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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 2024

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 2024, together with the comparative figures for the year ended 31 December 2023.

CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2024	2023
Revenue	3	1,652,996	2,063,746
Cost of sales	4	(1,055,090)	(1,265,636)
Gross profit		597,906	798,110
Selling and marketing expenses	4	(48,484)	(108,775)
Administrative expenses	4	(334,671)	(342,609)
Impairment charge of goodwill	12	(67,414)	—
Net impairment losses on financial assets		(7,628)	(156,889)
Other income		3,402	5,386
Other gains – net	5	5,938	53,806
Operating profit		149,049	249,029
Finance income		2,085	7,461
Finance costs		(65,905)	(73,019)
Finance costs – net		(63,820)	(65,558)
Share of net profit of investment in an associate		423	—
Profit before income tax		85,652	183,471
Income tax expense	6	(22,370)	(42,841)
Profit for the year		63,282	140,630
Attributable to:			
Owners of the Company		18,381	146,370
Non-controlling interests		44,901	(5,740)
		63,282	140,630
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	7	0.02	0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	Year ended 31 December	
	2024	2023
Profit for the year	63,282	140,630
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>828</u>	<u>4,453</u>
Total comprehensive income for the year	<u>64,110</u>	<u>145,083</u>
Attributable to:		
Owners of the Company	<u>20,197</u>	148,936
Non-controlling interests	<u>43,913</u>	<u>(3,853)</u>
Total comprehensive income for the year	<u>64,110</u>	<u>145,083</u>

CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Note	2024	2023
ASSETS			
Non-current assets			
Property, plant and equipment		1,993,623	1,528,866
Right-of-use assets		152,934	154,235
Investment properties		631,800	632,000
Intangible assets		1,615,432	1,721,629
Investment in an associate		1,768	1,378
Deferred income tax assets		32,495	28,735
Prepayments for property, plant and equipment	9	6,162	28,572
		<u>4,434,214</u>	<u>4,095,415</u>
Current assets			
Inventories		337,053	330,619
Trade and other receivables	9	938,946	913,080
Pledged deposits for bank borrowings		183,500	260,572
Financial assets at fair value through profit or loss		121,491	57,387
Cash and cash equivalents		282,721	349,794
		<u>1,863,711</u>	<u>1,911,452</u>
Total assets		<u>6,297,925</u>	<u>6,006,867</u>
EQUITY			
Attributable to owners of the Company			
Share capital		101,522	101,522
Share premium		1,292,432	1,292,432
Shares held under the share award scheme		(979)	—
Retained earnings		1,245,431	1,277,394
Other reserves		502,549	455,810
		<u>3,140,955</u>	<u>3,127,158</u>
Non-controlling interests		<u>268,323</u>	<u>249,069</u>
Total equity		<u>3,409,278</u>	<u>3,376,227</u>

		<u>As at 31 December</u>	
	Note	2024	2023
LIABILITIES			
Non-current liabilities			
Deferred government grants		34,724	35,518
Deferred income tax liabilities		73,896	85,921
Borrowings	11	955,904	696,156
Lease liabilities		7,121	2,214
		<u>1,071,645</u>	<u>819,809</u>
Current liabilities			
Trade and other payables	10	807,141	834,593
Contract liabilities		38,454	29,772
Lease liabilities		2,758	4,735
Current income tax liabilities		74,563	82,630
Borrowings	11	894,086	859,101
		<u>1,817,002</u>	<u>1,810,831</u>
Total liabilities		<u>2,888,647</u>	<u>2,630,640</u>
Total equity and liabilities		<u>6,297,925</u>	<u>6,006,867</u>

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

1. GENERAL INFORMATION

China Boton Group Company Limited (the “Company”) and its subsidiaries (together the “Group”) manufacture and sell flavors, fragrances and e-cigarettes products mainly in the People’s Republic of China (the “PRC”) and Asia. The Company was incorporated in the Cayman Islands on 9 March 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is: Cricket Square, Hutchins Drive, P.O. Box 2681, 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 24 March 2025.

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 the 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 2025 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 for the year.

