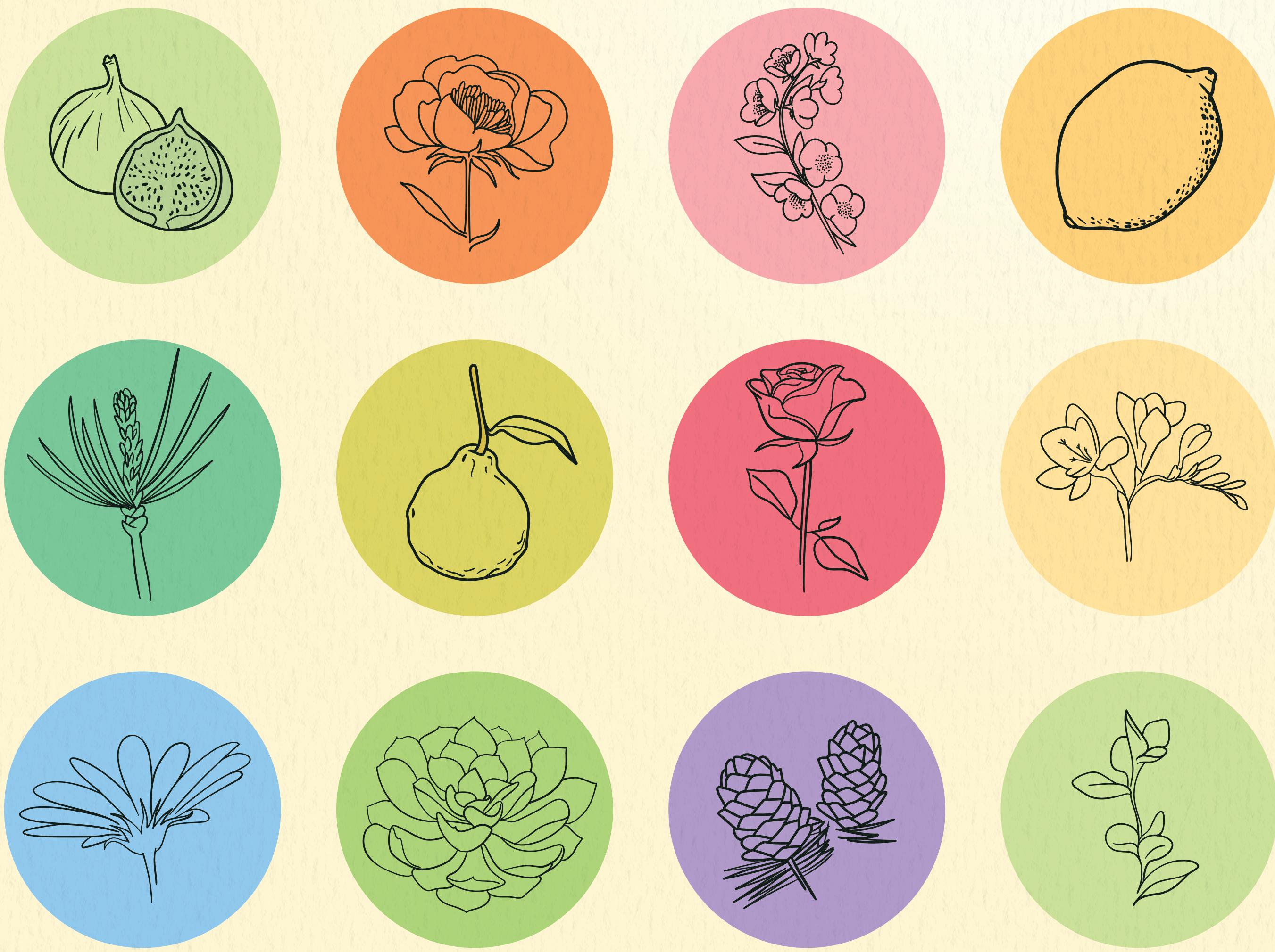
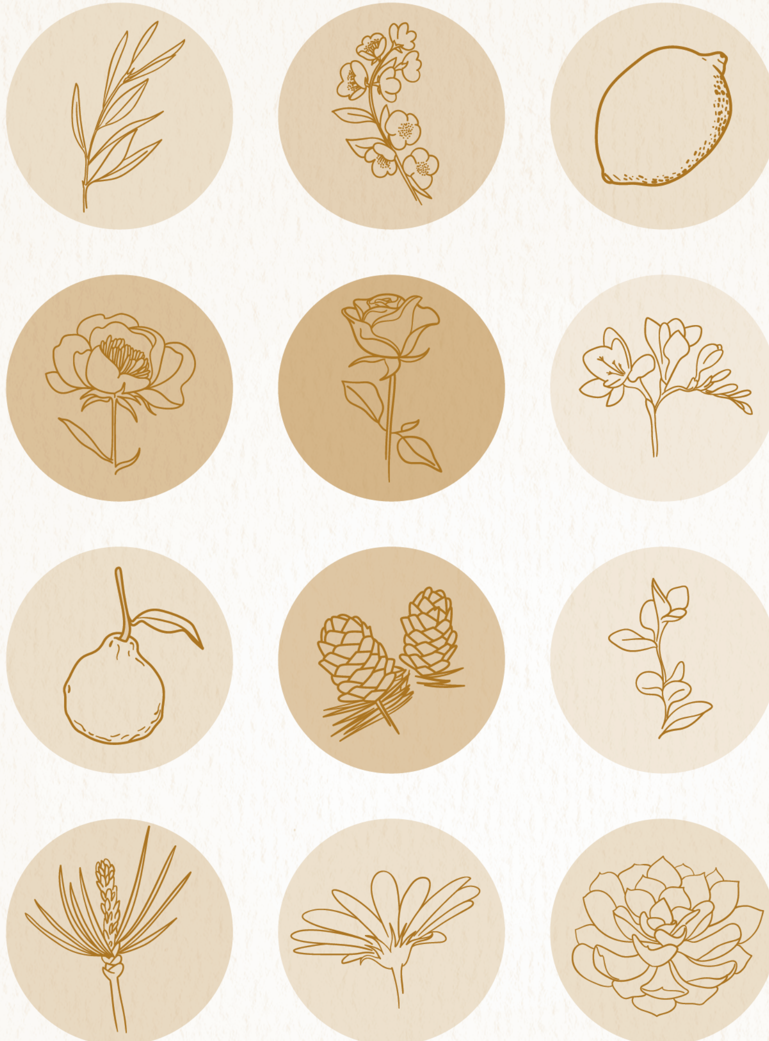
China Boton Group Company Limited
中國波頓集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3318)

2024
ANNUAL REPORT





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Ming Fan, *MH, JP*
(Chairman & Chief Executive Officer)
Mr. Li Qing Long
Mr. Yang Ying Chun
Ms. Wang Xinyi (appointed on 1 April 2025)

Non-executive Director

Ms. Wan Shuk Ching, Candy

Independent non-executive Directors

Mr. Ng Kwun Wan
Mr. Leung Wai Man, Roger
Mr. Zhou Xiao Xiong
Mr. Yau How Boa, *GBS, JP*

COMMITTEES OF THE BOARD

Audit Committee

Mr. Ng Kwun Wan *(Chairman)*
Mr. Leung Wai Man, Roger
Mr. Zhou Xiao Xiong
Mr. Yau How Boa, *GBS, JP*

Remuneration Committee

Mr. Ng Kwun Wan *(Chairman)*
Mr. Leung Wai Man, Roger
Mr. Zhou Xiao Xiong
Mr. Wang Ming Fan, *MH, JP*
Mr. Yau How Boa, *GBS, JP*

Nomination Committee

Mr. Leung Wai Man, Roger *(Chairman)*
Mr. Ng Kwun Wan
Mr. Zhou Xiao Xiong
Mr. Wang Ming Fan, *MH, JP*
Mr. Yau How Boa, *GBS, JP*
Ms. Wang Xinyi (appointed on 1 April 2025)

COMPANY SECRETARY

Mr. Ma Siu Kit

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Limited – Shenzhen Branch
HSBC Bank (China) Company Limited – Shenzhen Branch
Bank of Communications Co., Ltd. – Shenzhen Branch
Industrial and Commercial Bank of China Limited –
Shenzhen Branch
China Merchants Bank Co., Limited – Shenzhen Branch

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A-B, 37/F
Boton Technology Innovation Tower
368 Kwun Tong Road
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Vistra (Cayman) Limited
P.O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited
(Stock code: 3318)

COMPANY WEBSITE

www.boton.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of China Boton Group Company Limited (the "Company"), I am authorised to present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2024.

BUSINESS OVERVIEW

The global economy continued to recover slowly in 2024. Although inflationary pressure had been reduced and demand in trade had leap up continuously, economic growth rate was significantly lower than the pre-pandemic level. In addition, economic nationalism rose and geopolitical tensions had been intensified which caused the reconfiguration of global industrial and supply chains and also gave rise to crises on energy, food and natural resources. Tariffs issue enlarged the complexity and difficulty of international trade.

During the reporting period, the Group had faced a lot of difficult challenges. The financial performances of the Group's business segments were diverged. As stricter regulations on e-cigarettes were implemented worldwide, including flavor bans, on-line advertising restrictions in the PRC, and higher taxes, tariff or customs imposed by various countries, there were also increased scrutiny of the environmental impact of disposable e-cigarettes, particularly the contribution to plastic waste which led to regulatory pressure on e-Cigarette products. These caused further increase in production costs and regulatory compliance expenses which further squeezed down profit margins. The increase of taxes and customs also affected the international business of the e-Cigarette products.

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 net profit was decreased to approximately RMB63.3 million (2023: 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.

LOOKING AHEAD

Our belief is that "Take the initiative to act, take the initiative to create value for yourself, for your family, for the company, and for the society (主動擔當, 主動作為, 為自己, 為家庭, 為公司, 和為社會創造價值)".

The Group will proactively accelerate the pace of globalization, especially the developing countries, and plans to make full use of the abundant natural resources and huge potential market demand of the local market of those developing countries and will promote sustainable and steady growth of the business segments through localization strategies and technical cooperation. At the same time, the Group will continue to implement advanced production technology and will strengthen cooperation with leading international enterprises in order to seize high value-added markets and promote the integration of Chinese fragrances standards with international standards.

Moreover, the Group has established a new marketing department and will implement new aggressive sales strategies with new extensive sales channels and enhanced customer service support to promote the e-Cigarette products, including e-Liquid and e-Cigarette device to different countries. Moreover, the Group will also deploy advance technology in its production plants and will improve the automation production procedures of e-Cigarette products and other products in order to reduce the direct labour costs.

Furthermore, by strengthening the digital transformation, the Group will accurately identify the dynamic change and the favour trend of the customers so as to consolidate existing customer base and to develop new potential customers for each business segment of the Group.

CHAIRMAN'S STATEMENT (continued)

APPRECIATION

On behalf of the Board, I would like to express our sincerest appreciation to all our shareholders, customers, suppliers, business associates for their persistent support. I would also like to thank my fellow Directors, our management and staff, who worked tirelessly during the past year, for their loyalty and dedication to the continuous success of the Group.

Wang Ming Fan
Chairman

Hong Kong
24 March 2025

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 review period was approximately RMB63.3 million (2023: 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%).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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		
	Revenue RMB (M)	**% of total revenue**	Revenue RMB (M)	% of total revenue	% change
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 make 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 approximately 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 net-works and enhanced customer service support to promote 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".

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 (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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

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.

As at the date of this report, the Company is still negotiating with the parties of the Equity Transfer Agreement in respect of the extension of the guarantee and other terms in the agreement.

LAND RESUMPTION IN SHENZHEN

On 17 April 2024, the Company announced that Shenzhen Boton Flavors and Fragrances Co., Ltd. ("Shenzhen 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 alias, 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 report. This case is still at an early stage and thus it is not appropriate to estimate the outcome at this stage.

There was a 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 the report, the proceedings are still on-going and there is no judgement yet.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. WANG Ming Fan (王明凡) *MH, JP,* aged 58, has been an executive director and chief executive officer of the Company since April 2005, responsible for the daily operation of the Group and has been appointed as the Chairman of the Company since 25 October 2012. Mr. Wang holds directorship in subsidiaries across the Group; in particular, principal subsidiaries of the Company, namely, Shenzhen Boton, Dongguan Boton and Kimree. In addition, Mr. Wang is also the managing director and president of Shenzhen Boton and the chairman of Dongguan Boton. Mr. Wang has over 30 years of corporate management experience in the flavors and fragrances industry. Mr. Wang first joined the Group in 1996 as a general manager. Prior to joining the Group, he was the deputy general manager of 深圳聯海化工有限公司 (Shenzhen Lianhai Chemical Industrial Co., Ltd.) for approximately 10 years. Mr. Wang was accredited as one of the "Ten Outstanding Young People in the Nanshan District of Shenzhen" by 中共深圳市南山區委員會 (Nanshan District Committee, Shenzhen of China Communist) and 深圳市南山區政府 (Nanshan District Government, Shenzhen) in 2004 and the "Chinese Distinguished Privately Operated Science and Technology Entrepreneur" by 中華全國工商業聯合會 (All-China Federation of Industry & Commerce) and 中國民營科技實業家協會 (Chinese Privately Operated Science and Technology Industrialist Association) in 2004. He was the vice chairman of Shenzhen Federation of Young Entrepreneurs in March 2005 and was accredited as an Outstanding Entrepreneur by Guangdong Food Profession Association. Mr. Wang is a keen supporter of social service and constantly subsidizes and makes contributions to schools, poverty alleviation, charity and donation functions. He is now both a member of the 14th National Committee of Chinese People's Political Consultative Conference ("CPPCC") and the 13th CPPCC Guangxi Zhuang Autonomous Region Committee. He also serves as the Chief and Permanent Chairman of Federation of HK Guangxi Community Organizations and the Executive Vice Chairman of Federation of Hong Kong Shenzhen Associations and other important positions in several townsmen associations. Mr. Wang has been awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region in 2015 for recognition of his social service.

Mr. LI Qing Long (李慶龍), aged 64, has been an executive director of the Company since April 2005. Mr. Li has more than 30 years of R&D and production experience in the flavors and fragrances industries. Mr. Li joined the Group in March 1991 and now holds directorship in some subsidiaries of the Group, in particular, he is a director and a vice president of Shenzhen Boton. Mr. Li is responsible for the R&D and production of flavors and fragrances of the Group. He graduated from 上海輕工業專科學校 (Shanghai Light Industry Professional School) in 1982 with a major in 有機合成工藝 (organic synthesis process). Prior to joining the Group, he worked in 上海日用香精廠 (Shanghai Flavor and Fragrance Factory) for approximately 8 years.

Mr. YANG Ying Chun (楊迎春), aged 50, has been appointed as an executive director of the Company on 5 January 2018. Currently Mr. Yang is a vice president of the Group and also a director of Shenzhen Boton. He is responsible of the Group's e-Cigarette business planning and management. Mr. Yang holds the postgraduate degrees in accounting and business administration field. He graduated from 天津財經大學 (Tianjin Finance University) and 蘭州大學管理學院 (Lanzhou University). Mr. Yang joined the Group since 2005 and has accumulated over 20 years experience in finance field. Prior to joining the Group, Mr. Yang worked with different companies as finance manager.

Ms. WANG Xinyi (王心怡), aged 27, has been appointed as an executive director pf the Company on 1 April 2025. She has been the financial controller of Shenzhen Boton Group since February 2025. Ms. Wang obtained a bachelor's degree in accounting and management information systems in Pennsylvania State University of the United States in 2020 and subsequently obtained master's degree in management specialised in accounting from Cornell University of the United States with excellent academic results and background. She is the daughter of Mr. Wang Ming Fan, the Chairman and Chief Executive Officer of the Company. Ms. Wang has 5 years of experience in accounting, US tax consulting and investment management. From September 2022 to January 2025, she worked as an US tax consulting associate at PricewaterhouseCoopers, one of the big four multinational accounting professional organization. During that period, she had participated in tax planning projects for more than 20 US investment companies and also analyzed the structure of cross-border transactions, identified potential tax risks and provided tax-planning solutions. From 2019 to 2021, Ms. Wang had been actively worked as trainee of PricewaterhouseCoopers, investment assistant and project assistant of few PRC investment companies for conducted comprehensive financial analysis for investment targets. Ms. Wang has served as member of the Shenzhen Nanshan District Committee of the Chinese People's Political Consultative Conference since January 2024. She has also served as a council member and the vice chairman of the Youth Committee of Federation of Hong Kong Shenzhen Association since October 2022 and the vice chairman of Hong Kong CPPCC Youth Association since September 2020.

DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-Executive Director

Ms. WAN Shuk Ching, Candy (尹淑貞), aged 52, has been a non-executive director of the Company since December 2023. Ms. Wan obtained a bachelor's degree of business (accounting) in Central Queensland University in 2001. She is a CPA Australia Member. Ms. Wan has more than 20 years of working experience in the finance and accounting field and worked in various commercial companies. She had been working in the Company as assistant financial controller since 2007 until December 2018 and had thorough understanding in the business operation and financial background of the Company and its subsidiaries.

