



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3318)



INTERIM REPORT 2022

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wang Ming Fan, *MH*
(*Chairman & Chief Executive Officer*)
Mr. Li Qing Long
Mr. Yang Ying Chun

Independent non-executive Directors

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

Committees of the Board

Audit Committee

Mr. Ng Kwun Wan (*Chairman*)
Mr. Leung Wai Man, Roger
Mr. Zhou Xiao Xiong

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mr. Ma Siu Kit

Auditors

PricewaterhouseCoopers

Company Website

www.boton.com.hk

Principal Bankers

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Bank of China Limited — Shenzhen Branch
HSBC Bank (China) Company Limited
— Shenzhen Branch
Bank of Communications Co., Ltd. — 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

Room 2101-02, 21/F
Wing On House
71 Des Voeux Road Central
Central
Hong Kong

Principal Share Registrar and Transfer Office

Tricor Services (Cayman Islands) Limited
2nd Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman, KY1-1103
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)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi thousands unless otherwise stated)

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,344,445	1,499,250
Right-of-use assets	8	123,623	129,196
Investment properties		638,300	547,900
Intangible assets	7	1,793,108	1,817,799
Deferred income tax assets		20,226	20,663
Prepayments for the purchase of property, plant and equipment	9	74,309	57,347
Total non-current assets		3,994,011	4,072,155
Current assets			
Inventories		319,195	223,272
Trade and other receivables	9	1,405,247	1,484,322
Deposits for bank borrowings		204,552	201,377
Cash		297,934	330,484
Total current assets		2,226,928	2,239,455
Total assets		6,220,939	6,311,610
EQUITY			
Attributable to owners of the Company			
Share capital	10	101,522	101,522
Share premium		1,292,432	1,292,432
Other reserves		374,998	381,616
Retained earnings		1,233,757	1,137,445
		3,002,709	2,913,015
Non-controlling interests		301,874	256,554
Total equity		3,304,583	3,169,569

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

(All amounts in Renminbi thousands unless otherwise stated)

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred government grants		37,097	37,128
Deferred income tax liabilities		101,133	96,073
Borrowings	11	546,088	689,620
Lease liabilities	8	8,521	11,884
Other non-current liabilities	12	143,157	206,725
Total non-current liabilities		835,996	1,041,430
Current liabilities			
Trade and other payables	12	966,335	1,171,935
Contract liabilities		80,735	82,028
Lease liabilities	8	6,596	7,008
Current income tax liabilities		124,324	133,305
Borrowings	11	902,370	706,335
Total current liabilities		2,080,360	2,100,611
Total liabilities		2,916,356	3,142,041
Total equity and liabilities		6,220,939	6,311,610

The notes on pages 9 to 22 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi thousands unless otherwise stated)

	Note	(Unaudited) Six months ended 30 June	
		2022	2021
Revenue	13	1,199,325	1,081,825
Cost of sales	14	(763,314)	(652,339)
Gross profit		436,011	429,486
Other income	13	10,566	5,211
Other (losses)/gains — net	13	(12,316)	600
Selling and marketing expenses	14	(53,142)	(54,430)
Administrative expenses	14	(169,834)	(158,218)
Net impairment losses on financial assets		(6,966)	(24,933)
Operating profit		204,319	197,716
Finance income	15	2,333	3,018
Finance costs	15	(30,300)	(27,717)
Finance costs — net	15	(27,967)	(24,699)
Profit before income tax		176,352	173,017
Income tax expense	16	(39,940)	(38,416)
Profit for the period		136,412	134,601
Attributable to:			
Owners of the Company		96,312	103,245
Non-controlling interests		40,100	31,356
		136,412	134,601
Earnings per share for profit attributable to owners of the Company (expressed in Renminbi per share)			
Basic and diluted	17	0.09	0.10

Information of dividends to owners of the Company is set out in Note 18.

The notes on pages 9 to 22 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
Profit for the period	136,412	134,601
Other comprehensive income:		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Revaluation gain on transfer of owner-occupied property to investment properties, gross of tax	5,499	—
Tax on revaluation gain on transfer of owner-occupied property to investment properties	(825)	—
	4,674	—
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(2,916)	2,238
Total comprehensive income for the period	138,170	136,839
Attributable to:		
Owners of the Company	88,429	110,764
Non-controlling interests	49,741	26,075
Total comprehensive income for the period	138,170	136,839

The notes on pages 9 to 22 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in Renminbi thousands unless otherwise stated)