The segment information for the year ended 31 December 2024 is as follows:

	Flavor enhancers	Food flavors	Fine fragrances	e-Cigarette products	Investment properties	Unallocated	Total segments
Segment revenue	606,045	190,355	169,757	639,592	51,885	—	1,657,634
Inter-segment revenue	(4,025)	—	—	—	(613)	—	(4,638)
Revenue from external customers	<u>602,020</u>	<u>190,355</u>	<u>169,757</u>	<u>639,592</u>	<u>51,272</u>	<u>—</u>	<u>1,652,996</u>
Other income	2,014	410	534	444	—	—	3,402
Other gains/(losses) - net	2,128	996	2,615	14	(200)	385	5,938
Operating profit/(loss)	90,264	54,512	46,076	(50,273)	27,332	(18,862)	149,049
Finance income	512	493	545	396	—	139	2,085
Finance costs	(54,946)	—	—	(3,995)	—	(6,964)	(65,905)
Finance costs – net	(54,434)	493	545	(3,599)	—	(6,825)	(63,820)
Share of net profit of investment in an associate	—	423	—	—	—	—	423
Profit/(loss) before income tax	35,830	55,428	46,621	(53,872)	27,332	(25,687)	85,652
Income tax (expense)/credit	(13,020)	(5,981)	(4,898)	9,479	(4,100)	(3,850)	(22,370)
Profit/(loss) for the year	<u>22,810</u>	<u>49,447</u>	<u>41,723</u>	<u>(44,393)</u>	<u>23,232</u>	<u>(29,537)</u>	<u>63,282</u>
Depreciation and amortisation	61,921	7,451	7,340	36,287	—	7,796	120,795
Impairment charge of goodwill	67,414	—	—	—	—	—	67,414
Net impairment losses/(reversal of net impairment) on financial assets	(3,616)	(66)	1,199	6,897	—	3,214	7,628
Write-down/(reversal of write-down) of inventories to net realisable value	263	(2,051)	(2,672)	5,627	—	—	1,167
Capital expenditures	<u>141,620</u>	<u>3,043</u>	<u>2,426</u>	<u>402,562</u>	<u>—</u>	<u>3,419</u>	<u>553,070</u>

Analysis of revenue from external customers by geographic location	2024	2023
The PRC	1,363,798	1,416,963
Asia	287,174	624,594
Others	2,024	22,189
	<u>1,652,996</u>	<u>2,063,746</u>

4. EXPENSES BY NATURE

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

	2024	2023
Depreciation and amortisation	120,795	132,071
Employee benefit expenses	213,322	204,432
Changes in inventories of finished goods and work in progress	(20,303)	4,978
Raw materials and consumables used	974,346	1,163,284
Write-downs of inventories to net realisable value	1,167	1,726
Other taxes and levies	24,683	51,827
Water and electricity	13,506	11,784
Transportation and traveling	16,633	23,945
Advertising costs	5,567	9,462
Consulting expenses	30,981	39,057
Short-term lease expenses	9,821	9,190
Auditor's remuneration		
– Audit services	6,480	7,480
Entertainment	13,332	14,782
Office expenses	17,792	17,684
Donation	264	986
Others	9,859	24,332
	<u>1,438,245</u>	<u>1,717,020</u>
Total of cost of sales, selling and marketing expenses and administrative expenses		

5. OTHER GAINS - NET

	2024	2023
Fair value gains from bank financial products	1,324	1,145
Provision for litigation claims	—	(9,035)
Gains on disposal of property, plant and equipment	3,130	2,926
Gains on disposal of subsidiaries	—	62,795
Fair value losses on investment properties	(200)	(5,000)
Others	1,684	975
	<u>5,938</u>	<u>53,806</u>