Independent non-executive Directors

Mr. LEUNG Wai Man, Roger (梁偉民), aged 68, has been an independent non-executive director of the Company since November 2005. Mr. Leung obtained a bachelor's degree of laws from The University of Hong Kong in 1981. Mr. Leung also obtained degree of Juris Doctor from The University of Western Ontario, Canada in 1990. He has been a practising solicitor in Hong Kong since 1984 and is now a partner of a law firm. Mr. Leung was admitted as a solicitor in England and Wales and Ontario, Canada. Mr. Leung has over 40 years of working experience in the legal field. He has served as a member of the Board of Review (Inland Revenue Ordinance) from 1997 to 2005 and has been serving as a China-Appointed Attesting Officer since January 2003. Mr. Leung is currently an independent non-executive director of Hi Sun Technology (China) Limited (stock code: 818) and UBTECH ROBOTICS CORP LTD (Stock code: 9880).

Mr. ZHOU Xiao Xiong (周小雄), aged 64, has been an independent non-executive director of the Company since November 2005. Mr. Zhou obtained a bachelor's degree in 經濟信息管理系 (Economic Information Management) from the 中國人民大學 (Renmin University of China) in 1983. Mr. Zhou obtained a master degree in Master of Business Administration from 清華大學 (Tsinghua University) in 2008. Mr. Zhou has worked as senior management in a number of financial institutions in the PRC including 廣東證券有限公司 (Guangdong Securities Company Limited), 中國銀行股份有限公司 (Bank of China Limited), 中山證券有限責任公司 (Zhongshan Securities Company Limited), and 摩根大通期貨有限公司 (J.P. Morgan Futures Company Limited) in the PRC, and has over 40 years of experience in the fields of financial services and investment banking.

Mr. NG Kwun Wan (吳冠雲), aged 61, has been an independent non-executive director of the Company since December 2009. Mr. Ng obtained the Bachelor of Arts in Accounting and Finance from the Manchester Polytechnic in 1988 and the Master of Commerce majoring in Accounting from the University of New South Wales in 1990. Mr. Ng has been an associate member of the Hong Kong Institute of Certified Public Accountants since 1993. Mr. Ng has over 20 years of experience in the management, accounting and finance industry. From November 1994 to August 2004, Mr. Ng worked for New World Development (China) Limited and New World China Enterprises Projects Limited, both wholly owned subsidiaries of New World Development Company Limited (stock code: 17), and his last position held was deputy general manager. From September 2006 to March 2009, he worked as the general manager of industrial operations in the real estate department of Smart Faith Management Limited, a subsidiary of South China Holdings Company Limited (stock code: 413). From December 2021 to December 2024, he was also an independent non-executive director of CT Vision S.L. (International) Holdings Limited (stock code: 994). Mr. Ng is currently an independent non-executive director of various listed companies in Hong Kong, including: Asia Energy Logistics Group Ltd (stock code: 351), Zhongzhi Pharmaceutical Holdings Limited (stock code: 3737) and Sunray Engineering Group Ltd (stock code: 8616).

Mr. YAU How Boa (邱浩波), *GBS, JP,* aged 73, has been an independent non-executive director of the Company since April 2023. Mr. Yau obtained a bachelor's degree in law from Peking University in 1997 and a master's degree in law from the City University of Hong Kong in 2003. He was also educated in the United States of America and obtained a master degree in Social Work. Mr. Yau was the District Councillor of Wanchai District from 2004 to 2011 and he had also participated in various public service in the past, including: the Liquor Licensing Board (Chairman), Hong Kong Football Association Ltd (Director), Central Policy Unit, Elderly Commission, Betting and Lotteries Commission, Town Planning Board, Legal Aid Services Council, Council on Human Reproductive Technology, Post-Release Supervision Board, Energy Advisory Committee, Social Welfare Advisory Committee, etc. Mr. Yau has more than 40 years of management experience and serves on various committees and boards, including the Institute of Social Service Development (President), Wofoo Social Enterprises (Chairman), HKFA Football Training Centre (Chairman), Steering Committee on Population Policy (Advisor), etc. Mr. Yau is currently the Chairman of Social Service Professional Alliance of the Guangdong - Hong Kong Macau Greater Bay Area Limited, the Chief Executive of International Social Service Hong Kong Branch and the Asia-Pacific Regional Coordinator of International Social Service.

DIRECTORS AND SENIOR MANAGEMENT (continued)

SENIOR MANAGEMENT

Mr. QIAN Wu (錢武), aged 60, is the managing director of Dongguan Boton. Mr. Qian used to be an executive director of the Company since March 2007 until 5 January 2018 when he resigned as a director of the Company to dedicate more of his time and efforts to his other working commitments within the Group. He joined the Group in October 1997 and is the chief supervisor of the applied technology and promotion center for food flavors of the Group. He graduated from 中國安徽機電學院 (Anhui Institute of Mechanical and Electrical Engineering) in 1990, with a major in industrial corporate management. Mr. Qian has over 30 years of research and development experience in the flavors and fragrances industries. Prior to joining the Group, Mr. Qian has worked in Wuhu Tobacco Factory for 12 years.

Mr. MA Siu Kit (馬兆杰), aged 55, is the secretary of the Company. Mr. Ma obtained a bachelor's degree in business (accountancy) from Queensland University of Technology, Australia in 1993. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Ma joined the Group in September 2005 bringing along to the Company his extensive accounting related experience from accounting firms and international companies. He is a seasoned professional in accounting with over 20 years of relevant experience. Mr. Ma was an independent non-executive director of China Kangda Food Company Limited (stock code: 834) and resigned on 22 January 2024. He is currently an independent non-executive director of Eprint Group Limited (stock code: 1884).

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of and is committed to maintaining high standards of corporate governance so as to enhance corporate transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. The Company believes that good corporate practice is essential for effective management, healthy corporate culture and successful business growth.

A. CORPORATE GOVERNANCE PRACTICES

The Company has adopted policies and applied procedures to ensure proper corporate governance and continuous improvement. These include maintaining a quality board comprising high calibre members, establishment of various board committees and implementation of effective internal systems and controls. The Company 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. The following sections set out the Company's corporate governance practices by applying the principles of the CG Code and any deviations thereof during the year under review.

The Board has established the strategies and values of the Company in long term and makes periodical review so that the Company's culture is aligned. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance and alignment with the latest measures and standards set out in the CG Code.

B. BOARD OF DIRECTORS

(1) Board Composition

The Board members as at 31 December 2024 were:

Executive Directors
Mr. Wang Ming Fan *(Chairman and Chief Executive Officer)*
Mr. Li Qing Long
Mr. Yang Ying Chun

Non-executive Director
Ms. Wan Shuk Ching, Candy

Independent Non-executive Directors
Mr. Leung Wai Man, Roger
Mr. Ng Kwun Wan
Mr. Zhou Xiao Xiong
Mr. Yau How Boa

The Board currently comprises eight members, consisting of three Executive Directors, one Non-executive Director and four Independent Non-executive Directors. More than one-third of the Board is represented by Independent Non-executive Directors with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Company and its shareholders as a whole.

CORPORATE GOVERNANCE REPORT (continued)

The biographical details of all Directors are set out in the section of "Directors and Senior Management" on pages 13 to 15. Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" and otherwise disclosed in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and Chief Executive.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times. All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent Non-executive directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Appointment and Re-election of Directors

All Directors are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association (the "Articles"). Any Director appointed either to fill a casual vacancy on the Board or as an addition to the Board shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

(2) Board Meetings and Attendance Records

The Board has held one meeting and four teleconference meetings during the year ended 31 December 2024 at approximately quarterly intervals with full minutes kept by the company secretary. Attendance of each of the Directors is set out in the table below:

	Attendance
Mr. Wang Ming Fan	5/5
Mr. Li Qing Long	5/5
Mr. Yang Ying Chun	5/5
Mr. Leung Wai Man, Roger	5/5
Mr. Ng Kwun Wan	5/5
Mr. Zhou Xiao Xiong	5/5
Mr. Yau How Boa	4/5
Ms. Wan Shuk Ching, Candy	5/5

CORPORATE GOVERNANCE REPORT (continued)

(3) General Meetings and Attendance Records

The Company has held one annual general meeting during the year ended 31 December 2024 with full minutes kept by the company secretary. The attendance records of the Directors are set out below:

	Attendance
Mr. Wang Ming Fan	1/1
Mr. Li Qing Long	1/1
Mr. Yang Ying Chun	1/1
Mr. Leung Wai Man, Roger	1/1
Mr. Ng Kwun Wan	1/1
Mr. Zhou Xiao Xiong	1/1
Mr. Yau How Boa	1/1
Ms. Wan Shuk Ching, Candy	1/1

(4) Roles and Functions

Prior to their respective appointments to the Board, each of the Directors was given an orientation on the Company's business strategies and operations. The Directors will receive, from time to time, further relevant training, particularly on applicable new laws, regulations and changing commercial risks which are relevant to the business and operations of the Group. The Directors will also be updated on the business of the Group through regular presentation and meetings.

The Board effectively leads and forms the long-term vision and strategic direction of the Group. Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group and approves the Group's corporate and strategic plans. The Board is also responsible for setting financial policies and strategies in pursuit of the Group's business goals. In addition, the Board reviews the financial performance of the Group, considers and approves investment proposals, nomination of directors to the Board and the appointment of key management personnel. These functions are carried out either directly by the Board or through Board committees such as Audit Committee, Nomination Committee and Remuneration Committee. Under appropriate circumstances and as and when necessary, Directors may obtain independent professional advice at the Company's expenses, ensuring that board procedures and all applicable rules and regulations are followed.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and senior management of the Group. The Board gives clear direction as to the power delegated to the management of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest with any substantial shareholder or a director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies. The Board reviews such practices on periodical basis to ensure that it remains appropriate to the needs of the Group.

CORPORATE GOVERNANCE REPORT (continued)

(5) Accountability and Audit

The management of the Company provides such explanation and information to the Board so as to enable the Board to make informed assessment of the financial and other information tabled before any decision making by the Board. The Directors acknowledge their responsibility for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting interim and annual financial statements, and announcements to shareholders. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Directors consider that accounts of the Group have been prepared in conformity with Hong Kong Financial Reporting Standards and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the financial statements of the Company.

The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Independent Auditor's Report" on pages 43 to 47.

(6) Supply of and Access to Information

Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. All Directors have access to the advice and service of the Company Secretary and the Group Financial Controller to advise on corporate governance, risk management, statutory compliance, accounting and financial matters when necessary. The management has the obligation to supply the Board and its committees with adequate information in a timely manner to enable it to make informed decisions. Where any Director requires more information than is volunteered by the management, each Director has separate and independent access to the Group's senior management to make further enquires if necessary.

Directors have full access to information on the Group. The Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Board meetings.

CORPORATE GOVERNANCE REPORT (continued)

(7) Continuous Professional Development

During the reporting year, the Directors have participated in continuous professional development to develop and refresh their knowledge and keep abreast of the latest developments of applicable rules and regulations in relation to the business of the Group to ensure making meaningful contribution to the Board. Directors have provided their training records to the Company Secretary for record.

During the year ended 31 December 2024, the Directors participated in the following trainings:

	Types of training	
Name of Directors	Attending courses/ seminars and/or conferences	Reading materials on Various topics*
Executive Directors		
Mr. Wang Ming Fan	✓	✓
Mr. Li Qing Long	✓	✓
Mr. Yang Ying Chun	✓	✓
Non-executive Director		
Ms. Wan Shuk Ching, Candy	✓	✓
Independent Non-executive Directors		
Mr. Leung Wai Man, Roger	✓	✓
Mr. Ng Kwun Wan	✓	✓
Mr. Zhou Xiao Xiong	✓	✓
Mr. Yau How Boa	✓	✓

* Topics include the Company's business, corporate governance matters, and directors' duties and responsibilities and Prevention of Bribery Ordinance

C. CHAIRMAN AND CHIEF EXECUTIVE

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 roles of the chairman and the chief executive officer of the Company are performed by Mr. Wang Ming Fan. 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.

The Directors will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including the separation of the roles of the chairman and chief executive officer, as and when necessary.

D. NON-EXECUTIVE DIRECTORS

During the year under review, the Company has met at all times the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of the independent non-executive directors possessing appropriate professional qualifications or accounting or related financial management expertise and representing at least one-third of the board. The Independent Non-executive Directors of the Company are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance, law and business. Their skills, expertise and number in the board ensure that strong independent views and judgement are brought in the Board's deliberations and that such views and judgement carry weight in the board's decision making process. Their presence and participation also enable the board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company. All Independent Non-executive Directors are financially independent from the Company and any of its subsidiaries.

All the Independent Non-executive Directors served in the year under review have given annual confirmation to the Company of their independence pursuant to Rule 3.13 of the Listing Rules. The Board is satisfied with the independence of each of the Independent Non-executive Directors.

E. BOARD COMMITTEES

The Board has three board committees, namely, Remuneration Committee, Nomination Committee and Audit Committee.

(1) Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with the CG Code, which are available for view on the Company's website and the HKEXnews website.

As at 31 December 2024, the Remuneration Committee comprises Mr. Wang Ming Fan, an Executive Director and the four Independent Non-executive Directors, namely, Mr. Ng Kwun Wan, Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and Mr. Yau How Boa. Mr. Ng Kwun Wan is the Chairman of the Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolution in respect of his own remuneration package.

CORPORATE GOVERNANCE REPORT (continued)

The Company has adopted the model that the Remuneration Committee to make recommendations to the board on the remuneration packages of individual executive directors and senior management.

The Remuneration Committee is also responsible to make recommendations to the Board regarding the Company's remuneration policy and structure for all directors and senior management, establishment of a formal and transparent procedure for developing the relevant policies, review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives. The remuneration structure of the Board is as follows:

Each of Mr. Wang Ming Fan and Mr. Li Qing Long has entered into a service contract with the Company for a term of three years commencing on 9 December 2005, which shall continue thereafter unless and until terminated by either party giving not less than three months' notice in writing to the other party. There is no director service contract between the Company and Mr. Yang Ying Chun who was appointed as an executive Director with effect from 5 January 2018. Three Independent Non-executive Directors, namely, Mr. Ng Kwun Wan, Mr. Leung Wai Man, Roger and Mr. Zhou Xiao Xiong have renewed their service agreements in December 2023 for a term of 2 years. The remuneration of the Independent Non-executive Directors is in the form of a fixed fee. The remuneration of Executive Directors consists of salary, commission, housing reimbursement and allowances, bonus and performance awards that are dependent on the performance of the Group and of the Directors. Another INED, Mr. Yau How Boa has entered into an appointment letter with the Company for a term of two years commencing 3 April 2023. Ms. Wan Shuk Ching, Candy, a non-executive director has entered into a director service agreement with the Company for an initial term of two years with effect from 29 December 2023.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has a share option scheme in place. Such scheme provides incentive and enables the eligible persons (according to the scheme policy) to obtain an ownership interest in the Company and thus to reward to the participants who contribute to the success of the Group's operations. Details of the amount of Directors' and senior management's emoluments are set out in Notes 39 and 29 to the accounts.

The Remuneration Committee meets at least once a year. During the reporting year, the committee held two teleconference meetings for the review of the remuneration of Directors and senior management, as well as review of the Company's remuneration policy. Attendance of each member of the committee is set out in the table below:

	Attendance
Mr. Wang Ming Fan	2/2
Mr. Ng Kwun Wan	2/2
Mr. Leung Wai Man, Roger	2/2
Mr. Zhou Xiao Xiong	2/2
Mr. Yau How Boa	2/2

CORPORATE GOVERNANCE REPORT (continued)

(2) Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code, which are available for view on the Company's website and the HKEXnews website.

As at 31 December 2024, the Nomination Committee comprises Mr. Wang Ming Fan, an Executive Director and the four Independent Non-executive Directors, namely Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong, Mr. Ng Kwun Wan and Mr. Yau How Boa. Mr. Leung Wai Man, Roger is the Chairman of the Nomination Committee. Each member of the Nomination Committee shall abstain from voting on any resolution in respect of the assessment of his own performance or re-nomination as Director. The Nomination Committee shall meet at least twice a year.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on the appointment and re-appointment of Directors, and Board succession. A nomination policy setting out the current nomination practice, such as the criteria and procedures for the selection, appointment and re-appointment of the Directors, has been adopted by the Company. Under the policy, the Nomination Committee will evaluate potential candidates by considering various factors, including their professional expertise, industry and business experience, time commitments, potential contributions to board diversity, and material conflict of interest with the Group (if any). The Nomination Committee will also consider the independence of candidates if they will be appointed as Independent Non-Executive Directors. The Committee will then make recommendation of suitable candidates to the Board for consideration of appointment. In case of re-appointment of existing Directors who will retire at AGMs, the Committee will review the rotation and retirement of Directors and make recommendations to the Board accordingly.

The Nomination Committee is also responsible to review the structure, size and diversity (including but not limited to gender, age, cultural and education background, or professional experience) of the Board at least once annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

During the reporting year, the committee held two teleconference meetings for review of the structure, size and composition of the Board, review of the independence of Independent Non-executive Directors, and consideration of the re-election of directors at the annual general meeting of the Company held on 24 May 2024. Attendance of each member of the committee is set out in the table below:

	Attendance
Mr. Wang Ming Fan	2/2
Mr. Zhou Xiao Xiong	2/2
Mr. Leung Wai Man, Roger	2/2
Mr. Ng Kwun Wan	2/2
Mr. Yau How Boa	2/2

CORPORATE GOVERNANCE REPORT (continued)

(3) Audit Committee

The Audit Committee was established with written terms of reference in compliance with the CG Code, which are available for view on the Company's website and the HKEXnews website.