	(Unaudited) Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	101,522	1,292,432	353,723	977,133	2,724,810	215,526	2,940,336
Comprehensive income							
Profit for the period	–	–	–	103,245	103,245	31,356	134,601
Other comprehensive income							
Currency translation differences	–	–	7,519	–	7,519	(5,281)	2,238
Total comprehensive income	–	–	7,519	103,245	110,764	26,075	136,839
Transactions with owners							
Share-based payments	–	–	1,265	–	1,265	1,120	2,385
Total transactions with owners	–	–	1,265	–	1,265	1,120	2,385
Balance at 30 June 2021	101,522	1,292,432	362,507	1,080,378	2,836,839	242,721	3,079,560
Balance at 1 January 2022	101,522	1,292,432	381,616	1,137,445	2,913,015	256,554	3,169,569
Comprehensive income							
Profit for the period	–	–	–	96,312	96,312	40,100	136,412
Other comprehensive income							
Revaluation gain on transfer of owner – occupied property to investment properties, gross of tax	–	–	5,499	–	5,499	–	5,499
Tax on revaluation gain on transfer of owner-occupied property to investment properties	–	–	(825)	–	(825)	–	(825)
Currency translation differences	–	–	(12,557)	–	(12,557)	9,641	(2,916)
Total comprehensive income	–	–	(7,883)	96,312	88,429	49,741	138,170
Transactions with owners							
Share-based payments	–	–	1,265	–	1,265	1,120	2,385
Disposal of a subsidiary	–	–	–	–	–	(5,541)	(5,541)
Total transactions with owners	–	–	1,265	–	1,265	(4,421)	(3,156)
Balance at 30 June 2022	101,522	1,292,432	374,998	1,233,757	3,002,709	301,874	3,304,583

The notes on pages 9 to 22 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in Renminbi thousands unless otherwise stated)

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
Net cash generated from operating activities	8,749	78,035
Cash flows from investing activities		
— Purchase of property, plant and equipment	(19,227)	(17,351)
— Purchase of intangible assets	(462)	—
— Proceeds from disposals of property, plant and equipment	284	—
— Payment for acquisition of subsidiaries	(63,568)	—
— Proceeds from disposal of a subsidiary, net of cash disposed	(5,935)	—
— Interest received	2,333	3,018
Net cash used in investing activities	(86,575)	(14,333)
Cash flows from financing activities		
— New borrowings	496,057	268,035
— Repayment of borrowings	(443,554)	(337,584)
— Principal elements of lease payments	(3,565)	(3,748)
— (Increase)/decrease in deposits for bank borrowings	(3,175)	75
Net cash generated from/(used) in financing activities	45,763	(73,222)
Net decrease in cash	(32,063)	(9,520)
Effects of exchange rate changes on cash	(487)	(2,497)
Cash at beginning of period	330,484	263,486
Cash at end of period	297,934	251,469

The notes on pages 9 to 22 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(All amounts in Renminbi thousands unless otherwise stated)

1. General Information

China Boton Group Company Limited (previously known as China Flavors and Fragrances Company Limited) (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in trading, manufacturing and selling of extracts, flavors and fragrances in the People’s Republic of China (the “PRC”), and starting in 2016, penetrating into the market of e-Cigarettes and e-Cigarette-related products, which are sold by tobacco companies, independent e-Cigarette makers and other customers under different brands to consumers in over 20 countries, including in the United States of America and European Union. The Company was incorporated in the Cayman Islands on 9 March 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

These unaudited interim condensed consolidated financial statements are presented in thousands of units of Renminbi (RMB’000), unless otherwise stated.

These unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Directors (the “Board”) of the Company on 25 August 2022.

These interim condensed consolidated financial statements have not been audited.

2. Basis of Preparation

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022 (the “Period”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021 (the “2021 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022

(All amounts in Renminbi thousands unless otherwise stated)

3. Accounting Policies

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

3.1 New and amended standards adopted by the Group

A number of new or amended standards including amendments to HKAS 16, amendments to HKFRS 3, amendments to HKAS 37, annual improvements and amendments to Accounting Guideline 5 (revised) became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards. The Directors consider that application of these new standards, amendments and interpretation to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in this Interim Financial Information.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. Estimates

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5. Financial Risk Management

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022
(All amounts in Renminbi thousands unless otherwise stated)

6. Revenue and Segment Information

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

The Group assesses the performance of the segments based on the profit before income tax and profit for the period. The segment information for the six months ended 30 June 2022 is presented below.

	Flavor enhancers	Food flavors	Fine fragrances	e-Cigarette products	Investment properties	Unallocated	Total segments
Segment revenue – sales of goods	328,664	86,815	65,528	699,802	–	–	1,180,809
Segment revenue – rental income	–	–	–	–	23,372	–	23,372
Inter-segment revenue	(4,856)	–	–	–	–	–	(4,856)
Revenue from external customers	323,808	86,815	65,528	699,802	23,372	–	1,199,325
Timing of revenue recognition							
At a point in time	323,808	86,815	65,528	699,802	–	–	1,175,953
Over time	–	–	–	–	23,372	–	23,372
Other income	8,342	88	82	1,908	–	146	10,566
Other (losses)/gains – net	128	–	–	156	(12,600)	–	(12,316)
Operating profit/(loss)	121,803	28,383	7,812	64,661	(2,926)	(15,414)	204,319
Finance income	–	181	168	108	–	1,876	2,333
Finance costs	(24,409)	(21)	(19)	(2,853)	–	(2,998)	(30,300)
Finance costs – net	(24,409)	160	149	(2,745)	–	(1,122)	(27,967)
Profit/(loss) before income tax	97,394	28,543	7,961	61,916	(2,926)	(16,536)	176,352
Income tax (expense)/credit	(16,073)	(5,054)	(1,140)	(19,059)	(453)	1,839	(39,940)
Profit/(loss) for the period	81,321	23,489	6,821	42,857	(3,379)	(14,697)	136,412
Depreciation and amortisation	39,244	4,097	2,597	10,339	–	10,257	66,534
Net impairment losses/(reversal of net impairment losses) on financial assets	(2,829)	(188)	–	9,983	–	–	6,966
Provision for write-down of inventories	25	–	–	22	–	–	47