6. INCOME TAX EXPENSE

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

	2024	2023
Current income tax	38,155	41,108
Deferred income tax	<u>(15,785)</u>	<u>1,733</u>
	<u>22,370</u>	<u>42,841</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) The Organisation for Economic Co-operation and Development (“OECD”) published Pillar Two model rules in December 2021, with the effect that a jurisdiction may enact domestic tax laws (“Pillar Two legislation”) to implement the Pillar Two model rules on a globally agreed common approach. Pillar Two legislation applies to a member of a multinational group within the scope of the Pillar Two model rules. The Group currently does not have subsidiaries which are located in jurisdictions where the Pillar Two legislation has been enacted, and therefore is currently not within the scope of the Pillar Two model rules.
- (c) 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 Group, Shenzhen Boton Flavors & Fragrances Company Limited (“SZ Boton”), Boton Flavors and Fragrances Company Limited (formerly known as “Dongguan Boton Flavors and Fragrances Co., Ltd.”) (“DG Boton”), Kimsun Technology (Huizhou) Co., Ltd. and Hubei Boton Biological Technology 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, excluding the ordinary shares repurchased and held for the purpose of the share award scheme.

	2024	2023
Profit attributable to owners of the Company	<u>18,381</u>	<u>146,370</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,080,252</u>	<u>1,080,512</u>
Basic earnings per share (RMB per share)	<u>0.02</u>	<u>0.14</u>

(b) Diluted earnings per share

For the year ended 31 December 2024 and 2023, 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 2024 (2023: Nil).

9. TRADE AND OTHER RECEIVABLES

	Note	2024	2023
Trade receivables	(a)	714,933	728,106
Less: provision for expected credit loss		<u>(248,092)</u>	<u>(241,444)</u>
Trade receivables – net		466,841	486,662
Bills receivable	(b)	<u>5,045</u>	<u>12,898</u>
		<u>471,886</u>	<u>499,560</u>
Other receivables:			
– Prepayments	(c)	334,197	320,653
– Other deposits	(d)	72,671	57,451
– Excess of input over output value added tax		30,530	42,535
– Advances to staff		4,166	5,537
– Others		<u>34,098</u>	<u>17,376</u>
		475,662	443,552
Less: provision for expected credit loss		<u>(2,440)</u>	<u>(1,460)</u>
Other receivables – net		<u>473,222</u>	<u>442,092</u>
		945,108	941,652
Less: non-current – Prepayments for property, plant and equipment		<u>(6,162)</u>	<u>(28,572)</u>
Current		<u><u>938,946</u></u>	<u><u>913,080</u></u>

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

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

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

	2024	2023
Less than 3 months	300,331	455,314
More than 3 months but not exceeding 1 year	149,314	60,459
More than 1 year	265,288	212,333
	<u>714,933</u>	<u>728,106</u>

- (b) Bills receivable

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

	2024	2023
Bank acceptance bills	3,629	10,944
Commercial acceptance bills	1,416	1,954
	<u>5,045</u>	<u>12,898</u>

The maturity profile of bills receivable is as follows:

	2024	2023
Up to 3 months	3,776	2,254
3 to 6 months	1,269	10,644
	<u>5,045</u>	<u>12,898</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	2024	2023
Trade payables	(a)	432,587	363,440
Payables for business combinations	(b)	150,000	150,000
Interest payable		1,604	1,604
Provisions for litigation claims		—	103,244
Salaries payable		44,447	48,150
Other taxes payable		35,136	43,108
Accrued expenses		17,238	18,475
Amount due to the directors and employees of DG Boton	(c)	36,491	36,491
Bills payable		1,141	—
Others		88,497	70,081
		<u>807,141</u>	<u>834,593</u>
Current		<u>807,141</u>	<u>834,593</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:

	2024	2023
Less than 3 months	290,632	294,701
More than 3 months but not exceeding 1 year	64,980	53,240
More than 1 year	76,975	15,499
	<u>432,587</u>	<u>363,440</u>

(b) The balance represented the outstanding consideration payable in relation to the acquisition of Kimree, Inc.

(c) The balance represented consideration from the directors and employees of DG Boton for the proposed transfer of equity interests of DG Boton.