The Audit Committee comprises all the four Independent Non-executive Directors, namely, Mr. Ng Kwun Wan, the Chairman of the Audit Committee, Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and Mr. Yau How Boa. Each member of the Audit Committee shall abstain from voting on any resolution in respect of matters in which he is interested.

The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal. It is also responsible of review of the Company's financial information and oversight of the Company's financial reporting system, risk management and internal control procedures and systems. It also reviews the interim and annual results of the Company each year.

The Audit Committee is also responsible to develop, review and monitor the policies and practices on corporate governance of the Group and to make recommendations to the Board, to review and monitor the Company's policies and practices on legal and regulatory compliance, to review and monitor the code of conduct and ethical behaviour applicable to the Directors and employees and the training and continuous professional development of Directors and senior management, and to review the Company's compliance with the CG Code and disclosures in the corporate governance reports.

The Audit Committee shall have full discretion to invite any Director or Executive Officer to attend its meetings. In addition, the Audit Committee shall have independent access to external auditors without the presence of management at least once a year.

The Audit Committee held three teleconference meetings with the following summary of work performed during the reporting year:

— making recommendations to the Board on the re-appointment of the external auditors of the Company;

— meeting with the external auditor to discuss the general scope of their audit work and report;

— review of the internal control and risk management systems of the Company;

— review and monitor the Company's compliance with the Company's whistleblowing policy;

— review of the Company's financial and accounting policies and practices; and

— review of the unaudited interim results for the six months ended 30 June 2024 and the audited financial statement for the year ended 31 December 2024.

Attendance of each member of the Audit Committee is set out in the table below:

	Attendance
Mr. Ng Kwun Wan	3/3
Mr. Leung Wai Man, Roger	3/3
Mr. Zhou Xiao Xiong	3/3
Mr. Yau How Boa	3/3

F. COMPANY SECRETARY

The Company Secretary, Mr. Ma Siu Kit, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully abreast of the relevant legislative, regulatory and corporate governance developments relating to the Group.

The Company Secretary reports to the Chairman and Chief Executive Officer, plays an essential role in the relationship between the Company and its Shareholders, and assists the Board in discharging its obligations to Shareholders pursuant to the Listing Rules.

During the year, Mr. Ma has attended relevant professional seminars to update his skills and knowledge. He is in compliance of the Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

G. 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 under review.

H. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Company's assets and stakeholders' interests, as well as for reviewing the effectiveness of the systems through the support of internal audit and the Audit Committee.

The Board conducted annual review of the Company's risk management and internal control systems through engaging Albert Wong & Co., Certified Public Accountants as the Company's internal auditors. During the reporting year, the internal auditors have performed annual review and assessment of the effectiveness of the Company's risk management and internal control systems which implemented material controls covering the financial, operational, compliance and risk management aspects of the Group and reported to the Board. The Board considered that internal audits have been implemented and provided the Board with reasonable assurance that the processes of the Company operate as designed; the risk management and internal control systems of the Group are effective and adequate.

I. AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

During the year under review, the remuneration paid/payable to the Company's independent auditor, PricewaterhouseCoopers, is set out as follows:

	Fee paid/ payable RMB'000
Nature of service	
Audit services	
Annual audit of accounts	6,480
Non-audit services	—
	6,480

CORPORATE GOVERNANCE REPORT (continued)

J. DIVERSITY

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience, having due regard for the benefits of diversity of the Board.

According to Rule 13.92, the Stock Exchange of Hong Kong Limited will not consider diversity to be achieved for a single gender board. Henceforth, the Board had improved the gender diversity at board level and across the workforce. The Company had appointed Ms. Wan Shuk Ching, Candy as a non-executive director of the Company on 29 December 2023.

The Board also plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

The Board constantly examines and reviews its composition in terms of its size and diversity, with a view of determining the impact of the number upon effectiveness, deciding on what it considers an appropriate size for the Board, to facilitate effective decision making, and recognizes the benefits of diversity in the boardroom to broaden its horizon and capitalize on the different cultural and educational background, gender, age, professional training and industry experiences of the Directors in forming corporate strategies for the long-term development of the Company. The composition of the Board will be reviewed at least once annually by the Nomination Committee to ensure that the Board has the appropriate mix of expertise, experience and diversity.

The Board also believes that diversity is an economic driver of competitiveness for companies, contributing to business success and shareholder value and is committed to nurturing an environment in which equal opportunity and diversity is recognized as being essential to the performance of the company and incorporated into our day-to-day business. We recognize that people bring different skills and qualities to the workplace and strive to value people's differences and create an inclusive workplace culture. Promotion of diversity also broadens the pool for recruitment of high-quality employees and board members, enhances employee retention, encourages greater innovation and improves our corporate image and reputation.

The Company conducts business activities such as hiring, promotion and compensation of people, without regard to race, color, ethnicity, religion, national origin, gender, gender identity or expression, sexual orientation, family or marital status, dependents, genetics, disability, age, social origin or political views. All recruitment, job assignment, remuneration and benefits, training, and promotions are based on merit, performance and potential using objective criteria.

As of 31 December 2024, the Group employed 500 female staff, representing 40.1 % of the total workforce (including senior management).

CORPORATE GOVERNANCE REPORT (continued)

K. SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene extraordinary general meeting

Pursuant to the Company's Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(2) Procedures by which enquiries may be put to the Board

The Company encourages shareholders' participation at AGMs and all shareholders are given the opportunity to voice their view and to direct enquiries regarding the Group to Directors, including the chairperson of each of the Board Committees. Shareholders are welcome to send in enquires they may have to the Board to the Company's head office and principal place of business in Hong Kong: Flat A-B, 37/F., Boton Technology Innovation Tower, 368 Kwun Tong Road, Kowloon, Hong Kong for the attention of the Company Secretary.

(3) Procedures for shareholders to put forward proposals at a general meeting

Shareholders could put forward proposals at a general meeting to the Company, for the Board's consideration pursuant to the Company's Articles of Association, in writing by post to the Company's head office and principal place of business in Hong Kong: Flat A-B, 37/F., Boton Technology Innovation Tower, 368 Kwun Tong Road, Kowloon, Hong Kong for the attention of the Company Secretary.

L. INVESTOR RELATIONS

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders via HKEXnews announcements and news releases. The Company ensures that price-sensitive information is publicly released, and is announced on an immediate basis where required under the Listing Rules of the Stock Exchange of Hong Kong Limited. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the investing public have fair access to the information.

(1) Shareholders' Communication Policy

The Company has set up an effective communication channel with investors. It carries out investor relationship maintenance work under the principles of openness and fairness and with a proactive attitude while conforming to the rules. As part of its regular review, the Board has reviewed its policies in regard to the shareholders' communication for the year ended 31 December 2024 and is of the view that they are effective and adequately implemented.

CORPORATE GOVERNANCE REPORT (continued)

(2) Constitutional Documents

There was no change to the Company's constitutional documents during the year ended 31 December 2024. A copy of the latest consolidated version of the Company's Memorandum of Association and the Articles is available for view on the Company's website and the HKExnews website.

(3) Dividend Policy

The Company has adopted a dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits as dividends to the shareholders. In determining the dividend amount, the Board will take into account a number of factors such as the Group's financial performance, future capital expenditures and financial position as well as the general economic and business conditions. The policy will be reviewed from time to time so as to keep in line with the future prospects and capital requirements of the Group and the changes in market conditions.

(4) Annual General Meeting

The Annual General Meeting (AGM) allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions on each substantially separate matter to the shareholders for their consideration and approval. Members of the Audit, Remuneration and Nomination Committees and the external auditor also attend the AGM to answer questions from shareholders. The external auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders concerning the Company's financial statements. The Company's Articles allow a member of the Company to appoint one or two proxies to attend and vote at general meetings.

AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 21 clear days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required to be disclosed under the Listing Rules. All registered shareholders of the Company will receive annual and interim reports, circulars and notices of general meetings by post. Notice of the forthcoming AGM shall be made available on HKEXnews website on 11 April 2025.

The chairman of the AGM exercises his power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for conducting a poll are explained at the meeting prior to the polls being taken and the share registrar of the Company acts as the scrutineer for the vote-taking at the meeting. Voting results are available on the websites of the Company and HKEX on the day after the AGM.

AGM will be held on 16 May 2025.

DIRECTORS' REPORT

The Directors present the annual report and the audited accounts for the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 12 to the accounts.

BUSINESS REVIEW

A fair review of the Group's businesses comprising analysis of the Group performance during the year under review using financial key performance indicators, description of the principal risks and uncertainties facing the Group, are set out in the section of "Management Discussion and Analysis" in this annual report. No important events affecting the Company that have occurred since the end of the reporting year. The Company shall continue to develop the e-Cigarette business in the PRC and other countries and carry on research on the possibility of applying e-Cigarette vaporizer in the healthcare field. Further information as required by Schedule 5 of the Companies Ordinance (Cap. 622) of Hong Kong comprising the Company's environmental policies and performance, the Company's compliance with the relevant laws and regulations that have a significant impact on the Company, are set out in the "Environmental, Social and Governance Report" of the Company for 2024 ("ESG Report"). The "Management Discussion and Analysis" and the "Corporate Governance Report" and the "ESG Report" form part of this Directors' Report.

The ESG Report will be published on the websites of the Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.boton.com.hk.

RESULTS AND APPROPRIATIONS

Details of the Group's result for the year ended 31 December 2024 are set out in the consolidated income statement on pages 50 to 51.

The Board does not recommend payment of any dividend in respect of the year ended 31 December 2024 (2023: nil).

DIVIDEND POLICY

Any declaration and payment of future dividend under the dividend policy of the Company are subject to the Board's determination which would be in best interests of the Group and the shareholders of the Company as a whole. The Board has the sole discretion as to the declaration and payment of dividends. In proposing any dividend payout, the Board shall take into account the following factors:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Group;

(c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(d) any restrictions on payment of dividends that may be imposed by the Group's contracting parties;

(e) the Group's expected working capital requirements and future expansion plans;

(f) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(g) any other factors that the Board may deem appropriate.

DIRECTORS' REPORT (continued)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 6 to the accounts.

SHARE CAPITAL

The share capital of the Company consists of ordinary shares with par value of HKD0.10 each only. As at 31 December 2024, the share capital of the Company comprised of 1,080,512,146 ordinary shares.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in Note 18, Note 19 and Note 38(a) to the accounts and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution as calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB541.7 million (2023: RMB548.8 million). This includes the Company's share premium account. The Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIRECTORS

The Directors during the year and up to 1 April 2025 were:

Executive Directors

Mr. Wang Ming Fan *(Chairman and Chief Executive Officer)*
Mr. Li Qing Long
Mr. Yang Ying Chun
Ms. Wang Xinyi (was appointed on 1 April 2025)

Non-executive Directors

Ms. Wan Shuk Ching, Candy

Independent Non-executive Directors

Mr. Leung Wai Man, Roger
Mr. Ng Kwun Wan
Mr. Zhou Xiao Xiong
Mr. Yau How Boa

Pursuant to Article 86(3) of the Articles, Ms. Wang, who was appointed as an executive director of the Company on 1 April 2025, will hold office until the AGM, and who being eligible, offer herself for re-election.

Pursuant to Article 87(1) of the Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting. Accordingly, Mr. Li Qing Long, Mr. Ng Kwun Wan and Mr. Leung Wai Man, Roger shall retire by rotation and, being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographies of Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 13 to 15 of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation of independence from each of its Independent Non-executive Directors. The Company considers that each of them to be independent and has met the guidelines set out in Rule 3.13 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association no. 167 (the "Article"), the directors of the Company shall be entitled to be indemnified out of the assets and profits of the Company from and against all loss or liabilities (to the fullest extent permitted by the Companies Ordinance (Chapter 622)) which he may incur or sustain in or about the execution of the duties in respect of their offices or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

Up to the date of this report, the Company does not grant any permitted indemnity in favour of any directors of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2024, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to (a) Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; or (b) Section 352 of the SFO, to be entered in the register required to be kept by the Company under such provision, or (c) the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions — Ordinary Shares

(i) Interests in the Shares and underlying shares of the Company

	Number of Shares				
Name of Director	Personal Interests	Family Interests	Corporate Interests	Total	Percentage of aggregate interests to the total number of Shares in issue
Mr. Wang Ming Fan(Note 1)	336,555,052	25,262,431	367,638,743	729,456,226	67.51%
Mr. Yang Ying Chun(Note 2)	2,000,000	—	—	2,000,000	0.19%

Notes:

1. The family interests of 25,262,431 Shares represents the shares held by Ms. Yang Yifan, the spouse of Mr. Wang Ming Fan as at 31 December 2024.

   The corporate interests of 367,638,743 Shares represents the total of (i) 348,320,509 Shares held by Creative China Limited ("Creative China") and (ii) 19,318,234 Shares held by Full Ashley Enterprises Limited ("Full Ashley"). Creative China is owned as to 41.19% by Mr. Wang Ming Fan whereas Full Ashley is a private company which is wholly-owned by Mr. Wang Ming Fan. By virtue of the SFO, Mr. Wang Ming Fan is deemed to be interested in (i) all the 348,320,509 Shares held by Creative China, being 32.24% of the issued share capital of the Company; and (ii) all the 19,318,234 Shares held by Full Ashley, being 1.79% of the issued share capital of the Company.

2. Mr. Yang Ying Chun, holds a personal interest of 2,000,000 shares of the Company, being 0.19% of the issued share capital of the Company.

DIRECTORS' REPORT (continued)

(ii) Interests in Boton Flavors and Fragrances Co., Ltd. (波頓香料股份有限公司) (previously known as "Dongguan Boton Flavors and Fragrances Company Limited (東莞波頓香料有限公司)") ("Dongguan Boton"), an associated corporation (as defined in the SFO) of the Company

Name of Director	Amount of paid-up registered capital of Dongguan Boton	Percentage of registered capital of Dongguan Boton
Mr. Wang Ming Fan	approximately RMB28,324,550	approximately 33.32%
Mr. Li Qing Long	approximately RMB1,275,000	approximately 1.5%

Notes:

1. The total paid-up registered capital of Dongguan Boton is approximately RMB85,000,000.

2. (i) Mr. Wang Ming Fan held 33.32% (RMB28,324,550) equity interest by his wholly owned company, Champion Sharp International Investment Limited.

   (ii) There were 9.98% (RMB8,483,000) equity interest held by Ms. Yang Yifan (the spouse of Mr. Wang) and 1.21% (RMB1,024,250) equity interest held by Mr. Wang through two PRC limited partnership where Mr. Wang acted as general partner.

(iii) Interests in the shares of Creative China, an associated corporation (as defined in the SFO) of the Company

Name of Director	Class and number of shares held in associated corporation	Percentage of issued shares
Mr. Wang Ming Fan	4,559 ordinary shares	41.19%
Mr. Li Qing Long	436 ordinary shares	3.94%

Save as disclosed above, none of the Directors or chief executive of the Company is aware of any other Director or chief executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at 31 December 2024.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

At no time during the financial year under review was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' and Chief Executives' interests in Securities" above, the following shareholders had notified the Company of its relevant interests in the issued share capital of the Company.

Long Positions — Ordinary Shares (Note 1)

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Percentage of issued shares
Mr. Wang Ming Fan(Note 2)	Beneficial owner, family interest and interest in controlled corporations	729,456,226	67.51%
Creative China Limited(Note 3)	Beneficial owner	348,320,509	32.24%
Full Ashley Enterprises Limited(Note 4)	Beneficial owner	19,318,234	1.79%

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. By virtue of the SFO, Mr. Wang Ming Fan is deemed to be interested in: (a) 25,262,431 Shares being held by Ms. Yang Yifan, the spouse of Mr. Wang; (b) 348,320,509 Shares being held by Creative China (which is duplicated in the interests described in Note 3); and (c) 19,318,234 Shares being held by Full Ashley (which is duplicated in the interests described in Note 4). Together with his personal shareholding of 336,555,052 Shares, Mr. Wang Ming Fan was taken to be interested in 729,456,226 shares (approximately 67.51% of the total issued share capital of the Company) as at 31 December 2024.

3. Creative China is owned as to 41.19% by Mr. Wang Ming Fan, as to 28.11% by Mr. Wong Ming Bun (a former director of the Company), as to 10.01% by Mr. Wang Ming Qing, as to 9.86% by Mr. Wang Ming You (a former director of the Company), as to 6.89% by Mr. Qian Wu (a former director of the Company) and as to 3.94% by Mr. Li Qing Long. As at 31 December 2024, Mr. Wang Ming Fan and Mr. Li Qing Long were Directors of the Company and also directors of Creative China. Mr. Qian Wu resigned as a director of the Company with effect from 5 January 2018 but remains as a director of Creative China.

4. Full Ashely is a private company which is wholly-owned by Mr. Wang Ming Fan who has a duty of disclosure under SFO in the issued share capital of the Company as Director of the Company, therefore Full Ashley is taken to have a duty of disclosure in relation to the Shares of the Company under the SFO.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2024.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wang Ming Fan and Mr. Li Qing Long has entered into a service contract with the Company for a term of three years commencing on 9 December 2005, which shall continue thereafter unless and until terminated by either party giving not less than three months' notice in writing to the other party. There is no director service contract between the Company and Mr. Yang Ying Chun who was appointed as an executive Director with effect from 5 January 2018.

