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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Boton Group Company Limited 中國波頓集團有限公司, you should at once hand this circular with the accompanying proxy form to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3318)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**  
**DISPOSAL OF SUBSIDIARIES**

**Independent Financial Adviser to**  
**the Independent Board Committee and the Shareholders**

**Nuada Limited**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders is set out on pages 21 to 33 of this circular.

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:*

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Boton Holding SPV”	Neland Development Limited, a company incorporated under the laws of the BVI with limited liability, a direct wholly owned subsidiary of the Company
“Boton Medical”	Boton Medical Co., Ltd, a company incorporated under the laws of Korea with limited liability and an indirect non-wholly owned subsidiary of the Company as at the date of the Disposal Agreement
“Boton Parties”	the Company and Boton Holding SPV
“Business Day(s)”	any day other than a Saturday, a Sunday or a day on which commercial banking institutions in the PRC, Hong Kong, the Cayman Islands or Korea are authorized or obligated by any statute, law (including common law), ordinance, code, rule or regulation, as each may be amended from time to time, or executive order to be closed
“BVI”	the British Virgin Islands
“Cayman BBM”	Rabbit Future Limited, a company incorporated under the laws of the Cayman Islands and a direct wholly owned subsidiary of the Target Company
“Company”	China Boton Group Company Limited 中國波頓集團有限公司, a company incorporated in the Cayman Islands with limited liability with its securities listed on the Stock Exchange
“Completion Date”	no later than the tenth Business Day following the satisfaction or waiver of the conditions precedent, in accordance with the terms of the Disposal Agreement or such other date as the Purchaser, Boton Holding SPV and Han Holding SPV may agree in writing
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Creative China”	Creative China Limited is a company incorporated under the laws of the BVI, which is owned as to 41.19% by Mr. Wang, 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
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal by Boton Holding SPV to the Purchaser of 5,100 Target Shares, which will represent 51% of the equity interest in the Target Company on completion
“Disposal Agreement”	the share purchase agreement dated 31 May 2023 as supplemented by the supplemental agreement dated 31 May 2023 entered into by the Target Company, Boton Parties, Han Parties and the Purchaser
“FY2021”	the financial year ended 31 December 2021
“FY2022”	the financial year ended 31 December 2022
“Group”	the Company and its subsidiaries
“Han Holding SPV”	Luckymon Holding Limited, a company incorporated under the laws of the BVI with limited liability, the shares of which are wholly owned by Mr. Han
“Han Parties”	Han Holding SPV and Mr. Han
“HK BBM”	Bubblemon Trading and Technology HK Limited, a company incorporated under the laws of Hong Kong and a direct wholly owned subsidiary of Cayman BBM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely Mr. Ng Kwun Wan, Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and Mr. Yau How Boa, established by the Board to advise the Shareholders regarding the Disposal

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## DEFINITIONS

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“Independent Financial Adviser”	Nuada Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Disposal
“Independent Shareholders”	the Shareholders who do not have material interest in the transactions contemplated under the Disposal Agreement
“Independent Third Party”	person or company which to the best knowledge, information and belief of the Director, having made reasonable enquiries, are third parties independent of and not connected with the Company or its connected persons
“Korea Restructuring”	the restructuring to be conducted by Boton Holding SPV, Han Parties and the Target Group prior to the completion of the Disposal, details of which is set out in the section headed “Korea Restructuring” of this circular
“Korea Targets”	Boton Medical and Mons, both of which are indirect non-wholly owned subsidiaries of the Company as at the date of the Disposal Agreement
“Latest Practicable Date”	6 July 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mons”	Mons Co., Ltd, a company established under the laws of Korea with limited liability, and an indirect non-wholly owned subsidiary of the Company as at the date of the Disposal Agreement
“Mr. Han”	Mr. Han Sang Un, who is the sole legal and beneficial owner of the Target Company and a substantial shareholder of the Korea Targets as at the date of the Disposal Agreement
“Mr. Wang”	Mr. Wang Ming Fan, a controlling shareholder, the chairman and the executive Director of the Company
“Pakily”	Pakily Limited (佰家利有限公司), a company incorporated under the laws of Hong Kong with limited liability, an indirect wholly owned subsidiary of the Company