11. BORROWINGS

	2024	2023
Non-current		
Bank borrowings		
— secured	701,240	886,289
— unsecured	456,948	186,000
Other borrowings		
— secured	72,000	—
	<u>1,230,188</u>	<u>1,072,289</u>
Less: current portion of non-current borrowings	<u>(274,284)</u>	<u>(376,133)</u>
	<u>955,904</u>	<u>696,156</u>
Current		
Bank borrowings		
— secured	231,192	245,500
— unsecured	388,610	237,468
	<u>619,802</u>	<u>482,968</u>
Current portion of non-current borrowings	<u>274,284</u>	<u>376,133</u>
	<u>894,086</u>	<u>859,101</u>
Total borrowings	<u><u>1,849,990</u></u>	<u><u>1,555,257</u></u>

12. IMPAIRMENT CHARGE OF GOODWILL

Based on the results of management's impairment assessment, impairment charge of RMB67,414,000 was made against the goodwill relating to the Flavor enhancers segment for the year ended 31 December 2024 (2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL BUSINESSES OF THE GROUP

During the year ended 31 December 2024, 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

During the reporting period, the global economy was slowly and unevenly recovered among developed countries. The international trades were seriously affected as a result of economic nationalism together with prolonged wars and increase of geopolitical tensions. Consumer confidence dropped to the lowest level after pandemic and consumption pattern was changed.

The business segments of the Group faced a lot of challenges when dealing with domestic markets while expanding businesses towards international. Production costs rose. Tariffs were challenging hurdles to the expansion of the existing business segments. The Group continued its stringent cost control and strived to reduce the production costs by establishing new automation technology in production plants. On the other hand, the Group had established a new marketing team and formulated new marketing strategies to promote the Group’s products and to expand international markets.

During the year ended 31 December 2024, the total revenue of the Group amounted to approximately RMB1,653.0 million (2023: RMB2,063.7 million), representing a decrease of 19.9% when compared to last year. The Group’s gross profit was decreased to approximately RMB597.9 million (2023: RMB798.1 million), representing a decrease of 25.1% when compared to last year and the Group’s net profit for the year was approximately RMB63.3 million (2023: approximately RMB140.6 million) representing a significant decrease of 55.0% when compared to last year. The decrease is mainly attributable to severe global business environment and an impairment loss on goodwill of tobacco businesses acquired in 2016 in the amount of RMB67.4 million. If, without taking into account the above impairment loss on goodwill, the Group’s net profit for the year ended 31 December 2024 would be amounted to approximately RMB130.7 million, decreased by approximately 7.1% as compared to the year 2023.

The e-Cigarette Products Segment and the Flavor Enhancers Segment have contributed approximately 75.1% of the total revenue of the Group for the year ended 31 December 2024 in aggregate (2023: 81.0%).

Revenue

The Group recorded a total revenue of approximately RMB1,653.0 million, representing a decrease of 19.9% (2023: RMB2,063.7 million) for the year ended 31 December 2024.

The breakdowns of the total revenue of the Group for the year ended 31 December 2024 (excluding intersegment revenue) were as follows:

	For the year ended 31 December				
	2024		2023		% change
	Revenue RMB (M)	% of total revenue	Revenue RMB (M)	% of total revenue	
Flavor enhancers	602.0	36.4%	768.6	37.3%	-21.7%
Food flavors	190.4	11.5%	182.0	8.8%	+4.6%
Fine fragrances	169.8	10.3%	165.8	8.0%	+2.4%
e-Cigarette products	639.6	38.7%	901.6	43.7%	-29.1%
Investment properties	51.2	3.1%	45.7	2.2%	+12.1%
Total	1,653.0	100.0%	2,063.7	100.0%	-19.9%

Flavor enhancers

The revenue of flavor enhancers was approximately RMB602.0 million for the year ended 31 December 2024 (2023: RMB768.6 million), representing a decrease of 21.7% when compared to last year. Due to the combined effects of the severe economic environment, the change of consumption pattern of the customers and the adjustments in procurement policies, the revenue of this segment was decreased during the year ended 31 December 2024. However, the Group would continue to deploy stringent cost control and would speed up the expansion of international market in order to restore the normal growth pace of this segment.