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022

(All amounts in Renminbi thousands unless otherwise stated)

6. Revenue and Segment Information (continued)

The segment information for the six months ended 30 June 2021 is presented below.

	Flavor enhancers	Food flavors	Fine fragrances	e-Cigarette products	Investment properties	Unallocated	Total segments
Segment revenue – sales of goods	301,610	91,088	65,660	600,583	–	–	1,058,941
Segment revenue – rental income	–	–	–	–	24,205	–	24,205
Inter-segment revenue	(1,321)	–	–	–	–	–	(1,321)
Revenue from external customers	300,289	91,088	65,660	600,583	24,205	–	1,081,825
Timing of revenue recognition							
At a point in time	300,289	91,088	65,660	600,583	–	–	1,057,620
Over time	–	–	–	–	24,205	–	24,205
Other income	1,840	12	8	1,872	1,479	–	5,211
Other gains – net	–	–	–	–	600	–	600
Operating profit/(loss)	109,620	24,880	6,172	71,961	4,157	(19,074)	197,716
Finance income	–	69	50	169	–	2,730	3,018
Finance costs	(18,685)	(715)	(515)	(4,389)	–	(3,413)	(27,717)
Finance costs – net	(18,685)	(646)	(465)	(4,220)	–	(683)	(24,699)
Profit/(loss) before income tax	90,935	24,234	5,707	67,741	4,157	(19,757)	173,017
Income tax (expense)/credit	(15,295)	(3,601)	(848)	(20,013)	(650)	1,991	(38,416)
Profit/(loss) for the period	75,640	20,633	4,859	47,728	3,507	(17,766)	134,601
Depreciation and amortisation	27,144	3,288	2,370	19,100	–	10,189	62,091
Net impairment losses on financial assets	8,012	1,311	646	14,639	325	–	24,933
Provision for write-down of inventories	23	–	–	19	–	–	42

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022
(All amounts in Renminbi thousands unless otherwise stated)

7. Property, Plant and Equipment and Intangible Assets

	Property, plant and equipment	Intangible assets
Six months ended 30 June 2022		
Opening net book amount as at 1 January 2022	1,499,250	1,817,799
Additions	11,822	462
Disposal of a subsidiary	(9,927)	—
Other disposals	(240)	(604)
Depreciation and amortisation	(35,947)	(24,549)
Transfer to investment properties*	(120,513)	—
Closing net book amount as at 30 June 2022	1,344,445	1,793,108
Six months ended 30 June 2021		
Opening net book amount as at 1 January 2021	1,511,704	1,869,692
Additions	22,208	160
Depreciation and amortisation	(31,605)	(24,631)
Impairment	—	(3,098)
Closing net book amount as at 30 June 2021	1,502,307	1,842,123

* The amount represents transfer of property located at Boton Technology Building, Le Li Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC, to investment properties during the reporting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022

(All amounts in Renminbi thousands unless otherwise stated)

8. Leases

(a) Amounts recognised in the balance sheet

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

	As at	
	30 June 2022	31 December 2021
Right-of-use assets		
Land use rights	110,692	112,025
Buildings	12,931	16,706
Vehicles	—	465
	123,623	129,196
Lease liabilities		
Current	6,596	7,008
Non-current	8,521	11,884
	15,117	18,892

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

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

	Six months ended 30 June	
	2022	2021
Depreciation and amortisation charge of right-of-use assets:		
Land use rights	1,333	1,487
Buildings	4,240	3,814
Vehicles	465	554
	6,038	5,855
Interest expenses (included in finance costs — net) (Note 15)	463	646
Expenses relating to short-term leases (included in cost of sales, selling and marketing expenses and administrative expenses) (Note 14)	7,948	2,564

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022
(All amounts in Renminbi thousands unless otherwise stated)

9. Trade and Other Receivables

	Note	As at	
		30 June 2022	31 December 2021
Trade receivables	(a)	975,569	1,100,191
Less: provision for impairment		(79,543)	(72,577)
Trade receivables — net		896,026	1,027,614
Bills receivable	(b)	44,622	27,446
Prepayments		441,930	407,363
Other deposits		36,976	47,377
Advances to staff		19,061	7,972
Staff benefit payments		789	625
Excess of input over output value added tax		8,281	3,430
Others		31,871	19,842
		1,479,556	1,541,669
Less: non-current portion – prepayments for the purchase of property, plant and equipment		(74,309)	(57,347)
Current portion		1,405,247	1,484,322