One of the independent non-executive Directors has entered his service agreement with the Company for a term of two years on 3 April 2023 while three of the independent non-executive Directors have renewed their service agreement with the Company for a term of two years commencing on 17 December 2023. The non-executive Director has entered her service agreement with the Company for a term of two years as well on 29 December 2023. Either the Company or the independent non-executive Directors or the non-executive Director may terminate the respective appointment by giving not less than one month's notice in writing to the other party.

None of the Directors of the Company has entered into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT (continued)

DIRECTORS' REMUNERATIONS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and those of the five highest paid individuals in the Group are set out in Notes 39 and 29 to the accounts, respectively.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Save as disclosed in Note 37 to the Consolidated Financial Statements headed "Significant Related Party Transactions" and the section headed "Connected Transaction" below, no contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

CONNECTED TRANSACTION

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

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

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

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

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

Save as disclosed above, during the year of 2024, the Directors confirm that the Group does not have other connected transaction and continuing connected transaction as defined under the Listing Rules and have therefore complied with the disclosure requirement in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the financial year, none of the Directors, the controlling shareholder of the Company and their respective close associates (as defined in the Listing Rules) has any interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years is set out on page 111 of this annual report. This summary does not form part of the audited consolidated financial statements.

DETAILS OF INVESTMENT PROPERTIES

A list of properties held for investment of the Group is set out on page 112 of this annual report.

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.

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.

SHARE SCHEMES

The Company has adopted a new share option scheme ("New Share Option Scheme") and a new share award scheme ("Share Award Scheme") by ordinary resolutions of shareholders of the Company ("Shareholders") passed at an extraordinary general meeting of the Company held on 11 December 2023 (the "Adoption Date") and on the same date, the Company has also terminated the old share option scheme adopted on 8 May 2015. Upon termination of the existing share option scheme, there were no options granted nor any outstanding options under the existing share option scheme since its adoption.

During the reporting period, there were no options or awards were granted pursuant to the New Share Option Scheme and the Share Award Scheme. Accordingly, the number of shares of the Company that may be issued in respect of all options and awards granted during the reporting period to eligible participants pursuant to the New Share Option Scheme and the Share Award Scheme divided by the weighted average number of issued Shares for the reporting period is 0.

As at 31 December 2024, 500,000 shares are hold by the trustee but have not yet been awarded (2023: Nil).

DIRECTORS' REPORT (continued)

Summary of major terms of the New Share Option Scheme and Share Award Scheme are as follows:

Share Options Scheme

(i) Purpose

The purposes of the New Share Option Scheme are to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

(ii) Participants

Eligible participants include directors, members of senior management, employees of the Group and certain service providers who provides services to the Company or any of its subsidiaries on a continuing and recurring basis in the ordinary and usual course of business of the Group which the Board considers, in their sole discretion, to have contributed or will contribute to the Group. The Board shall determine the basis of eligibility of each Eligible Participant by taking into account such factors as the Board may at its discretion consider appropriate. The Directors will assess the eligibility of each of the eligible participants on a case-by-case basis.

(iii) Maximum number of shares available for subscription

The total number of Shares which may be issued upon the exercise of all Options to be granted under the New Share Option Scheme and all options and awards to be granted under the Share Award Scheme and any other share option scheme(s) and share award scheme(s) of the Group (the "Other Schemes") shall not in aggregate exceed 108,051,214, representing 10% of the Shares in issue on the Adoption Date unless the Company obtains an approval from the Shareholders (the "Scheme Mandate Limit"). Options or awards lapsed in accordance with the terms of the New Share Option Scheme or Other Schemes shall not be counted for the purposes of calculating whether the Scheme Mandate Limit and the Service Provider Sublimit (as defined below) has been exceeded.

Subject to the paragraph above, within the Scheme Mandate Limit, the total number of Shares which may be issued in respect of all options to be granted under the New Share Option Scheme and all options and awards to be granted under the Other Schemes shall not in aggregate exceed 32,415,364 Shares, representing 3% of the total number of Shares in issue as at the Adoption Date (the "Service Provider Sublimit").

The Company may seek approval of the Shareholders in the general meeting for refreshing the Scheme Mandate Limit and/or the Service Provider Sublimit under the New Share Option Scheme after three (3) years from the Adoption Date or the last refreshment.

(iv) Maximum entitlement of shares of each eligible participant

The total number of shares issued and to be issued upon exercise of the options and awards granted to each eligible participant or grantee (including exercised and outstanding options but excluding any options and awards lapsed in accordance with the terms of such schemes) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the number of the total issued shares of the Company on that date (the "Individual Limit").

(v) Acceptance of option

Offers to grant an option shall be open for acceptance in writing. Such acceptance must be received by the Company within a period of twenty-one (21) business days inclusive of, and from, the date of grant with a remittance in favour of the Company of HK$1.00 per option as consideration for the grant.

(vi) Period within which the option may be exercised

Options for the time being outstanding may be exercised in whole or in part at any time during the option period commencing on the acceptance date and expiring at the close of business on a day as determined by the Directors (both days inclusive), which period may, if the Directors so determine, be set at different length for different eligible participants provided always that such period shall not be longer than ten (10) years from the date upon which any option is granted in accordance with the New Share Option Scheme.

(vii) Vesting period of option

(a) Save for the circumstances prescribed in paragraph (vii) (b) below, an option must be held by the option holder for at least twelve (12) months before the option can be exercised. Notwithstanding anything in provisions under the New Share Option Scheme to the contrary, in no event shall the vesting period in respect of any option granted to the service providers be less than twelve (12) months.

(b) A shorter vesting period may be granted to the employee participants (exclude service providers) at the discretion of the Board as deemed appropriate at the sole discretion of the Board in the following circumstances:

(1) grants of "make-whole" options to new joiners to replace the share awards or options they forfeited when leaving the previous employer;

(2) grants to an employee participant whose employment is terminated due to death or disability or occurrence of any out of control event;

(3) grants that are made in batches during a year for administrative and compliance reasons, which include options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the option would have been granted;

(4) grants with a mixed or accelerated vesting schedule such as where the option may vest evenly over a period of twelve (12) months; and

(5) grants with performance-based vesting conditions in lieu of time-based vesting criteria.

(viii) Option price

The price of an option shall be determined on the date of grant at the absolute discretion of the Directors which shall be at least the highest of (a) the closing price of the shares of the Company ("Shares") as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) trading days immediately preceding the date of grant; and (c) the nominal value of the Shares on the date of grant, provided that the price of the option shall be subject to adjustment in the New Share Option Scheme.

(ix) Duration of the New Share Option Scheme

The New Share Option Scheme will remain in force for a period of ten (10) years commencing from the date on which the conditions precedent stated in the scheme are fulfilled, i.e. 15 December 2023.

DIRECTORS' REPORT (continued)

Share Award Scheme

(i) Purpose

The purposes of the Share Award Scheme are to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

(ii) Participants

Eligible participants include directors, members of senior management, employees of the Group and certain service providers who provides services to the Company or any of its subsidiaries on a continuing and recurring basis in the ordinary and usual course of business of the Group which the Board considers, in their sole discretion, to have contributed or will contribute to the Group. The Board shall determine the basis of eligibility of each eligible participant by taking into account such factors as the Board may at its discretion consider appropriate. The Directors will assess the eligibility of each of the eligible participants on a case-by-case basis.

(iii) Administration

The Share Award Scheme shall be subject to the administration of the Board or its delegates and a trustee in accordance with the terms of the Share Award Scheme and the trust deed.

(iv) Share pool

In order to satisfy any award granted under the Share Award Scheme from time to time, the trustee shall set aside the appropriate number of awarded shares out of the shares pool which shall comprise the following:

(1) such shares as may be purchased by the trustee on the stock exchange or off the market by utilising the funds allocated by the board out of the Company's resources, provided that the trustee may not purchase shares when there are no specified participants;

(2) such shares as may be subscribed for by the trustee by utilising the funds allocated by the board out of the Company's resources, provided that the trustee may not subscribe for shares when there are no specified participants;

(3) such shares as may be allotted or issued to the trustee as a holder of shares, whether by way of scrip dividend or otherwise;

(4) such shares which remain unvested and revert to the trustee due to the lapse of the award;

(5) such shares as may be irrevocably donated or transferred or irrevocably vested or caused to be vested by any persons recommended by the Company to the trustee; and

(6) returned shares.

The trustee may purchase the Shares on the Stock Exchange at the prevailing market price (subject to the maximum price as may be from time to time prescribed by the Board or its delegates), or off the market. In the event that the trustee effects any purchases off-market, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(v) Award of shares and performance targets

The Board or its delegates shall, subject to and in accordance with the rules of the Share Award Scheme, be entitled to make an award out of the shares pool to any of the eligible participants (excluding any excluded participant), such number of issued Shares as it shall determine pursuant to the Share Award Scheme.

Subject to the terms of the Share Award Scheme and the requirements of the Listing Rules, the Board may at its absolute discretion determine the terms and conditions of any award to be granted to the selected participants and may include the performance targets that must be achieved before the awarded shares can be vested. Such performance targets shall include: financial targets such as net profit after tax for the year of the Group and management targets (such as stakeholder engagement, productivity, client satisfaction etc.) which shall be determined based on the (i) individual performance; (ii) performance of the Group and/or (iii) performance of business groups, business units, business lines, functional departments, projects and/or geographical area managed by the selected participants.

An award shall be deemed to be declined in its entirety by a selected participant unless the selected participant shall within 10 business days after receipt of such notice from the Board notify the Company in writing that he would accept such award. An award not accepted within the said period of 10 business days shall lapse.

(vi) Maximum number of shares available for subscription

The aggregate maximum number of Shares which may be issued in respect of all options and awards to be granted under the Share Award Scheme, the New Share Option Scheme and any other share schemes of the Group must not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the Share Award Scheme. On the basis of 1,080,512,146 Shares in issue as at the Latest Practicable Date this would be 108,051,214 Shares, assuming there is no change in the issued share capital of the Company prior to the adoption of the Share Award Scheme.

Within the Scheme Mandate Limit, the number of Shares which may be issued in respect of all options and awards to be granted under the Share Award Scheme, the New Share Option Scheme and any other share schemes of the Group must not in aggregate exceed 3% of the total number of Shares in issue as at the date of the adoption of the Share Award Scheme (the "Service Provider Sublimit"), subject to separate approval by the Shareholders in general meeting. On the basis of 1,080,512,146 Shares in issue as at the Latest Practicable Date this would be 32,415,364 Shares, assuming there is no change in the issued share capital of the Company prior to the adoption of the Share Award Scheme.

Awards and options lapsed in accordance with the terms of the Share Award Scheme or any other share schemes will not be counted for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit.

(vii) Maximum entitlement of shares of each eligible participant

The total number of Shares, in a 12-month period up to and including the date of award, which may be subject to an award or awards to a selected participant together with any Shares to be issued under any options granted to such selected participant under any share schemes of the Company shall not (i) in aggregate exceed 1% of the total number of issued Shares as at the Adoption Date; and (ii) exceed any limits applicable to such selected participant under the Listing Rules (the "Individual Limit").

(viii) Grants of awards to directors, senior management and substantial shareholders

Any grant of awards to any Director, chief executive or substantial shareholder of the Company, or any of his respective associates, shall be subject to the prior approval of the remuneration committee (excluding any member who is a proposed recipient of the grant of the award) and the independent non-executive directors (excluding any independent non-executive directors who is a proposed recipient of the grant of awards).

(ix) Voting rights of the shares in the shares pool

The trustee shall not exercise the voting rights in respect of the shares held under trust constituted by the trust deed. The selected participants shall not have any right to receive any awarded shares set aside for them unless and until the trustee has transferred and vested the legal and beneficial ownership of such awarded shares to and in the selected participants.

(x) Lapse of award

In the event that an employee participant ceases to be an employee by virtue of a corporate reorganisation of the Group, then any award made to such selected participant, to the extent not already vested, shall forthwith lapse and be cancelled.

An award (or, as the case may be, the relevant part of an award) shall, under the following circumstances and subject to the terms of the Share Award Scheme, automatically lapse forthwith and all the awarded shares (or, as the case may be, the relevant awarded shares) shall become returned shares:

(1) the selected participant ceases to be an employee participant (other than for reason of the death of a selected participant prior to date of vesting. At any time prior to date of vesting, unless the Board otherwise determines, in respect of a selected participant who died, all the awarded shares of the selected participant shall be deemed to be vested on the selected participant on the day immediately prior to his death.);

(2) the subsidiary by which a selected participant is employed or, in respect of a deceased selected participant as provided in the paragraph (1) above, was employed immediately prior to his death, ceases to be a subsidiary of the Company (or of a member of the Group);

(3) the Board shall at its absolute discretion determine in respect of a service provider that (a) the service provider or his associate has committed any breach of any contract entered into between the service provider or his associate on one part and any member of the Group on the other part as the Board may in its absolute discretion determine; or (b) the selected participant has been guilty of misconduct, or has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, or has been convicted any criminal offence involving his integrity or honesty;

(4) the selected participant could no longer make any contribution to the growth and development of any member of the Group by reason of the cessation of its relationship with the Group or by any other reasons whatsoever;

(5) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company;

(6) a selected participant is found to be an excluded participant (i.e. any person who is resident in a place where the grant of an award and/or the vesting and transfer of shares pursuant to the terms of the Share Award Scheme is not permitted under the laws and regulations of such place or where in the view of the Board or the trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such person.); or

(7) subject to the terms of the Share Award Scheme, a selected participant fails to return the duly executed transfer documents prescribed by the trustee for the relevant Shares awarded under the Share Award Scheme within the stipulated period.

(xi) Duration of the share award scheme

The Share Award Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate revenue from sales of goods attributable to the Group's five largest customers accounted for 38.8% of the Group's total revenue (2023: 34.0%) and the revenue from sales of goods attributable to the Group's largest customer was approximately 22.3% of the Group's total revenue (2023: 12.8%). The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 20.2% of the Group's total purchases (2023: 33.4%) and the purchases attributable to the Group's largest supplier were approximately 5.7% of the Group's total purchases (2023: 16.7%).

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with the CG Code throughout the year ended 31 December 2024, as set out in Appendix C1 of the Listing Rules save for the deviation as disclosed in the Corporate Governance Report from pages 16 to 28, which provide further information on the Company's corporate governance practices.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding directors' securities transactions (the "Model Code"). All directors of the Company have confirmed that, following specific enquiry by the Company, they have compiled with the required standard set out in the Model Code throughout the year ended 31 December 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. PricewaterhouseCoopers as auditor of the Company, the Board confirms that there has been no change in auditor of the Company since 9 March 2005, date of incorporation.

DIRECTORS' REPORT (continued)

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.

On behalf of the Board

Wang Ming Fan
Chairman

Hong Kong
24 March 2025

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of China Boton Group Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Boton Group Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 48 to 110 comprise:

- the consolidated balance sheet as at 31 December 2024;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is goodwill impairment assessment.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment	
Refer to Notes 4.4 and 9(a) to the consolidated financial statements. As at 31 December 2024, the Group had goodwill balance of approximately RMB1,558,327,000 which accounted for approximately 25% of the total assets of the Group. Management has assessed the goodwill impairment and RMB67,414,000 of impairment loss on goodwill was recognised in the current year. The Group engaged an external valuer to assist them in carrying out the goodwill impairment assessment. Goodwill impairment is assessed by comparing the recoverable amount of the respective cash generating unit ("CGU") against the corresponding carrying amount of the CGU. Management determined the recoverable amounts of the CGUs based on the higher of their respective fair value less costs of disposal and value in use, which are calculated using discounted cash flows based on five-year financial projections plus a terminal value related to cash flows beyond the projection period extrapolated at an estimated terminal growth rate. The goodwill impairment assessment involves significant judgments and estimates which include the adoption of appropriate valuation method and the use of key assumptions, including revenue growth rates and gross profit margins during the forecast period, terminal growth rates and pre-tax discount rates, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the goodwill impairment assessment is considered significant due to uncertainty of significant assumptions used.	We have performed the following procedures to address this key audit matter: (i) Obtained an understanding of management's assessment process of goodwill impairment and assessed the inherent risks of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias and other fraud risk factors. (ii) Assessed the appropriateness of management's identification of the CGU to which goodwill is allocated based on the Group's accounting policies and our understanding of the Group's business. (iii) Assessed the competency, capabilities and objectivity of the external valuer engaged by the Group. (iv) Obtained the valuation report of goodwill impairment and assessed the appropriateness of the valuation method adopted by management with the involvement of our internal valuation experts. (v) Performed a retrospective review by comparing the prior year's cash flow forecasts with the current year's actual results to consider whether the key assumptions applied in the forecasts had been subject to management bias and to assess the effectiveness of management's estimation process.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment (continued)	
We considered this area a key audit matter due to the significance of the balance and the involvement of significant judgments and estimates in the goodwill impairment assessment.	(vi) Challenged and assessed the reasonableness of the key assumptions adopted in the cash flow forecasts, taking into consideration the historical performance, the budgets and plans approved by management, and the industry forecasts and market developments. (vii) Evaluated the reasonableness of discount rates applied in the calculation with the involvement of our internal valuation experts by comparing them against the industry or market data to assess whether the discount rates applied were within the range of those adopted by comparable companies in the same industry. (viii) Evaluated management's sensitivity analysis performed over the key assumptions adopted in the impairment assessment to assess the potential implications of changes in assumptions within a reasonable range on the results of the impairment assessment. (ix) Assessed the appropriateness and adequacy of the disclosures related to good impairment assessment in accordance with the applicable accounting standards. Based on the above procedures, we found the significant judgments and estimates applied in management's goodwill impairment assessment were supported by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (continued)

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tong Yu Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2025

CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December 2024	2023
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,993,623**	1,528,866
Right-of-use assets	7	**152,934**	154,235
Investment properties	8	**631,800**	632,000
Intangible assets	9	**1,615,432**	1,721,629
Investment in an associate		**1,768**	1,378
Deferred income tax assets	24	**32,495**	28,735
Prepayments for property, plant and equipment	14	**6,162**	28,572
		4,434,214	4,095,415
Current assets			
Inventories	13	**337,053**	330,619
Trade and other receivables	14	**938,946**	913,080
Pledged deposits for bank borrowings	16	**183,500**	260,572
Financial assets at fair value through profit or loss	11	**121,491**	57,387
Cash and cash equivalents	15	**282,721**	349,794
		1,863,711	1,911,452
Total assets		**6,297,925**	6,006,867
EQUITY			
Attributable to owners of the Company			
Share capital	17	**101,522**	101,522
Share premium	17	**1,292,432**	1,292,432
Shares held under the share award scheme	21	**(979)**	—
Retained earnings	18	**1,245,431**	1,277,394
Other reserves	19	**502,549**	455,810
		3,140,955	3,127,158
Non-controlling interests		**268,323**	249,069
Total equity		**3,409,278**	3,376,227

CONSOLIDATED BALANCE SHEET (continued)

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December 2024	2023
LIABILITIES			
Non-current liabilities			
Deferred government grants	22	**34,724**	35,518
Deferred income tax liabilities	24	**73,896**	85,921
Borrowings	25	**955,904**	696,156
Lease liabilities	7	**7,121**	2,214
		1,071,645	819,809
Current liabilities			
Trade and other payables	23	**807,141**	834,593
Contract liabilities		**38,454**	29,772
Lease liabilities	7	**2,758**	4,735
Current income tax liabilities		**74,563**	82,630
Borrowings	25	**894,086**	859,101
		1,817,002	1,810,831
Total liabilities		**2,888,647**	2,630,640
Total equity and liabilities		**6,297,925**	6,006,867

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 48 to 110 were approved by the Board of Directors on 24 March 2025 and were signed on its behalf.