Food flavors

The food flavors segment recorded a revenue of approximately RMB190.4 million for the year ended 31 December 2024 (2023: RMB182.0 million), representing an increase of 4.6% 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 2024. 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 RMB169.8 million for the year ended 31 December 2024 (2023: RMB165.8 million), representing a mild increase of 2.4% when compared to last year. The increase in the revenue of the fine fragrance segment was due to 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 RMB639.6 million during the year ended 31 December 2024, representing a decrease of 29.1% from approximately RMB901.6 million of last year. The decrease in revenue during the reporting year was due to increase of direct labour cost in the PRC, various taxes and new requirements of the e-Cigarette products in various international countries. The Group had reformed and strengthened its marketing division to enhance the promotion of the e-Cigarette products and e-Liquid. It would also implement new automation in the production chain of the factories in order to reduce costs and improve the gross profit margin of this segment.

Investment properties

The revenue of this segment was approximately RMB51.2 million, representing an increase of 12.1% from approximately RMB45.7 million of 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 2024.

Gross Profit

The operations recorded a gross profit of approximately RMB597.9 million for the year ended 31 December 2024 (2023: RMB798.1 million), representing a decrease of 25.1% when compared to last year and the gross profit margin decreased from 38.7% in 2023 to 36.2% in 2024.

The revenue of the major business segments of the Group decreased during the year ended 31 December 2024, with the continuous increase in raw material and direct labour costs during the severe economic environment reduced the gross profit margin. As a result, both gross profit and gross profit margin decreased during the year ended 31 December 2024.

Expenses

Selling and marketing expenses

Selling and marketing expenses amounted to approximately RMB48.5 million for the year ended 31 December 2024 (2023: RMB108.8 million), representing approximately 2.9% to revenue of the year (5.3% to revenue in 2023) and also representing a decrease of 55.4% when compared to last year. The decrease in these expenses was mainly attributable to the decreases in advertising costs, transportation and travelling expenses and the cease of sales related expenses of a disposed Korean subsidiary group.

Administrative expenses

Administrative expenses amounted to approximately RMB334.7 million for the year ended 31 December 2024 (2023: RMB342.6 million), representing approximately 20.2% to revenue of the year (16.6% to revenue in 2023) and also representing a decrease of 2.3% when compared to last year. The decrease in these expenses was mainly attributable to the decrease in consulting expenses and office expenses during the reporting year.

Impairment of goodwill

The Group had an impairment of goodwill, regarding the acquisition of four tobacco businesses in July 2016, amounted to RMB67.4 million (2023: Nil). During the reporting year, the revenue of the Flavor Enhancers Segment had decreased by 21.7% and based on the results of the assessment of the impairment of goodwill by an independent valuer, after careful discussion, the management had decided to made such impairment of goodwill.

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 RMB7.6 million for trade and other receivables of the Group during the reporting period (2023: RMB156.9 million). The decrease of net impairment loss was due to improvement of credit period and fee collection.

Other income

Other income amounted to approximately RMB3.4 million for the year ended 31 December 2024 (2023: RMB5.4 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 2024.

Other gains - net

Other gains - net amounted to approximately RMB5.9 million for the year ended 31 December 2024, representing a significant decrease of 89.0% when compared to last year (2023: gains of RMB53.8 million). The decrease of the other gain was due to cease of a special gain on disposal of a Korean subsidiary group, which was disposed in 2023, during the reporting year.

Finance costs - net

Finance costs - net amounted to approximately RMB63.8 million for the year ended 31 December 2024 (2023: RMB65.6 million) which mainly consisted of the interest expenses on borrowings obtained in the year. The decrease in the finance costs - net was due to the decrease in net exchange losses for the year ended 31 December 2024.

Net Profit

Net profit for the year ended 31 December 2024 amounted to approximately RMB63.3 million (2023: RMB140.6 million), representing a significant decrease of 55.0% when compared to last year. The decrease was mainly due to severe global business environment and an impairment loss on goodwill of tobacco businesses acquired in 2016 in the amount of approximately RMB67.4 million during the year ended 31 December 2024. If, without taking into account the above impairment loss on goodwill, the Group's net profit for the year ended 31 December 2024 would be RMB130.7 million, representing a decrease of 7.1% when compared to last year. Net profit margin for the year decreased to approximately 3.8% (2023: 6.8%).