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

	As at	
	30 June 2022	31 December 2021
Current	678,435	846,067
Not exceeding 90 days past due	80,503	145,594
More than 90 days but not exceeding 360 days past due	137,323	66,923
More than 360 days past due	79,308	41,607
	975,569	1,100,191

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022

(All amounts in Renminbi thousands unless otherwise stated)

10. Share Capital

Movements of the share capital are as follows:

	Issued and fully paid	
	Number of shares ('000)	RMB'000
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	1,080,512	101,522

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

11. Borrowings

	Note	As at	
		30 June 2022	31 December 2021
Non-current			
Secured bank loans	(a)	546,088	689,620
Current			
Secured bank loans	(a)	323,370	382,682
Unsecured bank loans		579,000	323,653
		902,370	706,335
Total borrowings		1,448,458	1,395,955

(a) As at 30 June 2022, borrowings amounting to approximately RMB869,458,000 (31 December 2021: RMB1,072,302,000) were secured by guarantee of certain deposits, pledge of equity interests in certain subsidiaries, Phase 1 Workshop and Phase 2 Building of Shenzhen Boton Flavors and Fragrances Co., Ltd. and certain properties of the Group and personal guarantee of Mr. Wang Ming Fan, Chairman of the Group.

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

	As at	
	30 June 2022	31 December 2021
United States dollars	171,926	174,072
Hong Kong dollars	256,782	318,230
RMB	1,019,750	903,653
	1,448,458	1,395,955

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022
(All amounts in Renminbi thousands unless otherwise stated)

12. Trade and Other Payables

	Note	As at	
		30 June 2022	31 December 2021
Trade payables	(a)	680,633	792,870
Payables for business combinations		232,435	296,003
Interest payable		10,750	10,750
Salaries payable		26,520	35,948
Other taxes payable		44,674	96,978
Accrued expenses		22,507	21,642
Bills payable		—	20,000
Amount due to the directors and employees of Dongguan Boton		36,491	36,491
Other payables		55,482	67,978
		1,109,492	1,378,660
Less: non-current portion — long-term other payables (Other non-current liabilities)		(143,157)	(206,725)
Current portion		966,335	1,171,935

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

	As at	
	30 June 2022	31 December 2021
Up to 3 months	538,164	664,683
3 to 6 months	29,051	68,612
6 to 12 months	65,650	29,771
Over 12 months	47,768	29,804
	680,633	792,870

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022

(All amounts in Renminbi thousands unless otherwise stated)

13. Revenue, Other Income and Other (Losses)/Gains – Net

The Group is principally engaged in trading, manufacturing and selling of extracts, flavors and fragrances. It also engaged in design and manufacturing of high quality electronic cigarettes and the related products as well. Revenue consists of sales of extracts, flavors, fragrances, e-Cigarette products and rental on investment properties. Revenue, other income and other (losses)/gains – net recognised for the six months ended 30 June 2022 were as follows:

	Six months ended 30 June	
	2022	2021
Revenue		
Sales of goods	1,175,953	1,057,620
Rental income	23,372	24,205
	1,199,325	1,081,825
Other income		
Government grants	7,335	2,852
Others	3,231	2,359
	10,566	5,211
Other (losses)/gains – net		
Fair value (losses)/gains on investment properties	(12,600)	600
Others	284	—
	(12,316)	600

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022
(All amounts in Renminbi thousands unless otherwise stated)

14. Expenses by Nature

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

	Note	Six months ended 30 June	
		2022	2021
Depreciation and amortisation		66,534	62,091
Employee benefit expenses, excluding amount included in research and development and share-based payments		84,344	103,415
Changes in inventories of finished goods and work in progress		2,700	(6,435)
Raw materials and consumables used		720,981	589,429
Impairment charges of intangible assets		—	3,098
Provision for write-down of inventories		47	42
Operating lease payments		7,948	2,564
Transportation and travelling expenses		6,596	10,664
Advertising cost		23,033	22,136
Share-based payments	(a)	2,385	2,385
Research and development costs			
— Employee benefit expenses		19,270	16,587
— Others		5,591	7,730
Consulting expenses		10,132	11,630
Entertainment		5,526	3,092
Office expenses		10,979	10,991
Other expenses		20,224	25,568
Total		986,290	864,987

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022

(All amounts in Renminbi thousands unless otherwise stated)

15. Finance Costs — Net

	Six months ended 30 June	
	2022	2021
Finance income		
— Interest income	2,333	3,018
Finance costs		
— Interest on borrowings	(24,833)	(26,610)
— Interest on lease liabilities	(463)	(646)
— Exchange losses	(5,004)	(461)
	(30,300)	(27,717)
Finance costs — net	(27,967)	(24,699)

16. Income Tax Expense

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

	Six months ended 30 June	
	2022	2021
Current income tax	34,443	52,071
Deferred income tax	5,497	(13,655)
Total	39,940	38,416

- (a) No provision for profits tax in the British Virgin Islands, the Cayman Islands and Hong Kong was made as the Group has no assessable income for profits tax for the six months ended 30 June 2022 in those jurisdictions.
- (b) Pursuant to the corporate income tax law effective from 1 January 2008, the subsidiaries of the Group established in the PRC are subject to income tax at a rate of 25% unless preferential rates are applicable.