Wang Ming Fan
Director

Li Qing Long
Director

CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

		Year ended 31 December	
	Note	2024	2023
Revenue	5	**1,652,996**	2,063,746
Cost of sales	28	**(1,055,090)**	(1,265,636)
Gross profit		**597,906**	798,110
Selling and marketing expenses	28	**(48,484)**	(108,775)
Administrative expenses	28	**(334,671)**	(342,609)
Impairment charge of goodwill	9(a)	**(67,414)**	—
Net impairment losses on financial assets	3.1(b)	**(7,628)**	(156,889)
Other income	26	**3,402**	5,386
Other gains – net	27	**5,938**	53,806
Operating profit		**149,049**	249,029
Finance income	30	**2,085**	7,461
Finance costs	30	**(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	31	**(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	32	**0.02**	0.14

The above consolidated income statement should be read in conjunction with the accompanying notes.

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:		
Items that may be reclassified to profit or loss		
Currency translation differences	**828**	4,453
Total comprehensive income for the year	**64,110**	145,083
Attributable to:		
Owners of the Company	**20,197**	148,936
Non-controlling interests	**43,913**	(3,853)
Total comprehensive income for the year	**64,110**	145,083

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to owners of the Company							
	Share capital	Share premium	Shares held under the share award scheme	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2024	101,522	1,292,432	–	1,277,394	455,810	3,127,158	249,069	3,376,227
Comprehensive income								
Profit for the year	–	–	–	18,381	–	18,381	44,901	63,282
Other comprehensive income								
Currency translation differences	–	–	–	–	1,816	1,816	(988)	828
Total comprehensive income	–	–	–	18,381	1,816	20,197	43,913	64,110
Transaction with owners								
Share-based payments (Note 20)	–	–	–	–	2,529	2,529	2,241	4,770
Dividends paid	–	–	–	(7,950)	–	(7,950)	(26,900)	(34,850)
Repurchase of shares for the purpose of share award scheme (Note 21)	–	–	(979)	–	–	(979)	–	(979)
Appropriation to reserves	–	–	–	(42,394)	42,394	–	–	–
	–	–	(979)	(50,344)	44,923	(6,400)	(24,659)	(31,059)
Balance at 31 December 2024	101,522	1,292,432	(979)	1,245,431	502,549	3,140,955	268,323	3,409,278

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to owners of the Company						
	Share capital	Share premium	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2023	101,522	1,292,432	1,164,644	417,095	2,975,693	286,427	3,262,120
Comprehensive income							
Profit for the year	–	–	146,370	–	146,370	(5,740)	140,630
Other comprehensive income							
Currency translation differences	–	–	–	2,566	2,566	1,887	4,453
Total comprehensive income	–	–	146,370	2,566	148,936	(3,853)	145,083
Transaction with owners							
Share-based payments	–	–	–	2,529	2,529	2,241	4,770
Disposal of subsidiaries	–	–	–	–	–	(35,746)	(35,746)
Appropriation to reserves	–	–	(33,620)	33,620	–	–	–
	–	–	(33,620)	36,149	2,529	(33,505)	(30,976)
Balance at 31 December 2023	101,522	1,292,432	1,277,394	455,810	3,127,158	249,069	3,376,227

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in Renminbi thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2024**	2023
Cash flows from operating activities			
Cash generated from operations	34(a)	**299,872**	362,280
Income tax paid		**(46,222)**	(86,182)
Interest paid		**(64,963)**	(61,689)
Net cash generated from operating activities		**188,687**	214,409
Cash flows from investing activities			
Purchase of property, plant and equipment		**(526,314)**	(118,032)
Purchase of right-of-use assets for land		**–**	(41,705)
Purchase of intangible assets		**(428)**	(944)
Proceeds from disposal of property, plant and equipment		**–**	5,749
Payments for business combination		**–**	(101,000)
Payment for the investment in an associate		**–**	(1,378)
Proceeds from disposal of subsidiaries, net of cash disposed of		**–**	98,064
Interest received		**2,085**	7,461
Purchase of financial assets at fair value through profit or loss		**(180,000)**	(340,850)
Proceeds from disposals of financial assets at fair value through profit or loss		**117,220**	295,850
Net cash used in investing activities		**(587,437)**	(196,785)
Cash flows from financing activities			
Drawdown of borrowings	34(c)	**1,194,549**	916,601
Repayment of borrowings	34(c)	**(899,816)**	(1,027,232)
Decrease in pledged deposits for bank borrowings	34(c)	**77,072**	13,156
Principal elements of lease payments	34(c)	**(5,402)**	(4,699)
Dividends paid		**(34,850)**	–
Repurchase of shares for the purpose of share award scheme	21	**(979)**	–
Net cash generated from/(used in) financing activities		**330,574**	(102,174)
Net decrease in cash and cash equivalents		**(68,176)**	(84,550)
Cash and cash equivalents at beginning of year		**349,794**	433,015
Effects of exchange rate changes on cash and cash equivalents		**1,103**	1,329
Cash and cash equivalents at end of year		**282,721**	349,794

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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

2.1 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.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Changes in accounting policies

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

The Group has applied the following new standards and amendments for its annual reporting period commencing 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause - Hong Kong Interpretation 5 (Revised);
- Lease Liability in Sale and Leaseback – Amendments to HKFRS 16; and
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

The application of the above amendments to HKFRS and revised interpretation in the current year 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(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.*

		Effective for accounting periods beginning on or after
Amendments to HKAS 21	Lack of exchangeability	
Annual Improvements to HKFRS Accounting Standards—Volume 11	HKFRS 1 First-time Adoption of International Financial Reporting Standards; HKFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing HKFRS 7; HKFRS 9 Financial Instruments; HKFRS 10 Consolidated Financial Statements; and HKAS 7 Statement of Cash Flows	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Consolidated financial statements and investments in associates and joint venture	To be determined

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

The Group will adopt the above new standards and amendments to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these new standards and amendments to the existing standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign currency risks, mainly with respect to US dollar ("USD") and HK dollar ("HKD"). The Group currently has not entered into any forward contracts to hedge its exposure to foreign currency risk, but will consider hedging foreign exchange risk should the need arise. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The carrying amounts of USD and HKD denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	2024	2023
Assets		
HKD	**21,920**	3,522
USD	**75,636**	7,074
Liabilities		
HKD	**402,468**	451,741
USD	**2,615**	802

If RMB had strengthened/weakened by 5% against USD and HKD, with all other variables held constant, the post-tax profit would have been higher/(lower) as follows:

	2024		2023	
	higher/(lower) on profit after income tax if exchanges rates		higher/(lower) on profit after income tax if exchanges rates	
	Strengthened by 5%	Weakened by 5%	Strengthened by 5%	Weakened by 5%
HKD	**16,173**	**(16,173)**	19,049	(19,049)
USD	**(3,103)**	**3,103**	(267)	267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing short-term deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term deposits are not expected to change significantly.

For the year ended 31 December 2024, if the floating interest rate on borrowings had been increased/decreased by 0.5% points with all other variables held constant, the post-tax profit would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	2024	2023
(Decrease)/increase		
– 0.5% points increase	**(5,125)**	(3,773)
– 0.5% points decrease	**5,125**	3,773

(iii) Price risk

The Group is not exposed to equity securities price risk because the Group did not invest in equity securities during the year. The Group is not exposed to commodity price risk. Fluctuation in price of raw materials is normally passed on to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, financial assets at fair value through profit or loss ("FVPL"), pledged deposits for bank borrowings and trade and other receivables.

The Group is exposed to credit risk mainly in relation to its trade and other receivables.

(i) Risk management and security

For cash and cash equivalents and pledged deposits for bank borrowings, management manages the credit risk by placing all the bank deposits in state-owned financial institutions or reputable banks which are all high-credit-quality financial institutions.

To manage the credit risk in respect of trade and other receivables, the Group performs ongoing credit evaluations of its counterparties' financial condition and generally does not require collateral from the counterparties on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintains a provision for expected credit loss ("ECL").

(ii) Impairment of financial assets

The Group formulates the credit losses of cash and cash equivalents, pledged deposits for bank borrowings and trade and other receivables using ECL models according to HKFRS 9 requirements.

Cash and cash equivalents and pledged deposits for bank borrowings

While cash and cash equivalents and pledged deposits for bank borrowings are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

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

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

The expected loss rates are estimated based on the roll rate approach considering the invoice days of trade receivables across historical years and the corresponding historical credit losses experienced within the period from 2019 to 2024. The historical loss rates are adjusted by considering historical cash collection and movements of the aging of trade receivables, taking into account the market conditions as well as forward looking information with reference to industry and external macroeconomic data. The Group has identified consumer price index to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

On that basis, the loss allowance as at 31 December 2024 and 2023 was determined as follows for trade receivables:

	Current	Between 1 to 90 days past due	Between 91 to 360 days past due	More than 360 days past due	Total
As at 31 December 2024					
Expected loss rate	**3.37%**	**11.31%**	**44.36%**	**100%**	
Trade receivables - gross carrying amount	**444,732**	**28,997**	**20,420**	**220,784**	**714,933**
Loss allowance	**14,969**	**3,281**	**9,058**	**220,784**	**248,092**
As at 31 December 2023					
Expected loss rate	4.11%	11.93%	87.96%	100%	
Trade receivables - gross carrying amount	455,314	49,290	55,240	168,262	728,106
Loss allowance	18,713	5,880	48,589	168,262	241,444

The closing loss allowances for trade receivables as at 31 December 2024 reconcile to the opening loss allowances as follows:

	2024	2023
Opening loss allowance as at 1 January	**241,444**	86,015
Loss allowance recognised in profit or loss during the year	**6,648**	155,429
Closing loss allowance as at 31 December	**248,092**	241,444

Other receivables

The Group applies the HKFRS 9 three-stage approach to measuring ECL of financial assets included in other receivables. The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. Impairment on other receivables is measured as 12-month expected credit loss when there has been no significant increase in credit risk since initial recognition. If a significant increase in credit risk has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

A provision for loss allowances of RMB980,000 (2023: RMB1,460,000) was recognised in profit or loss in relation to the impaired other receivables.

The Group made no write-off of other receivables during the year ended 31 December 2024 (2023: Nil).

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group has adequate cash to finance its operating activities. The Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and through having available sources of financing.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total	Carrying amount
As at 31 December 2024						
Trade and other payables (excluding other taxes payable and salaries payable)	**727,558**	**–**	**–**	**–**	**727,558**	**727,558**
Borrowings	**930,732**	**516,777**	**170,214**	**319,578**	**1,937,301**	**1,849,990**
Lease liabilities	**3,256**	**1,002**	**4,175**	**4,384**	**12,817**	**9,879**
	1,661,546	**517,779**	**174,389**	**323,962**	**2,677,676**	**2,587,427**
As at 31 December 2023						
Trade and other payables (excluding other taxes payable and salaries payable)	743,335	–	–	–	743,335	743,335
Borrowings	897,827	272,690	413,414	41,433	1,625,364	1,555,257
Lease liabilities	5,027	2,254	–	–	7,281	6,949
	1,646,189	274,944	413,414	41,433	2,375,980	2,305,541

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. The gearing ratios at 31 December 2024 and 2023 were as follows:

	2024	2023
Borrowings (Note 25)	**1,849,990**	1,555,257
Total equity	**3,409,278**	3,376,227
Gearing ratio	**54.3%**	46.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The table below analyses the Group's assets carried at fair value as at 31 December 2024 and 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

See Notes 8 and 11 for disclosures of the investment properties and wealth management products that are measured at fair value.

	Fair value measurements at 31 December 2024 using			
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
– Investment properties in the PRC	**–**	**–**	**631,800**	**631,800**
– Wealth management products	**–**	**121,491**	**–**	**121,491**

	Fair value measurements at 31 December 2023 using			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
– Investment properties in the PRC	–	–	632,000	632,000
– Wealth management products	–	57,387	–	57,387

The Group's policy is to recognise transfer into and transfer out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, 2 and 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values of its property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives and residual values are less than previously estimated residual values, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

4.2 Expected credit loss on trade receivables

The Group makes allowance for expected credit loss on trade receivables based on an assessment about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the counterparties' settlement history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

4.3 Fair value of investment properties

The Group's certain investment properties are measured at fair value, the fair value is estimated by the external valuer, which involves a number of key assumptions, including term yields, reversionary yields, fair market rents and estimated price per square meter. The assumptions require the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the fair value of investment properties and fair value gains on investment properties in the period in which such estimate has been changed.

4.4 Impairment of goodwill

The Group tests whether goodwill has suffered any impairment annually or, whenever there is an indication of impairment, in accordance with the accounting policy stated in Note 9. The recoverable amounts of cash-generating units have been determined based on the higher of their respective fair value less costs of disposal and value in use. These calculations require the use of significant judgments and estimates. Details of impairment charge, key assumptions made by the management and third-party valuer and impact of possible changes in key assumptions are disclosed in Note 9.

4.5 Income taxes and deferred taxation

Significant judgments are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences can be utilised. The outcome of their actual utilisation may be different.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

5. 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	602,020	190,355	169,757	639,592	51,272	–	1,652,996
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	22,810	49,447	41,723	(44,393)	23,232	(29,537)	63,282
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	141,620	3,043	2,426	402,562	–	3,419	553,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION (continued)

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	768,643	182,026	165,760	901,589	45,728	–	2,063,746
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 – net	(53,517)	291	311	(2,128)	–	(10,515)	(65,558)
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	175,802	39,299	36,556	(60,996)	15,914	(65,945)	140,630
Depreciation and amortisation	54,879	14,893	14,962	39,847	–	7,490	132,071
Net impairment losses/(reversal of net impairment) 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	27,607	4,473	818	127,758	–	25	160,681

Breakdown of revenue is as follows:

Analysis of revenue by category	2024	2023
Revenue from contracts with customers		
Recognised at a point in time:		
Sales of goods	**1,601,724**	2,018,018
Revenue from other sources:		
Rental income	**51,272**	45,728
	1,652,996	2,063,746

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
	1,652,996	2,063,746

As at 31 December 2024, the Group's total of non-current assets other than deferred income tax assets, all of which were located in the PRC, were RMB4,401,719,000 (2023: RMB4,066,680,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION (continued)

Accounting policies on revenue recognition

5.1 Sales of goods

Revenue from the sale of goods directly to the customers is recognised at the point that the control of the goods has passed to the customers, which is primarily upon the acceptance of the goods by the customers. The customers have full discretion over the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the goods. Cash or bank/commercial acceptance notes collected from the customers before goods delivery is recognised as contract liabilities.

6. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
Year ended 31 December 2023								
Opening net book amount	8,408	1,341,614	46,375	7,358	13,763	3,189	78,328	1,499,035
Additions	–	821	12,316	1,885	18,522	17,546	71,903	122,993
Disposal of subsidiaries	(8,408)	(3,433)	–	(445)	–	–	(2,268)	(14,554)
Disposals	–	(267)	(1,418)	(242)	(896)	–	–	(2,823)
Transfers	–	1,844	–	–	–	–	(1,844)	–
Depreciation	–	(55,932)	(6,753)	(1,637)	(8,003)	(3,460)	–	(75,785)
Closing net book amount	–	1,284,647	50,520	6,919	23,386	17,275	146,119	1,528,866
At 31 December 2023								
Cost	–	1,654,263	98,181	28,991	124,199	38,779	146,119	2,090,532
Accumulated depreciation	–	(369,616)	(47,661)	(22,072)	(100,813)	(21,504)	–	(561,666)
Net book amount	–	1,284,647	50,520	6,919	23,386	17,275	146,119	1,528,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
Year ended 31 December 2024							
Opening net book amount	1,284,647	50,520	6,919	23,386	17,275	146,119	1,528,866
Additions	8,171	9,166	43	6,612	4,860	516,070	544,922
Disposals	–	(7,480)	(81)	(41)	–	–	(7,602)
Transfers	79,841	810	–	–	–	(80,651)	–
Depreciation	(50,281)	(7,498)	(425)	(8,134)	(6,225)	–	(72,563)
Closing net book amount	1,322,378	45,518	6,456	21,823	15,910	581,538	1,993,623
At 31 December 2024							
Cost	1,742,275	99,115	28,665	130,539	43,639	581,538	2,625,771
Accumulated depreciation	(419,897)	(53,597)	(22,209)	(108,716)	(27,729)	–	(632,148)
Net book amount	1,322,378	45,518	6,456	21,823	15,910	581,538	1,993,623

Depreciation expense of RMB22,982,000 (2023: RMB9,726,000) has been charged to cost of sales, RMB285,000 (2023: RMB692,000) to selling and marketing expenses and RMB49,296,000 (2023: RMB65,367,000) to administrative expenses.

As at 31 December 2024, property, plant and equipment with the carrying amounts of RMB1,186,918,000 (2023: RMB808,407,000) were used as collateral for the Group's bank borrowings (Note 25).

6.1 Accounting policies on depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	20 - 40 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	3 - 5 years
Leasehold improvements	the shorter of remaining lease terms and 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

See Note 40.4 for the other accounting policies relevant to property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

7. LEASES

(a) Amounts recognised in the consolidated balance sheet

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

	2024	2023
Right-of-use assets		
Land use rights	**143,981**	147,848
Buildings	**8,953**	6,387
	152,934	154,235
Lease liabilities		
Current	**2,758**	4,735
Non-current	**7,121**	2,214
	9,879	6,949

The lease periods of the land use rights are mainly 50 years. The remaining lease periods of the Group's land use rights mainly range from 33 to 48 years (2023: 34 to 49 years).

As at 31 December 2024, land use rights with the carrying amounts of RMB64,926,000 (2023: RMB25,313,000) were used as collateral for the Group's bank borrowings (Note 25).

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

	2024	2023
Opening net book amount as at 1 January	**154,235**	119,906
Additions	**7,720**	42,458
Disposal of subsidiaries	**—**	(40)
Depreciation	**(9,021)**	(8,089)
Closing net book amount as at 31 December	**152,934**	154,235

(b) Amounts recognised in the consolidated income statement:

	2024	2023
Depreciation charge of right-of-use assets:		
Land use rights	**3,866**	3,027
Buildings	**5,155**	5,062
	9,021	8,089
Interest expenses (included in finance costs — net)	**612**	600
Expenses relating to short-term leases (included in cost of sales, selling and marketing expenses and administrative expenses) (Note 28)	**9,821**	9,190

The total cash outflow for leases in 2024 was RMB5,402,000 (2023: RMB4,699,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

8. INVESTMENT PROPERTIES

	2024	2023
Opening balance at 1 January	**632,000**	637,000
Fair value loss, gross of tax (Note 27)	**(200)**	(5,000)
Closing balance at 31 December	**631,800**	632,000

As at 31 December 2024, investment properties with the carrying amounts of RMB631,800,000 (2023: RMB632,000,000) were used as collateral for the Group's bank borrowings (Note 25).

(a) Amounts recognised in profit or loss for investment properties are as follows:

	2024	2023
Rental income from lease (Note 5)	**51,272**	45,728
Direct operating expenses from property that generated rental income	**(823)**	(785)
Fair value loss recognised in other losses - net (Note 27)	**(200)**	(5,000)
	50,249	39,943

As at 31 December 2024, the Group's had no unprovided contractual obligations for future repairs and maintenance.

(b) Measuring investment property at fair value

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They are carried at fair value.

(c) Presenting cash flows

The Group classifies cash outflows to acquire or construct investment property as investing and rental inflows as operating cash flows.

(d) Leasing arrangements

Certain investment properties have been leased to tenants under long-term operating leases with rentals payable monthly.

Minimum lease receivables under non-cancellable operating leases of investment properties not recognised in the consolidated financial statements are as follows:

	2024	2023
Not later than one year	**53,705**	30,186
Later than one year and not later than five years	**96,966**	157,120
Later than five years	**79,229**	11,048
	229,900	198,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

8. INVESTMENT PROPERTIES (continued)

(e) Fair values of investment properties

The revaluation loss is included in 'Other gains – net' (Note 27).

(i) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2024 by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to their highest and best use.

(ii) Valuation techniques

For investment properties which fair value hierarchy level is Level 3, the valuations were determined using discounted cash flow projections based on significant unobservable inputs. These inputs include:

Market rent	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease(s), other contracts and external evidence such as current market rents for similar properties;
Term yield	Reflecting the security of the existing tenancies as compared to the market level;
Reversionary yield	Based on actual location, size and quality of the property and taking into account market data at the valuation date.

The key assumptions used for investment properties market value calculations are as follows:

	2024	2023	Relationship of unobservable input to fair value
Market rent	**RMB52-90/ month/sq.m.**	RMB53-95/ month/sq.m.	The higher the market rents,the higher the fair value
Term yield	**2%-6%**	2%-6%	The higher the term yield,the lower the fair value
Reversionary yield	**4%-6%**	4%-7%	The higher the reversionary yield, the lower the fair value

If market rent had been 5% higher/lower than management's estimates as at 31 December 2024, the value of investment properties will increase/decrease by RMB26,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

8. INVESTMENT PROPERTIES (continued)

(e) Fair values of investment properties (continued)

(iii) Accounting policies on investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value at each reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

9. INTANGIBLE ASSETS

	Goodwill	Customer relationships	Patents, formula and trademark	Development costs	Non-competition agreement	Computer software	Total
Year ended 31 December 2023							
Opening net book amount	1,625,741	102,675	29,555	4,005	6,283	623	1,768,882
Additions	–	–	–	–	–	944	944
Amortisation charge	–	(29,939)	(12,667)	(3,830)	(1,375)	(386)	(48,197)
Closing net book amount	1,625,741	72,736	16,888	175	4,908	1,181	1,721,629
At 31 December 2023							
Cost	1,625,741	298,884	112,000	22,693	18,476	5,013	2,082,807
Accumulated amortisation	–	(226,148)	(95,112)	(22,518)	(10,470)	(3,832)	(358,080)
Accumulated impairment	–	–	–	–	(3,098)	–	(3,098)
Net book amount	1,625,741	72,736	16,888	175	4,908	1,181	1,721,629

	Goodwill	Customer relationships	Patents, formula and trademark	Development costs	Non-competition agreement	Computer software	Total
Year ended 31 December 2024							
Opening net book amount	1,625,741	72,736	16,888	175	4,908	1,181	1,721,629
Additions	–	–	–	–	–	428	428
Amortisation charge	–	(29,886)	(7,331)	(175)	(1,375)	(444)	(39,211)
Impairment	(67,414)	–	–	–	–	–	(67,414)
Closing net book amount	1,558,327	42,850	9,557	–	3,533	1,165	1,615,432
At 31 December 2024							
Cost	1,625,741	298,884	112,000	22,693	18,476	5,441	2,083,235
Accumulated amortisation	–	(256,034)	(102,443)	(22,693)	(11,845)	(4,276)	(397,291)
Accumulated impairment	(67,414)	–	–	–	(3,098)	–	(70,512)
Net book amount	1,558,327	42,850	9,557	–	3,533	1,165	1,615,432

Amortisation charge of RMB39,211,000 (2023: RMB48,197,000) is included in administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

9. INTANGIBLE ASSETS (continued)

(a) Goodwill

Goodwill arose from the acquisition of 100% interest of Kimree, Inc. ("Kimree") on 26 April 2016 and the businesses of Shenzhen Huiji Company Limited ("Huiji"), Shenzhen Da Herong Spice Company Limited ("Da Herong"), Guangzhou Fangyuan Spice Company Limited ("Fangyuan"), Hainan Central South Island Spice and Fragrance Company Limited ("Central South") (collectively "Four Businesses") on 29 July 2016.

Goodwill is monitored by management at the level of the flavor enhancers and e-Cigarette products operating segments identified in Note 5.

A segment-level summary of the goodwill allocation is presented below.

	At 31 December 2024 and 2023		
	Flavor enhancers	e-Cigarette products	Total
Acquisition of equity interest in Kimree	—	426,373	426,373
Acquisition of Four Businesses	1,199,368	—	1,199,368
	1,199,368	426,373	1,625,741

The recoverable amount of a cash-generating unit ("CGU") is determined based on the higher of fair value less costs of disposal and value-in-use. The higher amount represents the value-in-use, which is calculated using pre-tax cash flow projections based on financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates.

The key assumptions used for value-in-use calculations are as follows:

	e-Cigarette products		Flavor enhancers	
	2024	2023	**2024**	2023
Revenue growth rates	**3%-40%**	9%-11%	**-9%-3%**	3%-4%
Terminal growth rates	**2.5%**	3%	**2.5%**	3%
Gross profit margins	**8%-10%**	18%-23%	**53%-54%**	59%-61%
Pre-tax discount rates	**14%**	14%	**16%**	17%

These assumptions have been used for the analysis of each CGU within the operating segment.

Management determined forecasted revenue growth rates and gross profit margins based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

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); while for the e-Cigarette products segment, the estimated recoverable amount exceeded its carrying amount by RMB34,901,000 and thus no impairment was required to make.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

9. INTANGIBLE ASSETS (continued)

(a) Goodwill (continued)

If the revenue growth rates used in the value in use calculation for the Flavor enhancers segment had been 1% lower than management's estimates at 31 December 2024 (-8% - 2% instead of -9% - 3%), the Group would have had to recognise an impairment against the carrying amount of goodwill of RMB91,680,000.

If the terminal growth rates used in the value in use calculation for the Flavor enhancers segment had been 1% lower than management's estimates at 31 December 2024 (1.5% instead of 2.5%), the Group would have had to recognise an impairment against the carrying amount of goodwill of RMB168,752,000.

If the gross profit margins used in the value in use calculation for the Flavor enhancers segment had been 1% lower than management's estimates at 31 December 2024 (52% - 53% instead of 53% - 54%), the Group would have had to recognise an impairment against the carrying amount of goodwill of RMB71,719,000.

If the pre-tax discount rates applied to the cash flow projections of the Flavor enhancers segment had been 1% higher than management's estimates at 31 December 2024 (17% instead of 16%), the Group would have had to recognise an impairment against goodwill of RMB194,352,000.

The recoverable amount of the e-Cigarette products segment, would equal its carrying amount if the key assumptions were changed to:

	2024	2023
Revenue growth rate	**1.8% - 38.8%**	2.6% - 3.6%
Terminal growth rate	**0.8%**	-1%
Gross profit margin	**7.2% - 9.6%**	16% - 20%
Pre-tax discount rate	**16%**	17%

(b) Accounting policies on intangible assets

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGU, or groups of CGU, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use ("VIU") and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

The Group engaged an external valuer to assist them in carrying out the goodwill impairment assessment. Management determined the recoverable amounts of the CGUs based on higher of their respective fair value less costs of disposal and value in use, which is calculated using discounted cash flows based on five-year financial projections plus a terminal value related to cash flows beyond the projection period extrapolated at an estimated termination growth rate.

See Note 40.5 for the other accounting policies relevant to intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

10. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2024	2023
Financial assets		
At amortised cost		
– Trade and other receivables (excluding prepayments)	**610,911**	620,999
– Pledged deposits for bank borrowings	**183,500**	260,572
– Cash and cash equivalents	**282,721**	349,794
At fair value		
– Financial assets at fair value through profit or loss	**121,491**	57,387
	1,198,623	1,288,752
Financial liabilities		
At amortised cost		
– Trade and other payables (excluding other taxes payable and salaries payable)	**727,558**	743,335
– Borrowings	**1,849,990**	1,555,257
– Lease liabilities	**9,879**	6,949
	2,587,427	2,305,541

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
Wealth management products	**121,491**	57,387

The balance mainly represented investments in certain financial instruments issued by commercial banks which had no guaranteed returns.

The range of expected return rates of these products as at 31 December 2024 was 1.00% to 3.25% (2023: 1.05% to 4.48%). The range of the terms of these products as at 31 December 2024 was 6 months to 12 months (2023: 1 month to 6 months).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

12. SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2024 and 2023:

Name	Place of incorporation and form of legal entity	Authorised/ registered capital	Paid in capital	Interest held		Principal activities
				2024	2023	
Directly held:						
CFF Holdings Limited	British Virgin Islands, limited liability company	HKD389,500 divided into 38,950,000 shares of HKD0.01 each	HKD300	100%	100%	Investment holding
Boton Investments Limited	British Virgin Islands, limited liability company	50,000 shares with par value of USD1 each	USD1	100%	100%	Investment holding
Neland Development Limited	British Virgin Islands, limited liability company	50,000 shares with par value of USD1 each	USD100	100%	100%	Investment holding
Kimree, Inc.	Cayman Islands, limited liability company	5,000,000,000 shares with par value of USD0.00001 each	USD1,000	100%	100%	Investment holding
Indirectly held:						
Shenzhen Boton Flavors & Fragrances Co., Ltd. (“Shenzhen Boton”)#	The PRC, limited liability company	RMB420,000,000	RMB420,000,000	100%	100%	Manufacture and sale of flavors and fragrances, investment properties
Boton Flavors and Fragrances Co., Ltd. (Previously known as “Dongguan Boton Flavors and Fragrances Co., Ltd.”) (“Dongguan Boton”) (Note (a))*	The PRC, company limited by shares	RMB85,000,000	RMB85,000,000	53%	53%	Manufacture and sale of flavors and fragrances
Boton (Shanghai) Biotechnologies Co., Ltd.@	The PRC, limited liability company	RMB30,000,000	RMB11,000,000	100%	100%	Research and sale of flavors and fragrances
Kimree Holdings (HK) Co., Limited (“Kimree Holdings”)	Hong Kong, limited liability company	HKD1	HKD1	100%	100%	Trading of e-Cigarette products
Kimsun Technology (Huizhou) Co., Ltd. (“Kimsun Huizhou”)#	The PRC, limited liability company	RMB20,000,000	RMB20,000,000	100%	100%	Manufacture and sale of e-Cigarette products
Huizhou Kimree Technology Co., Ltd. (“Kimree Huizhou”)@	The PRC, limited liability company	RMB 10,000,000	RMB 10,000,000	100%	100%	Trading of e-Cigarette products
Geakon Technology (Huizhou) Co., Ltd. (“Geakon Huizhou”)@	The PRC, limited liability company	RMB60,000,000	RMB60,000,000	100%	100%	Trading of e-Cigarette products
Shenzhen Ygreen Technology Co., Ltd. (“Ygreen”)@	The PRC, limited liability company	RMB1,000,000	RMB1,000,000	51%	51%	Manufacture and sale of e-Cigarette products
Boton Global Technology (Shenzhen) Co., Ltd. (Previously known as “Shenzhen Huashang Biotechnology Co.,Ltd.”) (“Huashang Biotechnology”)@	The PRC, limited liability company	RMB10,000,000	RMB9,900,000	91%	91%	Trading of e-Cigarette products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

12. SUBSIDIARIES (continued)

The following is a list of principal subsidiaries at 31 December 2024 and 2023: (continued)

Name	Place of incorporation and form of legal entity	Authorised/registered capital	Paid in capital	Interest held 2024	Interest held 2023	Principal activities
Indirectly held: (Continued)						
Boton Flavors and Fragrances (Hong Kong) Limited	Hong Kong, limited liability company	HKD10,000 divided into 10,000 shares of HKD1 each	HKD1	100%	100%	Sale of flavors and fragrances
Best Fortune International Investment Limited	Hong Kong, limited liability company	HKD10,000 divided into 10,000 shares of HKD1 each	HKD100	100%	100%	Investment holding
Boton E-Liquid Technology (Shenzhen) Co., Ltd. (Previously known as "China Flavors & Fragrances (Shenzhen) Co., Ltd.")#	The PRC, limited liability company	HKD15,000,000	HKD15,000,000	100%	100%	Manufacture and sale of e-Cigarette products
Shenzhen Huachang Industrial Co., Ltd. ("Huachang")@	The PRC, limited liability company	RMB9,803,921	–	51%	51%	Trading of e-Cigarette products
PT DBFF Boton Indonesia Co., Ltd. ("PT DBFF Boton")	Indonesia, limited liability company	USD3,400,000	USD3,400,000	53%	53%	Manufacture and sale of flavors and fragrances
Hubei Boton Biological Technology Co., Ltd. ("Hubei Boton")@	The PRC, limited liability company	RMB500,000,000	RMB130,700,000	100%	100%	Research of flavors and fragrances
Top Brave Investment Limited	British Virgin Islands, limited liability company	50,000 shares with par value of USD1 each	USD100	100%	100%	Investment holding
Kings Joe Holdings Limited	British Virgin Islands, limited liability company	50,000 shares with par value of USD1 each	USD100	100%	100%	Investment holding
Fuzhou Meike Technology Co., Ltd. (Previously known as "Fuzhou Ygreen Technology Co., Ltd.") ("Fuzhou Ygreen")@	The PRC, limited liability company	RMB20,000,000	RMB20,000,000	51%	51%	Manufacture and sale of e-Cigarette products
Shenzhen Shengchuangda Biotechnology Co., Ltd#	The PRC, limited liability company	HKD20,000,000	–	100%	100%	Investment holding
Huizhou Babo Technology Co., Ltd. ("Huizhou Babo")@	The PRC, limited liability company	RMB5,000,000	RMB5,000,000	66%	66%	Manufacture and sale of e-Cigarette products
Boton Technology (Huizhou) Co., Ltd.#	The PRC, limited liability company	HKD55,000,000	HKD47,720,000	100%	100%	Manufacture and sale of e-Cigarette products

\# Registered as wholly foreign owned enterprises under PRC law

@ Registered as wholly domestic owned enterprises under PRC law

* Registered as company limited by shares (Hong Kong-Macau-Taiwan investments, not yet listed) under PRC law

Significant restrictions

Cash and bank balances held in Asian countries (including China) are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends. The carrying amount of the cash and bank balances included within the consolidated financial statements to which these restrictions apply is RMB251,678,000 (2023: RMB276,763,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

12. SUBSIDIARIES (continued)

(a) Shenzhen Boton conditionally agreed to transfer approximately 15.9% of the equity interests in Dongguan Boton to the directors and employees of Dongguan Boton at a consideration of approximately RMB36,491,000 for the proposed spin-off for initial public offering of the shares of Dongguan Boton on the Shenzhen Stock Exchange of the PRC. The completion of the transfer is subject to the fulfillment of certain performance conditions of Dongguan Boton and the equity transfer has not been completed as of 31 December 2024 and the date of these consolidated financial statements, Shenzhen Boton continues to hold 53% of the registered capital of Dongguan Boton and has controlling power over Dongguan Boton. Please refer to Note 20 for details.