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## DEFINITIONS

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“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Bubblemon Holding Limited, a company incorporated under the laws of the BVI with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Target Company”	Bubblemon Venture Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 17 March 2023, a wholly owned subsidiary of Han Holding SPV as at the date of the Disposal Agreement
“Target Group”	the Target Company and its subsidiaries
“Target Shares”	the ordinary shares of the Target Company of par value US\$1.00 each
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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## LETTER FROM THE BOARD

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3318)**

*Executive Directors:*

Mr. Wang Ming Fan

*(Chairman & Chief Executive Officer)*

Mr. Li Qing Long

Mr. Yang Ying Chun

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Independent Non-Executive Directors:*

Mr. Leung Wai Man, Roger

Mr. Ng Kwun Wan

Mr. Zhou Xiao Xiong

Mr. Yau How Boa

*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

10 July 2023

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF SUBSIDIARIES**

Reference is made to the announcement of the Company dated 31 May 2023. As disclosed, the Target Company, Boton Parties, Han Parties and the Purchaser entered into the Disposal Agreement, pursuant to which the Target Company shall be owned as to 81% and 19% by the Purchaser and Han Holding SPV respectively upon the completion of the Disposal. Such completion is subject to the completion of the Korea Restructuring.

The Korea Restructuring shall be conducted by Boton Holding SPV, Han Parties and the Target Group whereby upon completion, Boton Holding SPV and Han Holding SPV shall be interested in 51% and 49% of the equity interest in the Target Company and the Korea Targets will become wholly owned subsidiaries of the Target Company. After the Korea Restructuring, the Group will in effect be holding the same percentage of equity interest in the Korea Targets as before.

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## LETTER FROM THE BOARD

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Reference is also made to the announcement of the Company dated 21 June 2023 which announced that the Company obtained a waiver from the Stock Exchange from the requirement for the Company to convene a general meeting under Rule 14A.37 of the Listing Rules in respect of the Disposal.

The purpose of this circular is to provide you with, among other things, (a) further information about the Disposal; (b) the recommendation from the Independent Board Committee in relation to the Disposal; and (c) the advice of the Independent Financial Adviser to the Independent Board Committee and the Shareholders in relation to the Disposal.

### THE DISPOSAL AGREEMENT

**Date:** 31 May 2023 (after trading hours of the Stock Exchange)

#### Parties

- (i) the Target Company;
- (ii) Boton Parties;
- (iii) Han Parties; and
- (iv) the Purchaser.

#### Subject matter

Pursuant to the Disposal Agreement,

- (a) Boton Holding SPV agreed to sell, and the Purchaser agreed to purchase, 5,100 Target Shares (which will represent 51% of the equity interest of the Target Company) at the consideration of RMB100 million; and
- (b) Han Holding SPV agreed to sell, and the Purchaser agreed to purchase, 3,000 Target Shares (which will represent 30% of the equity interest of the Target Company) at the consideration of RMB58,823,529.

As at the date of the Disposal Agreement, the Target Company is an investment holding company wholly owned by Han Holding SPV. The Target Group will undergo the Korea Restructuring prior to the completion of the Disposal.



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## LETTER FROM THE BOARD

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### *Korea Restructuring*

As at the date of the Disposal Agreement, the Korea Targets are owned as to 51% equity interest by Pakily (an indirect wholly owned subsidiary of the Company) and as to 49% equity interest by Mr. Han. Mr. Han is the sole ultimate legal and beneficial owner of the Target Company which owns the entire equity interest of Cayman BBM, and Cayman BBM in turn owns the entire equity interest of HK BBM.

The Korea Restructuring shall involve the allotment and issue of 5,100 new Target Shares (which will represent 51% of the equity interest of the Target Company) to Boton Holding SPV. Subsequent to the said share allotment, HK BBM (an indirect wholly owned subsidiary of the Target Company) will acquire the Korea Targets as to 51% equity interest from Pakily (an indirect wholly owned subsidiary of the Company) and 49% equity interest from Mr. Han. The amount of subscription money for the share allotment shall be the same as the consideration for HK BBM's acquisition of the Korea Targets from Pakily and such subscription money will be applied to settle HK BBM's acquisition of Korea Targets from Pakily.