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022
(All amounts in Renminbi thousands unless otherwise stated)

16. Income Tax Expense (continued)

- (c) The tax charge 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 the relevant subsidiaries of the Group, as below:

	Six months ended 30 June	
	2022	2021
Profit before taxation	176,352	173,017
Tax calculated at a tax rate of 15% (2021: 15%)	26,453	25,953
Effect of different tax rates available to different companies of the Group	6,378	343
Tax losses not recognised	3,298	5,395
Utilization of previously unrecognised tax losses	(648)	(568)
Withholding tax on the profits to be distributed by the Group companies in the PRC	581	6,398
Expenses not deductible for tax purposes	3,878	895
Income tax expense	39,940	38,416

17. Earnings Per Share

(a) Basic

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

	Six months ended 30 June	
	2022	2021
Profit attributable to owners of the Company	96,312	103,245
Weighted average number of ordinary shares in issue (thousand shares)	1,080,512	1,080,512
Basic earnings per share (RMB per share)	0.09	0.10

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2022

(All amounts in Renminbi thousands unless otherwise stated)

17. Earnings Per Share (continued)

(b) Diluted

Diluted earnings per share is calculated based on the weighted average number of ordinary shares outstanding. Diluted earnings per share is the same as basic earnings per share due to there is no potential dilutive effect on the earnings per share for both the six months ended 30 June 2022 and the six months ended 30 June 2021.

18. Dividends

The Board does not recommend payment of interim dividend for the six months ended 30 June 2022 (2021: nil).

19. Contingent Liabilities

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

20. Commitments

(a) Capital commitments

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

	As at	
	30 June 2022	31 December 2021
Property, plant and equipment contracted but not provided for	162,513	155,029

(b) Operating lease commitments

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

	As at	
	30 June 2022	31 December 2021
Not later than 1 year	534	564

21. Significant Related Party Transactions

There was no significant transaction with related parties during the six months ended 30 June 2022 (2021: nil).

Principal Businesses of the Group

During the six months period ended 30 June 2022, the Group was principally engaged in the research and development, manufacturing, trading and selling of extracts, flavors and fragrances. It also engaged in design and manufacturing of high quality electronic cigarettes and the related products as well.

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

Business Review

The global economy is on the cusp of a new crisis in the Year 2022 while the world is slowly recovering from the pandemic. The war in Ukraine has upended the fragile global economy which interrupted food production and pushed up food and commodity prices. Various trade sanctions among certain countries had increased the energy crisis, enlarged the geopolitical and economic uncertainties, and even exacerbated inflationary pressures globally. The continuous emergence of new series of Covid variants and deviation of public health policies among major countries continued to affect the global growth prospect.

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

In June 2022, Shenzhen Boton Flavors & Fragrances Co., Ltd. (深圳波頓香料有限公司) and Zhongxiang Aroma (Shenzhen) Co., Ltd. (中香香料(深圳)有限公司), the wholly-owned subsidiaries of the Group had obtained Tobacco Monopoly Production Enterprise Licence (煙草專賣生產企業許可證) from the State Tobacco Monopoly Administration (國家煙草專賣局) for manufacturing, wholesale and import and export of e-Liquids. The Group is among the few companies that have obtained the aforesaid licences. The subsidiaries of our e-Cigarette Products Segment have also made applications for the licences for all e-Cigarette products before the due date.

For the six months ended 30 June 2022, the Group’s total revenue amounted to approximately RMB1,199.3 million (2021: RMB1,081.8 million), representing an increase of 10.9% when compared to the same period of last year. The Group’s gross profit increased slightly to approximately RMB436.0 million (2021: RMB429.5 million), representing a mild increase of 1.5% when compared to the same period of last year. The Group’s net profit for the reporting period was approximately RMB136.4 million (2021: approximately RMB134.6 million) representing a slight increase of 1.3% when compared to the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Revenue

The breakdowns of the total revenue of the Group for the six months period ended 30 June 2022 (excluding inter-segment revenue) were as follows:

