enhancers

The revenue of flavor enhancers was approximately RMB768.6 million for the year ended 31 December 2023 (2022: RMB795.9 million), representing a mild decrease of 3.4% when compared to last year. After the pandemic and the uplift of all lockdown and transportation barriers, the customers did not require to store up a significant amount of stocks in their warehouse to avoid delay in transportation and also due to the severe global economic environment, the consumption confidence of the customers was affected. Therefore, the revenue of this segment was decreased slightly during the year ended 31 December 2023. However, the net profit of this segment had recorded approximately RMB175.8 million, representing an increase of 21.6% when compared to last year (2022: RMB144.6 million). The increase was due to an effective cost control of this segment during the reporting year. The Group would continue to deploy stringent cost control to maintain the growth momentum.

Food flavors

The food flavors segment recorded a revenue of approximately RMB182.0 million for the year ended 31 December 2023 (2022: RMB171.7 million), representing an increase of 6.0% when compared to last year. Due to the support of existing clients of the Group, the revenue of this segment had recorded an increase during the year ended 31 December 2023. 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 RMB165.8 million for the year ended 31 December 2023 (2022: RMB149.8 million), representing an increase of 10.7% when compared to last year. The increase in the revenue of the fine fragrance segment was due to the increase of new customers and the continuous support of long relationship customers.

e-Cigarette products

The revenue of e-Cigarettes (which comprised disposable e-Cigarettes and rechargeable e-Cigarettes) and its accessories amounted to approximately RMB901.6 million during the year ended 31 December 2023, representing a decrease of 22.6% from approximately RMB1,164.9 million of last year. The decrease in revenue during the reporting year was due to the new policy on the sales control of the flavors of the e-Cigarette products in the PRC which affected the sales of the local market in the PRC. The Group had reformed its short-term strategies and decided to expand the international market by high quality design of e-Cigarette products with own brand and the tailor-made design of the clients.

Investment properties

The revenue of this segment was approximately RMB45.7million, representing an increase of 7.5% from approximately RMB42.5 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 2023.

Gross Profit

The operations recorded a gross profit of approximately RMB798.1 million for the year ended 31 December 2023 (2022: RMB786.9 million), representing a mild increase of 1.4% when compared to last year and the gross profit margin increased from 33.8% in 2022 to 38.7% in 2023.

Expenses

Selling and marketing expenses

Selling and marketing expenses amounted to approximately RMB108.8 million for the year ended 31 December 2023 (2022: RMB102.1 million), representing approximately 5.3% to revenue of the year (4.4% to revenue in 2022) and also representing an increase of 6.5% when compared to last year. The increase in these expenses was mainly attributable to the increase in the sales related incentive bonus to the distribution chain stores in Korea (the “Incentive Bonus”) during the year under review. The Incentive Bonus would not be incurred in 2024 because the Group had completed the disposal of two subsidiaries in Korea in August 2023.

Administrative expenses

Administrative expenses amounted to approximately RMB342.6 million for the year ended 31 December 2023 (2022: RMB359.4 million) representing approximately 16.6% to revenue of the year 2023 (15.5% to revenue in 2022) and also representing a decrease of 4.7% when compared to last year. The decrease in these expenses was mainly attributable to the decrease in the office expenses during the reporting 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 RMB156.9 million for trade receivables of the Group during the reporting period (2022: RMB13.4 million). The significant increase of net impairment loss was due to the impairment of certain long overdue trade receivable of certain e-Cigarette products with fruit or other flavors which could not be sold in the PRC after the new policy implemented in October 2022.

Other income

Other income amounted to approximately RMB5.4 million for the year ended 31 December 2023 (2022: RMB16.5 million). The decrease was mainly due to the decrease in the PRC government grants and subsidies of the Group during the year ended 31 December 2023.

Other gains/(losses) - net

Other gains - net amounted to approximately RMB53.8 million for the year ended 31 December 2023 (2022: losses of RMB170.3 million). The gain was mainly due to the gain on disposal of two Korean subsidiaries of the Group during the year ended 31 December 2023.

Finance costs - net

Finance costs - net amounted to approximately RMB65.6 million for the year ended 31 December 2023 (2022: RMB45.8 million) which mainly consisted of the interest expenses on borrowings obtained in the year. The increase in the Finance costs - net was due to the decrease in interest income and the increase of the interest expenses at the year ended 31 December 2023.

Net Profit

Net profit for the year ended 31 December 2023 amounted to approximately RMB140.6 million (2022: RMB84.5 million), representing an increase of 66.5% when compared to last year. The increase was mainly due to the gain on disposal of two Korean subsidiaries of the Group and the reduction of provision for litigation claims net off by the net impairment loss on financial assets during the year ended 31 December 2023. Net profit margin for the year increased to approximately 6.8% (2022: 3.6%).

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

In 2024, the global economic recovery continues to be weak and sluggish. The global economic growth would be worse than the pre-pandemic and is estimated to be slow in the coming year. The consumer confidence drops to the lowest level after pandemic and affects local consumption and international trades.

Under the severe business environment and change of consumption pattern, the Group would continue 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. For the e-Cigarette Products Segment, after disposal of two Korean subsidiaries and corporate reorganization, the Group will adjust its business direction and adopts new strategies to overcome those challenges and to regain its normal growth momentum. The Group will accelerate the development of the e-Cigarette business by expanding its international 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 31 December 2023, the net current assets of the Group amounted to approximately RMB100.6 million (2022: RMB189.3 million). The decrease in net current assets was mainly attributable to decrease in trade and other receivables and cash in bank. The cash and deposit for bank borrowings of the Group amounted to RMB610.4 million (2022: RMB706.7 million). Accordingly, the current ratio of the Group was 1.06 (2022: 1.09).