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2024 is RMB268,323,000 (2023: RMB249,069,000), which is attributed to Dongguan Boton, Fuzhou Ygreen, Ygreen, Huizhou Babo, Huashang Biotechnology, Huachang and PT DBFF Boton.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for the subsidiaries that have material non-controlling interests to the Group.

Summarised balance sheet

	Dongguan Boton		Huizhou Babo	
	2024	2023	**2024**	2023
Current				
Assets	**372,120**	325,989	**60,179**	89,450
Liabilities	**(67,871)**	(73,384)	**(30,656)**	(53,298)
Total net current assets	**304,249**	252,605	**29,523**	36,152
Non-current				
Assets	**232,025**	240,318	**15,619**	15,850
Total net non-current assets	**232,025**	240,318	**15,619**	15,850
Net assets	**536,274**	492,923	**45,142**	52,002

Summarised income statement

	Dongguan Boton		Huizhou Babo	
	2024	2023	**2024**	2023
Revenue	**360,113**	347,786	**132,322**	183,790
Profit for the year	**89,956**	75,855	**3,140**	32,028
Profit and total comprehensive income	**89,956**	75,855	**3,140**	32,028
Profit and total comprehensive income allocated to non-controlling interests	**42,279**	35,773	**1,068**	10,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

12. SUBSIDIARIES (continued)

(b) Material non-controlling interests (continued)

Summarised statement of cash flows

	Dongguan Boton		Huizhou Babo	
	2024	2023	**2024**	2023
Cash generated from/(used in) operating activities	**72,524**	88,073	**(1,215)**	12,408
Cash used in investing activities	**(75,920)**	(50,597)	**(3,312)**	(12,450)
Cash used in financing activities	**(50,000)**	—	**(10,000)**	—
Net (decrease)/increase in cash and cash equivalents	**(53,396)**	37,476	**(14,527)**	(42)
Cash and cash equivalents at beginning of year	**106,249**	68,510	**27,102**	27,128
Effects of currency translation on cash and cash equivalents	**15,281**	263	**8**	16
Cash and cash equivalents at end of year	**68,134**	106,249	**12,583**	27,102

13. INVENTORIES

	2024	2023
Raw materials	**127,651**	140,353
Work in progress	**61,762**	24,611
Finished goods	**160,928**	177,776
	350,341	342,740
Less: write-downs of inventories to net realisable value	**(13,288)**	(12,121)
Inventories – net	**337,053**	330,619

The cost of inventories recognised as expense and included in cost of sales for the year amounted to RMB954,043,000 (2023: RMB1,168,262,000).

During the year, write-downs of inventories to net realisable value amounted to RMB1,167,000 (2023: RMB1,726,000) has been made in the consolidated income statement.

Write-downs of inventories to net realisable value were mainly due to impairment of finished goods and raw materials.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

14. TRADE AND OTHER RECEIVABLES

	Note	2024	2023
Trade receivables	(a)	**714,933**	728,106
Less: provision for expected credit loss		**(248,092)**	(241,444)
Trade receivables – net		**466,841**	486,662
Bills receivable	(b)	**5,045**	12,898
		471,886	499,560
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		**34,098**	17,376
		475,662	443,552
Less: provision for expected credit loss		**(2,440)**	(1,460)
Other receivables – net		**473,222**	442,092
		945,108	941,652
Less: non-current – prepayments for property, plant and equipment		**(6,162)**	(28,572)
Current		**938,946**	913,080

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
	714,933	728,106

Information about the expected credit loss of trade receivables and the Group's exposure to credit risk can be found in Note 3.1(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

14. TRADE AND OTHER RECEIVABLES (continued)

(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
	5,045	12,898

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
	5,045	12,898

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

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

15. CASH AND CASH EQUIVALENTS

	2024	2023
Cash at bank and on hand	466,221	610,366
Less: pledged deposits for bank borrowings	(183,500)	(260,572)
Cash and cash equivalents	282,721	349,794

The balance is mainly denominated in RMB.

(a) The carrying amount of the balance approximates its fair value and represents maximum exposure to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

16. PLEDGED DEPOSITS FOR BANK BORROWINGS

	2024	2023
Pledged deposits for bank borrowings (Note 25(b))	**183,500**	260,572

(a) The carrying amount of the balance approximates its fair value and represents maximum exposure to credit risk.

17. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital	Share premium	Total
As at 1 January 2023, 31 December 2023 and 31 December 2024	**1,080,512**	**101,522**	**1,292,432**	**1,393,954**

18. RETAINED EARNINGS

	2024	2023
At 1 January	**1,277,394**	1,164,644
Profit for the year	**18,381**	146,370
Dividends paid (Note 20)	**(7,950)**	—
Appropriation to reserves	**(42,394)**	(33,620)
At 31 December	**1,245,431**	1,277,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

19. OTHER RESERVES

	Reserve funds Note (a)	Share-based payments reserve	Discretionary surplus reserve Note (a)	Enterprise expansion fund Note (a)	Merger reserve Note (b)	Currency translation reserve	Revaluation reserve	Others	Total
At 1 January 2023	240,215	65,189	6,034	6,966	22,920	(69,075)	142,332	2,514	417,095
Profit appropriations	33,620	–	–	–	–	–	–	–	33,620
Share-based payments	–	2,529	–	–	–	–	–	–	2,529
Currency translation differences	–	–	–	–	–	2,566	–	–	2,566
At 31 December 2023	273,835	67,718	6,034	6,966	22,920	(66,509)	142,332	2,514	455,810

	Reserve funds Note (a)	Share-based payments reserve	Discretionary surplus reserve Note (a)	Enterprise expansion fund Note (a)	Merger reserve Note (b)	Currency translation reserve	Revaluation reserve	Others	Total
At 1 January 2024	273,835	67,718	6,034	6,966	22,920	(66,509)	142,332	2,514	455,810
Profit appropriations	42,394	–	–	–	–	–	–	–	42,394
Share-based payments	–	2,529	–	–	–	–	–	–	2,529
Currency translation differences	–	–	–	–	–	1,816	–	–	1,816
At 31 December 2024	316,229	70,247	6,034	6,966	22,920	(64,693)	142,332	2,514	502,549

(a) In accordance with relevant laws and regulations of the PRC, the PRC subsidiaries of the Group should make appropriations from the net profit to the reserve fund, discretionary surplus reserve and the enterprise expansion fund, after offsetting accumulated losses from prior years, and before profit distributions to the shareholders. The appropriations to the reserve fund are made at 10% of the net profit until the balance of the fund reaches 50% of their registered capital. The amounts of appropriations to the discretionary surplus reserve and the enterprise expansion fund are determined by the directors of the PRC subsidiaries.

Upon approval from the board of directors, the reserve fund can be used to offset accumulated losses or to increase capital; the enterprise expansion fund can be used to expand production or to increase capital.

(b) Merger reserve represents the difference between the par value of the share capital issued by the Company and share capital and share premium of a subsidiary acquired through an exchange of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

20. SHARE-BASED PAYMENTS

On 12 June 2020, Shenzhen Boton, Champion Sharp International Investment Limited ("Champion Sharp") and the non-controlling shareholders of Dongguan Boton (collectively, as "Vendors") entered into an equity transfer agreement in respect of the disposal of approximately 30% of equity interest of Dongguan Boton ("Sale Interest"), with a director of Dongguan Boton, a director of the Company, the spouse of the Chairman of the Company, and Shenzhen Xiangyuan Enterprise Management Partnership and Shenzhen Xiangju Enterprise Management Partnership, limited partnerships set up by the Chairman of the Company and employees of Dongguan Boton (collectively, as "Purchasers") and Dongguan Boton, pursuant to which the Vendors have conditionally agreed to sell to the Purchasers and the Purchasers have conditionally agreed to purchase from the Vendors the Sale Interest at the aggregate consideration of approximately RMB68,850,000 (the "Consideration"), of which approximately RMB36,491,000 (representing 15.9% equity interests of Dongguan Boton) was paid to Shenzhen Boton and approximately RMB32,359,000 (representing 14.1% equity interests of Dongguan Boton) was paid to Champion Sharp. The above arrangement is to facilitate the proposed spin-off for initial public offering of shares of Dongguan Boton on the Shenzhen Stock Exchange of the PRC (the "A-Share listing"). Since the Company had announced the proposal to spin-off Dongguan Boton and proposed to make arrangement so that Dongguan Boton would become a joint stock limited company to qualify for the proposed A-Share listing. To, inter alia, satisfy the aforesaid requirement, the above equity transfer was taken place and the Sale Interest of Dongguan Boton were then proposed to be transferred by the Vendors to the Purchasers to facilitate its conversion to a joint stock limited company.

The completion of the above equity transfer is subject to the fulfillment of certain performance conditions of Dongguan Boton in the five financial years commencing year ended 31 December 2020 (the "Performance Guarantee"). The Performance Guarantee shall be automatically terminated upon completion of the proposed spin-off for the A-Share listing.

As the Performance Guarantee has not been fulfilled as of 31 December 2024, the above equity transfer has not been completed as of 31 December 2024, and the RMB36,491,000 of consideration received by Shenzhen Boton has been accounted for as payables to the Purchasers and included in 'Other payables' (Note 23 (c)).

The difference between the Consideration and the fair value of the Sale Interest, amounting to approximately RMB23,850,000, was accounted for as share-based payments and amortised over five years, and recognised in employee benefit expenses (Note 29) and equity in the share-based payment reserve (Note 20). Share-based payments recognised during the year amounted to RMB4,770,000 (2023: RMB4,770,000).

The Purchasers are legally entitled to dividends. During the year ended 31 December 2024, Dongguan Boton paid RMB7,950,000 of dividends to the Purchasers (2023: Nil).

21. SHARES HELD UNDER THE SHARE AWARD SCHEME

On 11 December 2023, the Company adopted a share award scheme (the "Share Award Scheme"). The adoption of the Share Award Scheme provides for the award of ordinary share(s) of HK$0.10 each in the share capital of the Company to any employee participant or service provider which the Company considers, in their sole discretion, to have contributed or will contribute to the Company and its subsidiaries, who are not required to pay for those shares either on grant or on vesting of the award. The trustee, namely Tricor Trust (Hong Kong) Limited, is a professional institution appointed by the Company as such to operate and administer the Share Award Scheme in accordance with the terms of the Share Award Scheme.

During the year, the Company repurchased 500,000 of the Company's shares at an aggregated consideration of approximately HKD1,072,000 (equivalent to approximately RMB979,000) for the purpose of the Share Award Scheme. As at 31 December 2024, 500,000 shares are held by the trustee and have yet to be awarded (2023 : Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

22. DEFERRED GOVERNMENT GRANTS

	2024	2023
At 1 January	**35,518**	36,323
Credited to consolidated income statement	**(794)**	(805)
At 31 December	**34,724**	35,518

As at 31 December 2024, amounts mainly represented various government grants received by Shenzhen Boton for subsidising the research and development and government grants received by Hubei Boton for land use rights. There were no unfulfilled conditions and other contingencies attached to these government grants.

23. 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 Dongguan Boton	(c)	**36,491**	36,491
Bills payable		**1,141**	—
Others		**88,497**	70,081
		807,141	834,593

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
	432,587	363,440

(b) The balance represented the outstanding consideration payable in relation to the acquisition of Kimree (Note 36).

(c) The balance represented consideration from the directors and employees of Dongguan Boton for the proposed transfer of equity interests of Dongguan Boton (Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

24. DEFERRED INCOME TAX

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

Before offsetting:

	2024	2023
Deferred income tax assets:		
– to be recovered within 12 months	**25,373**	6,743
– to be recovered after more than 12 months	**12,669**	28,211
	38,042	34,954
Deferred income tax liabilities:		
– to be recovered within 12 months	**(70,627)**	(9,949)
– to be recovered after more than 12 months	**(8,816)**	(82,191)
	(79,443)	(92,140)

After offsetting:

	2024	2023
Deferred income tax assets	**32,495**	28,735
Deferred income tax liabilities	**(73,896)**	(85,921)

As at 31 December 2024, deferred income tax assets and deferred income tax liabilities were offset, where they are in the same entity, to the extent of RMB5,547,000 (2023: RMB6,219,000).

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

	2024	2023
At 1 January	**(57,186)**	(55,453)
Credited to consolidated income statement (Note 31)	**15,785**	(1,733)
At 31 December	**(41,401)**	(57,186)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

24. DEFERRED INCOME TAX (continued)

The movement in deferred income tax assets and liabilities during the year before offsetting of balances relating to the same entity is as follows:

Deferred income tax assets

	Provision for impairment on trade and other receivables	Tax losses	Accrued expenses and salaries payable	Others	Total
At 1 January 2023	15,009	27,019	4,086	1,674	47,788
Credited/(charged) to consolidated income statement	12,592	(26,655)	1,200	29	(12,834)
At 31 December 2023	27,601	364	5,286	1,703	34,954
At 1 January 2024	**27,601**	**364**	**5,286**	**1,703**	**34,954**
Credited/(charged) to consolidated income statement	**1,111**	**3,438**	**(1,656)**	**195**	**3,088**
At 31 December 2024	**28,712**	**3,802**	**3,630**	**1,898**	**38,042**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB30,176,000 (2023: RMB26,424,000) in respect of tax losses amounting to RMB133,051,000 (2023: RMB116,508,000) that can be carried forward against future taxable income. These tax losses have not been recognised due to uncertainty of their future recoverability.

Deferred income tax liabilities

	Fair value change on investment properties	Transfer of owner-occupied properties to investment properties	Withholding tax on the earnings anticipated to be remitted by subsidiaries (Note (a))	Amortisation of intangible assets	Total
At 1 January 2023	(25,032)	(25,118)	(16,903)	(36,188)	(103,241)
Credited to consolidated income statement	750	–	403	9,948	11,101
At 31 December 2023	(24,282)	(25,118)	(16,500)	(26,240)	(92,140)
At 1 January 2024	**(24,282)**	**(25,118)**	**(16,500)**	**(26,240)**	**(92,140)**
Credited to consolidated income statement	**30**	**–**	**3,850**	**8,817**	**12,697**
At 31 December 2024	**(24,252)**	**(25,118)**	**(12,650)**	**(17,423)**	**(79,443)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

24. DEFERRED INCOME TAX (continued)

Deferred income tax liabilities (continued)

(a) With effect from 1 January 2008, companies within the PRC are required to withhold income tax at 10% of the amount of dividend declares to their immediate holding companies outside the PRC out of profits earned after 1 January 2008. A lower 5% withholding income tax rate is applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil certain requirements under the tax treaty arrangements between the PRC and Hong Kong. As at 31 December 2024, deferred income tax liabilities were not recognised for the withholding tax that would be payable on the unremitted earnings of RMB111,893,000 (2023: RMB111,239,000) of certain subsidiaries in the PRC as these earnings are expected to be retained by these PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of the Group's overseas funding requirements.