	For the six months ended 30 June				
	2022		2021		% change
	Revenue RMB (m)	% of total revenue	Revenue RMB (m)	% of total revenue	
Flavor enhancers	323.8	27.0%	300.3	27.8%	+7.8%
Food flavors	86.8	7.2%	91.0	8.4%	-4.6%
Fine fragrances	65.5	5.5%	65.7	6.1%	-0.3%
e-Cigarette products	699.8	58.4%	600.6	55.5%	+16.5%
Investment properties	23.4	1.9%	24.2	2.2%	-3.3%
Total	1,199.3	100.0%	1,081.8	100.0%	+10.9%

Flavor enhancers

Revenue of flavor enhancers amounted to approximately RMB323.8 million during the reporting period, representing an increase of 7.8% from approximately RMB300.3 million of the corresponding period last year. The increase in the revenue of this segment during the reporting period was due to the stable growth of this segment in the PRC which led to the increase of sales. During the year of 2022, the Group continues to deploy more resources to enhance the quality of flavor enhance products for the traditional tobacco industries.

Food flavors

Revenue of food flavors amounted approximately RMB86.8 million during the reporting period, indicating a mild decrease of 4.6% from approximately RMB91.0 million of the corresponding period last year. The decrease was due to the continuous strict control on transportation and lockdown of various provinces and local district because of the emergence of new series of Covid variants which seriously affected the domestic market and food industry in the PRC.

Fine fragrances

Revenue of fine fragrances amounted approximately RMB65.5 million during the reporting period, representing a slight decrease of 0.3% from approximately RMB65.7 million of the corresponding period last year. During the reporting period, the PRC government continuously implemented transportation control and lockdown of local districts because of the COVID-19 pandemic, which affected the distribution and supply of fine fragrances products and caused the decrease of revenue of this segment.

e-Cigarette products

Revenue of sales of e-Cigarettes (which comprised disposable e-Cigarettes and rechargeable e-Cigarettes) and its accessories amounted approximately RMB699.8 million during the reporting period, representing an increase of 16.5% from approximately RMB600.6 million of the corresponding period last year. It was mainly due to the contribution of a PRC subsidiary which distributed our self-owned brand "VTEK (魅客)" through our extensive sales channels and franchise stores to more than 30 major cities in the PRC and the contribution of a new subsidiary in Huizhou which manufactured and exported brand products to the international customers.. The Group also deployed significant manpower and resources to make application to register all the e-Cigarette products according to the PRC Government's new requirements.

During the Reporting Period, the e-Cigarette Products Segment had undergone corporate restructure so as to enhance the management and operation efficiency. Among which, the South Korea subsidiaries would concentrate in importing short-listed e-Cigarette brands and distributing these products via the local chain stores in the South Korea. The Group also distribute those products to other area.

Investment properties

Revenue of this segment was approximately RMB23.4 million, representing a decrease of 3.3% from approximately RMB24.2 million of the corresponding period last year. The decrease was due to the rent free period of new contracts with existing tenants.

Gross Profit

The Group recorded a gross profit of approximately RMB436.0 million, representing a mild increase of 1.5% for the six months ended 30 June 2022 (2021: RMB429.5 million).

Net Profit

The Group's net profit for the six months ended 30 June 2022 was approximately RMB136.4 million (2021: RMB134.6 million), representing a slight increase of 1.3% from the corresponding period last year. Due to the Covid-19 pandemic and the global adverse situation of the economies, the Group had tried its best to maintain the net profit during the reporting period. Net profit margin for the reporting period had diminished to approximately 11.4% (2021: 12.4%).

Other Income

Other income was RMB10.6 million for the six months ended 30 June 2022 (2021: RMB5.2 million), representing an increase of 103.8%. The increase was due to the increase of government subsidies granted to certain PRC subsidiaries of the Group during the reporting period.

Other (Losses)/Gains — Net

Other losses — net was approximately RMB12.3 million for the six months ended 30 June 2022 (2021: Gain of RMB0.6 million). The loss was mainly due to the revaluation loss of the investment properties of the Group during the reporting period.

Expenses

Selling and marketing expenses was approximately RMB53.1 million for the six months ended 30 June 2022 (2021: RMB54.4 million), representing approximately 4.4% (2021: 5.0%) of the total revenue of the reporting period and also representing a mild decrease of 2.4% when compared to the corresponding period of last year. The decrease in selling and marketing expenses was mainly due to the decrease of transportation and travelling expenses of the Group in the reporting period.

Administrative expenses amounted to approximately RMB169.8 million for the six months ended 30 June 2022 (2021: RMB158.2 million), representing approximately 14.2% (2021: 14.6%) of the total revenue of the reporting period and also representing an increase of 7.3% when compared to the corresponding period of last year. The increase of the administrative expenses was mainly due to increase in the operating leases and office expenses of the Group during the reporting period.

Net Impairment Losses on Financial Assets

The Group had applied the expected credit losses for all trade receivables. There was a net impairment loss of RMB7.0 million for trade receivables of the Group during the reporting period (2021: RMB24.9 million).

Finance Costs – Net

Net finance costs was approximately RMB28.0 million for the six months ended 30 June 2022 (2021: RMB24.7 million). The increase in net finance costs for the reporting period was mainly attributable to the increase in exchange losses.