Total equity of the Group as at 31 December 2023 was approximately RMB3,376.2 million (2022: RMB3,262.1 million) mainly driven up by increase in other reserves and retained earnings. As at 31 December 2023, the Group had borrowings totalling approximately RMB1,555.3 million (2022: RMB1,665.9 million), therefore debt gearing ratio was 46.1% (total borrowings over total equity) (2022: 51.1%). The borrowings comprised (i) current bank borrowings and current portion of long term borrowings of approximately RMB859.1 million (2022: RMB917.5 million) and (ii) long-term borrowings of approximately RMB696.2 million (2022: RMB748.3 million). The borrowings are denominated in RMB, USD and HKD. As at 31 December 2023, the effective interest rates of the borrowings was 4.57% 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 2023.

Foreign Exchange Risk and Interest Rate Risk

The Group had net exchange losses of approximately RMB4.4 million in 2023 (2022: net exchange losses of RMB3.6 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 2023, the Group had bank borrowings of a total of RMB1,555.3 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 2023, the Group invested approximately RMB160.7 million (2022: RMB170.0 million) in fixed assets and construction in progress. For the year ended 31 December 2023, the Group had capital commitments of approximately RMB320.5 million (2022: RMB28.2 million) in respect of fixed assets, which shall be funded by internal resources.

Charge on Group's Assets

As at 31 December 2023, 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; (iv) pledged bank deposits, (v) corporate guarantee; and (vi) a building in Hong Kong as pledge of financing raised in the year under review.

Staff Policy

The Group had 1,334 employees in the PRC, Hong Kong and Indonesia as at 31 December 2023 (2022: 1,522 employees in the PRC, Hong Kong, South Korea and Indonesia). During the year ended 31 December 2023, the Group had disposed two Korea subsidiaries to an independent third party. Therefore, the Group had no Korean employees after the disposal. Details of the disposal was disclosed under the paragraph of "Discloseable and Connected Transaction – Disposal of Subsidiaries" in the Management, Discussion and Analysis Section.

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 before the disposal of the Korea subsidiaries.

Material Investment

For the year ended 31 December 2023, saved for the Construction Project disclosed under the paragraph of “Completion of Acquisition of Land Use Right in Guangdong Province, the PRC” in the Management, Discussion and Analysis Section, the Group did not have material investment.

Contingent Liabilities

As at 31 December 2023, saved for the litigation cases disclosed under the paragraph of “Legal Proceeding against Vendors of an Acquisition” in the Management, Discussion and Analysis Section, the Group did not have any significant contingent liabilities.

PROFIT GUARANTEE IN RELATION TO SHARE TRANSFER IN BOTON FLAVORS AND FRAGRANCES COMPANY LIMITED

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 Company Limited (formerly 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 (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 Profit Guarantee 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:

Relevant Period	Relevant financial year end date	Guarantee for Revenue <i>RMB</i>	Guarantee for Net Profit (excluding any extraordinary items) <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 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 fulfilled.

For the year ended 31 December 2023, the net profit and the revenue of DG Boton amounted to RMB76,113,000 and RMB347,786,000 respectively. Therefore, the Profit Guarantee for the net profit was fulfilled but the Profit Guarantee for the revenue was not fulfilled.

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. 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.

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 association 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.

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"). The Disposal had been completed on 14 August 2023.

The Group applied 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 and other daily operating expenses. The Disposal had benefited the Group by recording a gain from the Disposal and strengthen the Group's liquidity. Further, various agreements had been entered into incidental to the Disposal whereby the Group was an 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 was 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.

On 14 August 2023, the Company had received consideration of the Disposal and the Disposal was completed on same date.

ADOPTION OF SHARE AWARD SCHEME AND NEW SHARE OPTION SCHEME AND TERMINATION OF EXISTING SHARE OPTION SCHEME

On 11 December 2023, the shareholders of the Company had approved the adoption of a share award scheme and a new share option scheme at an extraordinary general meeting of the Company (the “EGM”) and had also approved the termination of the existing share option scheme of the Company, which was adopted on 8 May 2015, at the EGM.

Details of the adoptions and termination were disclosed in the circular of the Company dated 23 November 2023 and announcement of the results of the EGM on 11 December 2023.

LEGAL PROCEEDINGS AGAINST VENDORS OF AN ACQUISITION

As at 31 December 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. The legal proceedings are still on-going. Details of the legal proceedings was disclosed in the announcement of the Company dated 13 August 2020.

Kimree Technology (HK) Company Limited, an indirectly wholly-owned subsidiary (“Kimree Tech”), has commenced legal proceedings against Mr Liu, Mr Xiang, Mr Zhang Jian, Mr Ai Jianjie, Mr Jiang Lingfan, and Ms Yu Dafeng (collectively, the “Defendants”) for misappropriation of funds of Kimree Tech and breach of fiduciary duties as former directors of Kimree Tech. On 22 September 2023, the Company had issued a writ of summons against the Defendants. The proceedings are still on-going.

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. 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. After the settlement, Mr. Liu and Mr. Xiang shall not be entitled to make any further claims or claim for liquidated damages and interest compensation in respect of the loan.

DIVIDEND

The Board did not recommend payment of any dividend in respect of the year ended 31 December 2023 (2022: 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 20 May 2024 to 24 May 2024, 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 17 May 2024.

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

Compliance with the Corporate Governance Code

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 C1 of the Listing Rules throughout the financial year ended 31 December 2023, 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.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 2023.

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 2023. The Audit Committee is consisted of the four 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 2023 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Company'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.

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 D2 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, 22 March 2024

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 non-executive director is Ms. Wan Shuk Ching, Candy. The independent non-executive directors are Mr. Ng Kwun Wan, Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and Mr. Yau How Boa.