Principal risks and uncertainties

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

Environmental policies

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

Future Plans and Prospects

The global economy in 2025 shall continue recovering slowly under the disruptions of economic fragmentation and geopolitical tensions. Growth rates may be stabilized but remain uneven across regions. Emerging economies, particularly countries in Asia (e.g., India, Southeast Asia), will be expected to drive the global growth. Artificial intelligence, automation and digitalization will continue to be important and shall transform the industries by boosting productivity and reducing direct labor cost.

In 2025, the Group will proactively restore and strengthen its domestic market shares while accelerating the pace of globalization, especially in the developing countries. It will promote sustainable and steady growth of the existing business segments through localization strategies and technical cooperation. The Group will also continue to deploy advanced production technology in its production plants and strives to seize high value-added markets. The new marketing team of the Group will implement new aggressive sales strategies, including expansion of sales channels and networks and enhanced customer service support to promote the branding of a series of e-Cigarette products, including e-Liquid and e-Cigarette device, to different countries.

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 2024, the net current assets of the Group amounted to approximately RMB46.7 million (2023: RMB100.6 million). The decrease in net current assets was mainly attributable to decrease in cash in bank and increase in short term borrowings. The cash and cash equivalents and deposits for bank borrowings of the Group amounted to RMB466.2 million (2023: RMB610.4 million). Accordingly, the current ratio of the Group was 1.03 (2023: 1.06).

Total equity of the Group as at 31 December 2024 was approximately RMB3,409.3 million (2023: RMB3,376.2 million). The increase was due to the increase in other reserves. As at 31 December 2024, the Group had borrowings totalling approximately RMB1,850.0 million (2023: RMB1,555.3 million), therefore debt gearing ratio was 54.3% (total borrowings over total equity) (2023: 46.1%). The borrowings comprised (i) current bank borrowings and current portion of long term borrowings of approximately RMB894.1 million (2023: RMB859.1 million) and (ii) long-term borrowings of approximately RMB955.9 million (2023: RMB696.2 million). The borrowings are denominated in RMB, USD and HKD. As at 31 December 2024, the effective interest rates of the borrowings was 4.79% 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 2024.

Foreign Exchange Risk and Interest Rate Risk

The Group had net exchange losses of approximately RMB0.3 million in 2024 (2023: net exchange losses of RMB4.4 million). The Group mainly operates in the PRC. Most of its transactions are basically denominated in RMB with some transactions in USD and HKD and some bank borrowings in HKD and USD. The Company shall monitor the exchange rate of RMB against the HKD and USD closely.

It is looking into the possibility of currency hedging and will take appropriate action when favourable opportunities arise. As at 31 December 2024, the Group had bank borrowings of a total of RMB1,850.0 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 2024, the Group invested approximately RMB544.9 million (2023: RMB160.7 million) in fixed assets and construction in progress. For the year ended 31 December 2024, the Group had capital commitments of approximately RMB188.9 million (2023: RMB320.5 million) in respect of fixed assets, which shall be funded by internal resources.

Charge on Group's Assets

As at 31 December 2024, 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 Flavors & Fragrances Company Limited (“SZ Boton”) (together with personal guarantee of Mr. Wang Ming Fan); (iii) the land use right of a PRC subsidiary in Hubei, PRC; (iv) certain bank deposits and (v) a property located in Hong Kong as pledge for borrowings.

Staff Policy

The Group had 1,245 employees in the PRC, Hong Kong and Indonesia as at 31 December 2024 (2023: 1,334 employees in the PRC, Hong Kong and Indonesia). The decrease in the number of employees was mainly attributable to the change of employment structure and decrease in the number of permanent staffs in the PRC.

The Company appreciates talents and value staff as valuable asset of the Group. The Group offers a comprehensive and competitive remuneration, retirement schemes, a share award scheme, a share option scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are in compliance with the rules and make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are also required to make contribution to fund the endowment insurance and unemployment insurance at rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme, as required under the Mandatory Provident Schemes Ordinance, for its employees in Hong Kong.

Material Investment

For the year ended 31 December 2024, the Group had material investment in a construction project on a land located at Huizhou Zhongkai Hi-tech Industrial Development Zone, Guangdong Province, the PRC (the “Land”).