Prospects

After nearly 30 years of stable development, the Group has continuously reinforced its strength and capability. Currently we propose four development goals, which include: high technology, high quality, high outset and high standard. In addition, the Group's corporate culture consists of "Four Transforms and Five Attitudes". Four Transforms mean: "new brand, new culture, new strength, new image" while Five Attitudes include: "attentive, concentration, carefulness, sincerity, care". By setting ambitious goals, the Group will continue to enhance its creativity and to improve its competitiveness in the ever-changing market environment and also can go forward to the international markets in the foreseeable future.

During the past years, our Flavor Enhancers Segment, Food Flavors Segment and Fine Fragrances Segment become mature and grow steadily annually. However, the e-Cigarette Products Segment is full of challenges in recent years. Following South Korea's increase in the new excise tax and tobacco tax on e-Cigarette products in Year 2021, the PRC government has also promulgated the amendment of the "Regulations on the Implementation of the Tobacco Monopoly Law of the People's Republic of China" (中華人民共和國煙草專賣法實施條例). The e-Cigarette products will be regulated with reference to the relevant provisions of traditional cigarettes from Year 2022 onwards. The "e-Cigarette Management Measures" issued by the State Tobacco Monopoly Administration became effective on 1 May 2022 which required all market partitioners to obtain the relevant licences for production, sales, transportation, import and export of e-Cigarette products. The State Administration for Market Regulation (Standard Committee) of the PRC has also issued the mandatory national standards and supporting policies of "e-Cigarettes" effective from 1 October 2022 onwards.

Two wholly-owned subsidiaries of the Group, namely: Shenzhen Boton Flavors and Fragrances Co., Ltd. and Zhongxiang Aroma (Shenzhen) Co., Ltd., have obtained the tobacco monopoly production enterprise licence for e-Liquid in June 2022 which allows the Group to manufacture and carry out domestic sales and export business of e-Liquid. Other subsidiaries of the e-Cigarette Products Segment have also made relevant application to the State Tobacco Monopoly Administration. If the e-Cigarette Products Segment obtains all relevant licences, the Group will accelerate the development of e-Cigarette business to coincide with the expansion of the e-Cigarette market.

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

Financial Review

Liquidity and Financial Resources

As at 30 June 2022, the Group had net current assets of approximately RMB146.6 million (31 December 2021: RMB138.8 million). As at 30 June 2022, the Group's cash and deposit for bank borrowings were approximately RMB502.5 million (31 December 2021: RMB531.9 million). The current ratio of the Group was approximately 1.1 as at 30 June 2022 (31 December 2021: 1.1). The increase in net current assets in the reporting period was mainly attributable to increase in inventories and decrease in trade and other payables.

The equity attributable to shareholders of the Company as at 30 June 2022 amounted to approximately RMB3,304.6 million (31 December 2021: RMB3,169.6 million). As at 30 June 2022, the Group had a total borrowings of approximately RMB1,448.5 million (31 December 2021: RMB1,395.9 million) therefore a debt gearing ratio of 43.8% (total borrowings over total equity) (31 December 2021: 44.0%). The debt gearing ratio was slightly decreased in the reporting period when compared to the corresponding period last year. During the period, interest rates of the short-term borrowings range from 2.8% to 5.4% while those of the long-term borrowings range from 2.0% to 6.1%. The Group adopts a central management of its financial resources and always maintain a prudent approach for a steady financial position.

Financing

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

Capital Structure

The share capital of the Company comprised ordinary shares for the reporting period. On 30 June 2022, the total number of issued shares of the Company was 1,080,512,146 ordinary shares.

Foreign Exchange Risk and Interest Rate Risk

The Group had net exchange losses of approximately RMB5.0 million for the six months ended 30 June 2022 (2021: exchange losses of RMB0.5 million). The Group mainly has operation in the PRC and South Korea. Most of its transactions are basically denominated in RMB and KRW save for some transactions and some bank borrowings in USD and HKD. The Company shall monitor the exchange rate of RMB against the USD, HKD and KRW closely.

It is looking into the possibility of currency hedging and will take appropriate action when favourable opportunities arise. As at 30 June 2022, the Group had bank borrowings of a total of RMB1,448.5 million (31 December 2021: RMB1,395.9 million) denominated in RMB, USD and HKD. Lending rates on bank borrowings denominated in RMB fluctuate with reference to the People's Bank of China prescribed interest rate while bank borrowings denominated in HKD fluctuate with reference to the Hong Kong Inter-bank rates. The Group did not hedge its interest rate risk. The Board is of the opinion that the interest rate risk would not have material impact on the Group.