Accounting policies on deferred income tax

Inside basis differences

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred income tax asset and liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

25. BORROWINGS

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

(a) The Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2024	2023
RMB	1,605,911	1,258,308
HKD	244,079	296,949
Total	1,849,990	1,555,257

(b) As at 31 December 2024, bank borrowings were secured by:

- Property, plant and machinery of RMB1,186,918,000 (2023: RMB808,407,000);
- Investment properties of RMB631,800,000 (2023: RMB632,000,000);
- Bank deposits of RMB183,500,000 (2023: RMB260,572,000);
- Land use rights of RMB64,926,000 (2023: RMB25,313,000);
- 100% equity pledge of Shenzhen Boton held by CFF Holdings Limited (2023: same);
- Personal guarantee by Wang Ming Fan, Chairman of the Group (2023: same);
- Corporate guarantee by China Boton Group and Shenzhen Boton (2023: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

25. BORROWINGS (continued)

(c) The exposure of the borrowings to interest-rate changes at the end of the year are as follows:

	2024	2023
Borrowings at floating rates		
6 months or less	**249,574**	296,949
6 - 12 months	**1,058,138**	807,540
	1,307,712	1,104,489
Borrowings at fixed rates	**542,278**	450,768
Total	**1,849,990**	1,555,257

(d) The borrowings are repayable as follows:

	2024	2023
Within 1 year	**894,086**	859,101
Between 1 and 2 years	**511,513**	260,928
Between 2 and 5 years	**163,570**	395,582
Over 5 years	**280,821**	39,646
Total	**1,849,990**	1,555,257

(e) The effective interest rate of the borrowings at the balance sheet date is 4.79% (2023: 4.57%).

(f) The fair values of the borrowings are not materially different from their carrying amounts as they are either short term in nature or the interest rates on these borrowings are close to the current market rates.

(g) As at 31 December 2024, the Group had unused credit facilities from banks amounted to RMB1,180,206,000 (2023: RMB866,105,000).

26. OTHER INCOME

	2024	2023
Government grants	**3,372**	2,954
Others	**30**	2,432
	3,402	5,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

27. 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 loss on investment properties (Note 8)	**(200)**	(5,000)
Others	**1,684**	975
	5,938	53,806

28. 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
Total of cost of sales, selling and marketing expenses and administrative expenses	**1,438,245**	1,717,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

29. EMPLOYEE BENEFIT EXPENSES

	2024	2023
Wages, allowance and bonus	**195,600**	189,223
Share-based payments	**4,770**	4,770
Retirement scheme contribution (Note (a))	**6,911**	5,619
Others	**6,041**	4,820
	213,322	204,432

(a) Retirement scheme contribution

The PRC subsidiaries made defined contributions to a retirement scheme managed by the local government in the PRC based on 21% (2023: 21%) of the basic salary of eligible staff. During the years ended 31 December 2024 and 2023, the Group had no forfeited contributions under its defined contribution schemes which was used to reduce the existing level of contribution.

It is the local government's responsibility to pay the retirement pension to those staff who retired.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2024 include three (2023: three) directors whose emoluments are reflected in the analysis presented in Note 39. The emoluments paid to the remaining two (2023: two) individuals during the year are as follows:

	2024	2023
Wages, allowance and bonus	**2,717**	2,713
Retirement scheme contribution	**101**	79
	2,818	2,792

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
Emolument bands		
HK$1,000,001 - HK$1,500,000	**1**	1
HK$1,500,001 - HK$2,000,000	**1**	1
	2	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

30. FINANCE INCOME AND COSTS

	2024	2023
Finance income		
– Interest income	**2,085**	7,461
Finance costs		
– Interest expenses	**(75,021)**	(73,883)
– Net exchange losses	**(330)**	(4,420)
	(75,351)	(78,303)
Less: amounts capitalised on qualifying assets (a)	**9,446**	5,284
	(65,905)	(73,019)
Finance costs – net	**(63,820)**	(65,558)

(a) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's borrowings during the year, which was 4.50% (2023: 5.66%).

31. 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 (Note 24)	**(15,785)**	1,733
	22,370	42,841

(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, Dongguan Boton, Kimsun Huizhou and Hubei Boton are qualified as High/New Technology Enterprises, and accordingly it is entitled to the preferential rate of 15% for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

31. INCOME TAX EXPENSE (continued)

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

	2024	2023
Profit before income tax	**85,652**	183,471
Tax calculated at the tax rate of 15% (2023: 15%)	**12,848**	27,521
Effect of different tax rates available to different companies of the Group	**(479)**	(1,349)
Temporary differences not recognised	**7,512**	25,319
Utilisation of previously unrecognised temporary differences	**(2,655)**	(9,402)
Withholding income tax on the profits to be distributed by the group companies in the PRC	**–**	1,500
Expenses not deductible for tax purposes	**12,532**	6,703
Accelerated research and development deductible expenses	**(7,388)**	(7,451)
Income tax expense	**22,370**	42,841

32. 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 (Note 21).

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

33. DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to cash generated from operations

	2024	2023
Profit before income tax	**85,652**	183,471
Adjustments for:		
– Depreciation and amortisation	**120,795**	132,071
– Deferred government grants	**(794)**	(805)
– Impairment charge of goodwill	**67,414**	—
– Net impairment losses on financial assets	**7,628**	156,889
– Gains on disposal of property, plant and equipment	**(3,130)**	(2,926)
– Gains on financial assets at fair value though profit or loss	**(1,324)**	—
– Write-downs of inventories to net realisable value	**1,167**	1,726
– Interest income	**(2,085)**	(7,461)
– Interest expense	**65,575**	68,599
– Fair value loss on investment properties	**200**	5,000
– Share-based payment expenses	**4,770**	4,770
– Share of results of investments accounted for using the equity method	**(423)**	—
Changes in working capital:		
– Inventories	**(7,601)**	20,101
– Trade and other receivables	**(2,072)**	79,880
– Trade and other payables	**(35,900)**	(279,035)
Cash generated from operations	**299,872**	362,280

(b) Non-cash investing and financing activities

Significant non-cash investing and financing activities for the year end 31 December 2024 represented the additions to right-of-use assets of RMB7,720,000 (2023: RMB42,458,000) (Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2024	2023
Cash and cash equivalents	282,721	349,794
Pledged deposits for bank borrowings	183,500	260,572
Lease liabilities	(9,879)	(6,949)
Borrowings	(1,849,990)	(1,555,257)
Net debt	(1,393,648)	(951,840)

Net debt	Cash and cash equivalents	Pledged deposits for bank borrowings	Liabilities from financing activities: Lease	Liabilities from financing activities: Borrowing	Total
As at 1 January 2023	433,015	273,728	(11,688)	(1,665,888)	(970,833)
Cash flows	(84,550)	—	4,699	110,631	30,780
Foreign exchange adjustments	1,329	—	—	—	1,329
Interest expense	—	—	(600)	(61,089)	(61,689)
Interest payment (presented as operating cash flows)	—	—	600	61,089	61,689
Decrease in pledged deposits for bank borrowings	—	(13,156)	—	—	(13,156)
Disposal of subsidiaries	—	—	40	—	40
As at 31 December 2023	349,794	260,572	(6,949)	(1,555,257)	(951,840)
Cash flows	(68,176)	—	5,402	(294,733)	(357,507)
New leases	—	—	(8,332)	—	(8,332)
Foreign exchange adjustments	1,103	—	—	—	1,103
Interest expense	—	—	(612)	(64,351)	(64,963)
Interest payment (presented as operating cash flows)	—	—	612	64,351	64,963
Decrease in pledged deposits for bank borrowings	—	(77,072)	—	—	(77,072)
As at 31 December 2024	282,721	183,500	(9,879)	(1,849,990)	(1,393,648)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

35. COMMITMENTS

(a) Capital commitments

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

	2024	2023
Property, plant and equipment contracted but not provided for	**188,898**	320,517

(b) Commitments related to short-term leases

The future aggregate minimum lease payments under non-cancellable short-term leases contracted for at the end of year but not recognised as liabilities, are as follows:

	2024	2023
Not later than 1 year	**412**	313

36. CONTINGENCIES

During the year, there was a legal proceeding between the Company and one of the sellers (the "Plaintiff") under the sales and purchase agreement ("SPA") for the acquisition of Kimree (the "Kimree Acquisition") for an alleged RMB150 million as the remaining payment of the consideration 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 these consolidated financial statements. As at the date these consolidated financial statements, the above case is still at an early stage and thus management cannot reasonably estimate the outcome of this case. The above RMB150 million of the remaining payment of the consideration has been accrued and included in "Other payables" (Note 23).

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Creative China Limited, a company incorporated in the British Virgin Islands, which is controlled by Mr. Wang Ming Fan.

Save as disclosed in Note 20 and elsewhere in these consolidated financial statements, the directors of the Company are of the view that there are no other related party transactions incurred during the year.

Key management personnel compensation

The compensations paid or payable to key management personnel (including directors) for employee services are shown below:

	2024	2023
Wages, salaries and bonuses	**9,214**	9,387
Pension costs – defined contribution plans	**267**	220
Share-based payments	**240**	240
	9,721	9,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

38. BALANCE SHEET OF THE COMPANY

		As at 31 December	
	Note	2024	2023
ASSETS			
Non-current assets			
Investments in subsidiaries		**1,699,163**	1,662,796
Current assets			
Trade and other receivables		**269,072**	258,678
Cash and cash equivalents		**13,796**	60,424
		282,868	319,102
Total assets		**1,982,031**	1,981,898
EQUITY			
Attributable to owners of the Company			
Share capital		**101,522**	101,522
Share premium and capital reserve		**1,390,949**	1,390,949
Shares held under the share award scheme	21	**(979)**	—
Other reserves	(a)	**(823,867)**	(816,703)
Total equity		**667,625**	675,768
LIABILITIES			
Non-current liabilities			
Borrowings		**145,706**	237,716
		145,706	237,716
Current liabilities			
Trade and other payables		**1,070,326**	1,009,181
Borrowings		**98,374**	59,233
		1,168,700	1,068,414
Total equity and liabilities		**1,982,031**	1,981,898

The Balance Sheet was approved by the Board of Directors on 24 March 2025 and was signed on its behalf.

Wang Ming Fan
Director

Li Qing Long
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

38. BALANCE SHEET OF THE COMPANY (continued)

(a) Movement of other reserves

	Accumulated losses and currency translation reserve	Share-based payments reserve	Total
At 1 January 2023	(813,768)	57,603	(756,165)
Loss for the year	(53,311)	—	(53,311)
Currency translation differences	(7,227)	—	(7,227)
At 31 December 2023	(874,306)	57,603	(816,703)
At 1 January 2024	**(874,306)**	**57,603**	**(816,703)**
Loss for the year	**(7,164)**	**—**	**(7,164)**
At 31 December 2024	**(881,470)**	**57,603**	**(823,867)**

39. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of directors and the chief executive for the year ended 31 December 2024 is set out in below.

Name of director	Fees	Salaries	Employer's contribution to a retirement benefit scheme	Share-based payments	Total
Mr. Wang Ming Fan*	—	1,901	55	—	1,956
Mr. Li Qing Long	—	1,440	16	240	1,696
Mr. Yang Ying Chun	—	1,386	56	—	1,442
Mr. Leung Wai Man, Roger	137	—	—	—	137
Mr. Zhou Xiao Xiong	137	—	—	—	137
Mr. Ng Kwun Wan	137	—	—	—	137
Mr. Yau How Boa	137	—	—	—	137
Ms. Wan Shuk Ching, Candy	219	—	—	—	219
	767	4,727	127	240	5,861

There was no payment to the above directors during the year for discretionary bonuses, housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director and emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

* Mr. Wang Ming Fan is also the chief executive of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

39. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of directors and the chief executive for the year ended 31 December 2023 is set out in below.

Name of director	Fees	Salaries	Employer's contribution to a retirement benefit scheme	Share-based payments	Total
Mr. Wang Ming Fan*	—	1,889	49	—	1,938
Mr. Li Qing Long	—	1,134	16	240	1,390
Mr. Yang Ying Chun	—	1,080	33	—	1,113
Mr. Leung Wai Man, Roger	135	—	—	—	135
Mr. Zhou Xiao Xiong	135	—	—	—	135
Mr. Ng Kwun Wan	135	—	—	—	135
Mr. Yau How Boa**	101	—	—	—	101
Ms. Wan Shuk Ching, Candy**	2	—	—	—	2
	508	4,103	98	240	4,949

There was no payment to the above directors during the year for discretionary bonuses, housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director and emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

* Mr. Wang Ming Fan is also the chief executive of the Company.

** Mr. Yau How Boa and Ms. Wan Shuk Ching, Candy were appointed as independent director and non-executive director of the Company on 3 April 2023 and 29 December 2023, respectively.

(b) Directors' retirement benefits and termination benefits

No directors' retirement benefits, directors' termination benefits, consideration provided to third parties for making available directors' services, and loans, quasi-loans or other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors, subsisted at the end of the year or at any time during the year.

(c) Directors' material interests in transactions, arrangements and contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

40. SUMMARY OF OTHER ACCOUNTING POLICIES

40.1 Subsidiaries

(a) Consolidation

(i) Merger accounting

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the common control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, whichever is shorter, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

(ii) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for non-common control business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

40. SUMMARY OF OTHER ACCOUNTING POLICIES (continued)

40.1 Subsidiaries (continued)

(a) Consolidation (continued)

(ii) Subsidiaries (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of subsidiaries to non-controlling interests are also recorded in equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

40. SUMMARY OF OTHER ACCOUNTING POLICIES (continued)

40.1 Subsidiaries (continued)

(a) Consolidation (continued)

(v) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

40.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors that make strategic decisions.

40.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains – net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

40. SUMMARY OF OTHER ACCOUNTING POLICIES (continued)

40.3 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

40.4 Property, plant and equipment

All property, plant and equipment except for construction in progress are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is property, plant and equipment on which construction work has not been completed and stated at cost. Cost includes acquisition and construction expenditure incurred, interest and other direct costs attributable to the development. Depreciation is not provided on construction in progress until the related asset is completed for intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 40.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains - net', in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

40. SUMMARY OF OTHER ACCOUNTING POLICIES (continued)

40.5 Intangible assets

The Group amortises intangible assets with a limited useful life using the straight-line method over the following period:

Customer relationships and non-competition agreement	10-15 years
Patents, formula and trademark	8-10 years
Computer software	2-5 years

(a) Customer relationships and non-competition agreement

Customer relationships and non-competition agreement acquired in a business combination are recognised at fair value at the acquisition date. The customer relations and non-competition agreement have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from 10 to 15 years over the expected life of the intangible assets.

(b) Patents, formula and trademark

Patents, Formula and Trademark include purchased technology and skills acquired from third parties. They have a finite useful life and carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the technology and skills over their estimated useful life of 8 to 10 years.

(c) Computer software

The amount mainly comprises acquired computer software. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 2 to 5 years on a straight-line basis.

40.6 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

40.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

40. SUMMARY OF OTHER ACCOUNTING POLICIES (continued)

40.8 Other financial assets

(a) Classification

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost. The expenditure attributable to the intangible asset during its development can be reliably measured.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

40.9 Fair value of financial assets through profit or loss

The fair value of FVPL that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

40.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

40. SUMMARY OF OTHER ACCOUNTING POLICIES (continued)

40.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 40.8(d)).

40.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

40.13 Share capital

Ordinary shares issued are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

40.14 Share-based payments

Share-based payments was amortised over five years, and recognised as part of employee benefit expense and equity in the share-based payment reserve. Information relating to this agreement is set out in Note 20.

40.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

40.16 Accounting policy on other revenue and other income

(a) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(b) Rental income

Rental income from investment properties leased out under an operating lease is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

40.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

40. SUMMARY OF OTHER ACCOUNTING POLICIES (continued)

40.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

40.19 Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The contributions are recognised as employee benefit expense when they are due.

40.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

40.21 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

40. SUMMARY OF OTHER ACCOUNTING POLICIES (continued)

40.22 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease payments are discounted using the interest rate implicit in the respective lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in Renminbi thousands unless otherwise stated)

40. SUMMARY OF OTHER ACCOUNTING POLICIES (continued)

40.22 Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

40.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or board of directors, as appropriate.

40.24 Provisions

Provisions for service warranties and make good obligations are recognised when the Group has a present constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2024 **RMB'000**	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	**1,652,996**	2,063,746	2,324,807	2,286,102	1,852,933
Gross profit	**597,906**	798,110	786,864	892,337	774,311
Profit before income tax	**85,652**	183,471	112,214	302,528	235,206
Profit attributable to owners of the Company	**18,381**	146,370	48,317	183,512	116,622
Equity attributable to owners of the Company	**3,140,955**	3,127,158	2,975,693	2,913,015	2,724,810
Total assets	**6,297,925**	6,006,867	6,451,006	6,311,610	5,489,194
Total liabilities	**2,888,647**	2,630,640	3,188,886	3,142,041	2,548,858
Cash and cash equivalents	**282,721**	349,794	433,015	330,484	263,486

DETAILS OF INVESTMENT PROPERTIES

	Properties	Category of lease	Existing Use
1	Various portions of Tower B of Boton Technology Building, Le Li Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Medium	Office
2	Various portions of Tower A of Boton Technology Building, Le Li Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Medium	Office
3	Units A2507 & A2508 of Block A and B703 of Block B, Allied Plaza (聯合廣場), Futian District, Shenzhen City, Guangdong Province, the PRC	Medium	Office
4	Unit A3906 of Block A, Allied Plaza (聯合廣場), Futian District, Shenzhen City, Guangdong Province, the PRC	Medium	Office
5	Unit B701 of Block B, Allied Plaza (聯合廣場), Futian District, Shenzhen City, Guangdong Province, the PRC	Medium	Office
6	Various portions of an industrial complex, Le Li Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Medium	Cultural and/or Industrial