The Group had entered into an agreement with the vendor to obtain the land use right of the Land at the consideration of RMB40,490,000 on 7 April 2023. Pursuant to the agreement, 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 planned 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.

Contingent Liabilities

As at 31 December 2024, 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 DONGGUAN BOTON

In the year of 2020, Shenzhen Boton Flavors and Fragrances Co., Ltd. (“SZ Boton”), an indirect wholly-owned subsidiary of the Company, and Champion Sharp International Investment Limited (“Champion”), a company directly wholly-owned by Mr. Wang Ming Fan (Chairman and Executive Director of the Company), acted as the vendors and had entered into an equity transfer agreement (the “Equity Transfer Agreement”) with various senior management and general staffs of Boton Flavors and Fragrances 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 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 “Relevant Period”).

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

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

For the year ended 31 December 2023, the net profit and the revenue of DG Boton amounted to RMB75,855,000 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.

For the year ended 31 December 2024, the net profit and the revenue of DG Boton amounted to RMB91,170,000 and RMB360,112,000 respectively. Therefore, the Profit Guarantee for the net profit was fulfilled but the Profit Guarantee for the revenue was not yet fulfilled.

LAND RESUMPTION IN SHENZHEN

On 17 April 2024, the Company announced that Shenzhen Boton Flavors and Fragrances Co., Ltd. (“SZ Boton”), a wholly-owned subsidiary of the Company, had received a letter from the government authority of Nanshan District of Shenzhen (深圳南山區) (the “Relevant Authority”) in relation to the proposed resumption of a plot of land in Shenzhen owned by Shenzhen Boton. The relevant plot was proposed to be resumed for public interest for the purpose of constructing high speed railway hub and related works (the “Project”). The Relevant Authority provided a compensation proposal setting out the proposed calculation of compensation but no exact compensation amount was stated (the “Compensation Proposal”).

Shenzhen Boton has been discussed with the Relevant Authority in relation to the Compensation Proposal but detailed information on the Project, including but not limited to a statutory layout plan (法定圖則), has not been provided despite the repeated requests of Shenzhen Boton. Based on the preliminary discussion with the Relevant Authority, the statutory layout plan (法定圖則) would only include the land owned by Shenzhen Boton which will be developed by Shenzhen Boton at a later stage. The land resumption, if materialise, would not have material impact on the operation of Shenzhen Boton.

LEGAL PROCEEDINGS AGAINST VENDORS OF AN ACQUISITION

As at 31 December 2024, 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 (“SPA”) 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.

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, inter alia, 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 was a legal proceeding between the Company and one of the sellers under the SPA for the Kimree Acquisition for an alleged RMB150 million as the remaining payment under the SPA in respect of the Kimree Acquisition. The pleading stage of this case had been closed and since then, no further step has been taken by the plaintiff up to the date of this announcement. This case is still at an early stage and thus it is not appropriate to estimate the outcome at this stage.

There was one legal proceeding between the Company and the Defendants in the PRC during the reporting year in respect of the misrepresentation of the Defendants, as vendor and guarantors, to the terms of the agreement of the Kimree Acquisition. The first court hearing was held on 21 March 2025 and as at the date of this announcement, the proceedings are still on-going and there is no judgement yet.

DIVIDEND

The Board did not recommend payment of any dividend in respect of the year ended 31 December 2024 (2023: 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 12 May 2025 to 16 May 2025, 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 9 May 2025.

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with all the code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 of the Listing Rules throughout the financial year ended 31 December 2024, except for deviation from code provision C.2.1.

In accordance with the CG Code provision C.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual to ensure a balance of power and authority. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Board considers that the present structure is more suitable for the Company for it provides strong and consistent leadership in the planning and execution of long-term business plans and strategies of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the effectiveness of its internal control system and risk management during the year under review including the audited annual financial statements of the Group for the year ended 31 December 2024. The Audit Committee is consisted of the three independent non-executive directors of the Company.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group’s results for the year ended 31 December 2024 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the results announcement.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 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 2024.

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, 24 March 2025

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.