Charge on Group's Assets

As at 30 June 2022, the Group had charged: (i) its equity interests in some subsidiaries; (ii) guarantee of certain deposits and (iii) certain buildings, warehouses and investment properties located at Shenzhen City owned by Shenzhen Boton Flavors and Fragrances Co., Ltd. (together with personal guarantee of Mr. Wang Ming Fan), as pledge of financing raised in the last financial year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Capital Expenditure

During the six months ended 30 June 2022, the Group had cash outflow of approximately RMB19.2 million (2021: RMB17.4 million) for investment in fixed assets, of which RMB4.2 million (2021: RMB0.5 million) was used for the purchase of machineries.

Capital Commitments

At 30 June 2022, the Group had capital commitments of RMB162.5 million approximately (31 December 2021: RMB155.0 million) in respect of fixed assets, which are to be funded by internal resources and financing.

Interim Dividend

The Board does not recommend payment of interim dividend for the six months ended 30 June 2022 (2021: nil).

Staff Policy

The Group had 1,518 employees in the PRC, Hong Kong and South Korea as at 30 June 2022 (2021: 1,267 employees in the PRC, Hong Kong and South Korea). The Group offers a comprehensive and competitive remuneration, retirement schemes, a share option scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are each required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant PRC laws and regulations. In addition, the Group has adopted a provident fund scheme, as required under the Mandatory Provident Fund Schemes Ordinance, for its employees in Hong Kong. The Group has also made contribution to the National Pension for its employees in South Korea pursuant to the National Pension Act of South Korea.

Material Investment

During the six months ended 30 June 2022, the Group had no material investment.

Contingent Liabilities

At 30 June 2022, the Group had no contingent liabilities.

Legal Proceedings against two Vendors of an Acquisition

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

Discloseable Transaction - Acquisition of Property in Hong Kong

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

On 22 October 2021, Best Fortune had executed a formal sale and purchase agreement with the vendor in respect of the Property.

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

Directors' and Chief Executives' Interests in Securities

As at 30 June 2022, 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

Name of Director	Number of Shares			Total	Percentage of aggregate interests to the total number of Shares in issue
	Personal Interests	Family Interests	Corporate Interests		
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:

- 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 30 June 2022.

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.
- 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.

- (ii) Interests in Dongguan Boton Flavors and Fragrances Company Limited (東莞波頓香料有限公司) (the “JV Company”), an associated corporation (as defined in the SFO) of the Company

Name of Director	Amount of paid-up registered capital of the JV Company	Percentage of registered capital of the JV Company
Mr. Wang Ming Fan ^(Note 2)	Approximately RMB28,324,450	Approximately 33.323%
Mr. Li Qing Long	Approximately RMB1,275,000	Approximately 1.50%

Note:

- The total paid-up registered capacity of the JV Company is approximately RMB85,000,000.
- Mr. Wang Ming Fan held 33.323% (RMB28,324,450) equity interest by his wholly owned company, Champion Sharp International Investment Limited.
 - There were 9.98% (RMB8,483,000) equity interest held by Ms. Yang Yifan (the spouse of Mr. Wang) and 0.46% (RMB391,000) 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%

Share Options

There was no outstanding share option during the six months ended 30 June 2022.

Save as disclosed above, none of the Directors or chief executives 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 30 June 2022.

Directors' Rights to Acquire Shares or Debenture

At no time during the period 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.

OTHER INFORMATION (Continued)

Substantial Shareholders' Interests in Securities

As at 30 June 2022, 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 <i>(Note 2)</i>	Beneficial owner, family interest and interest in controlled corporations	729,456,226	67.51%
Creative China Limited <i>(Note 3)</i>	Beneficial owner	348,320,509	32.24%
Full Ashley Enterprises Limited <i>(Note 4)</i>	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 30 June 2022.
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 30 June 2022, Mr. Wang Ming Fan and Mr. Li Qing Long were Directors of the Company and also directors of Creative China. Mr. Qian Wu, who was an ex-director of the Company, is a director of Creative China.
4. Full Ashley 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 30 June 2022.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

Audit Committee

The committee was established with written terms of reference which has been adopted for the purpose of reviewing and providing supervision on the financial reporting process and risk management and internal control systems of the Group. The Audit Committee (the "Committee") comprises three members, all being independent non-executive directors of the Company, namely, Mr. Ng Kwun Wan (Chairman), Mr. Leung Wai Man, Roger and Mr. Zhou Xiao Xiong. The Committee has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022.

Remuneration Committee

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

Nomination Committee

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

Corporate Governance

The Board of the Company recognises the importance of and is committed to maintaining high standards of corporate governance so as to enhance corporate transparency and safeguard the interests of the Company and its shareholders, customers, staff and other stakeholders. It strives to maintain effective accountability systems through well-developed corporate policies and procedures, risk management and internal systems and controls. The Company has complied with all the code provisions and, where applicable, adopted the recommended best practices, as set out in the Corporate Governance Code of Appendix 14 of the Listing Rules throughout the six-month period ended 30 June 2022, except code provision C.2.1.

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

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the model code set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the model code throughout the six-month period ended 30 June 2022.

By Order of the Board

Wang Ming Fan
Chairman

Hong Kong
25 August 2022