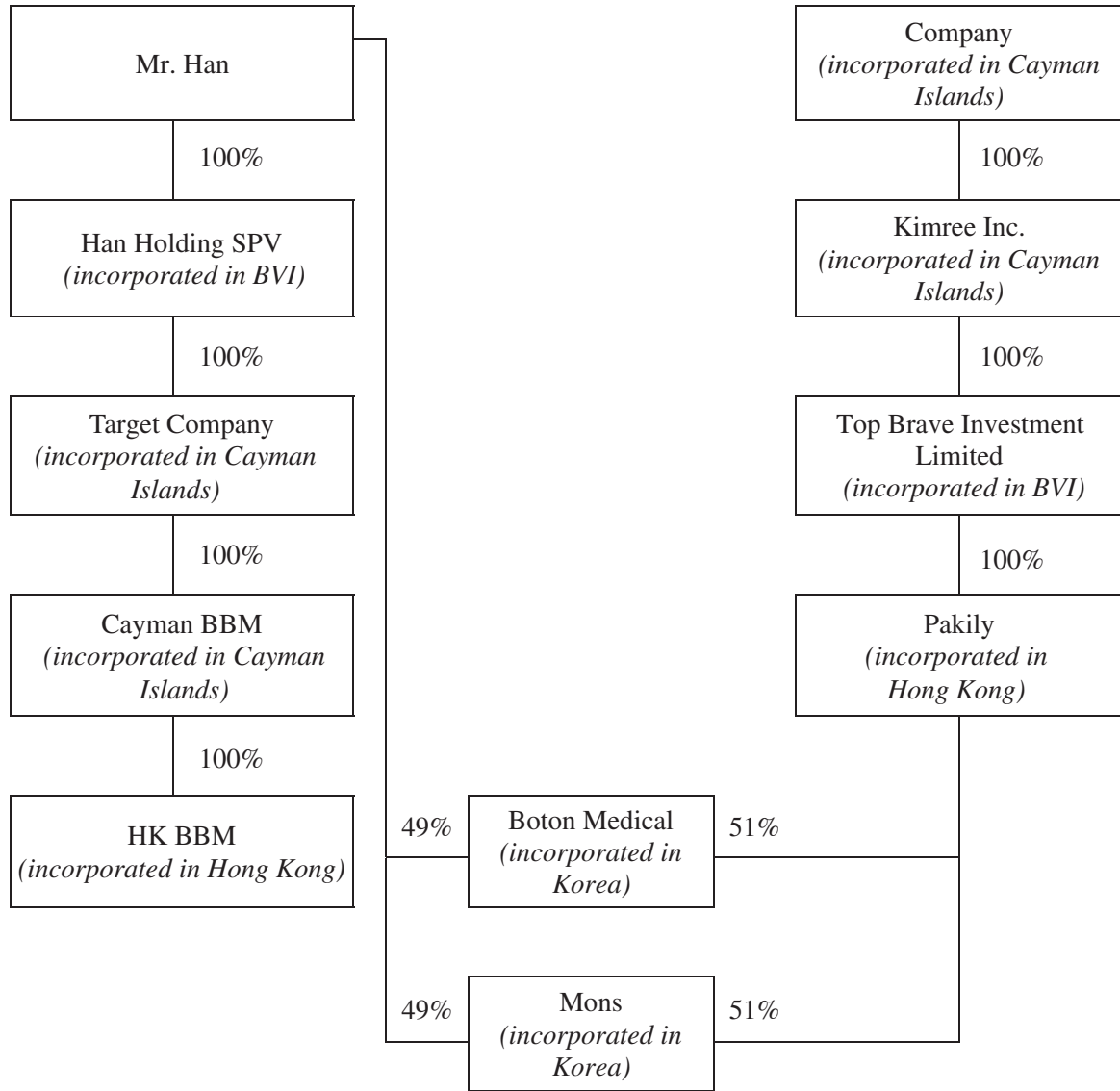
Upon completion of the Korea Restructuring, the Korea Targets will become the indirect wholly owned subsidiaries of the Target Company and the Target Company will be owned as to 51% by Boton Holding SPV and 49% by Han Holding SPV. The effective interest held by the Group in the Korea Targets remain the same before and after the Korea Restructuring. The financial effects of the share allotment of the Target Company to Boton Holding SPV and the Target Group's acquisition of the Korea Targets from Pakily will be eliminated and there will be no gain or loss accrued to the Group.

The Korea Restructuring is to be carried out at the request of the Purchaser who would like to have the equity interest of the Korea Targets consolidated under one entity prior to the completion of the Disposal for easier management.

**LETTER FROM THE BOARD**

Set out below are the shareholding structures of the Target Group and Korea Targets (i) before the Disposal and Korea Restructuring; and (ii) after the Korea Restructuring and before the Disposal.

(i) Before the Disposal and Korea Restructuring

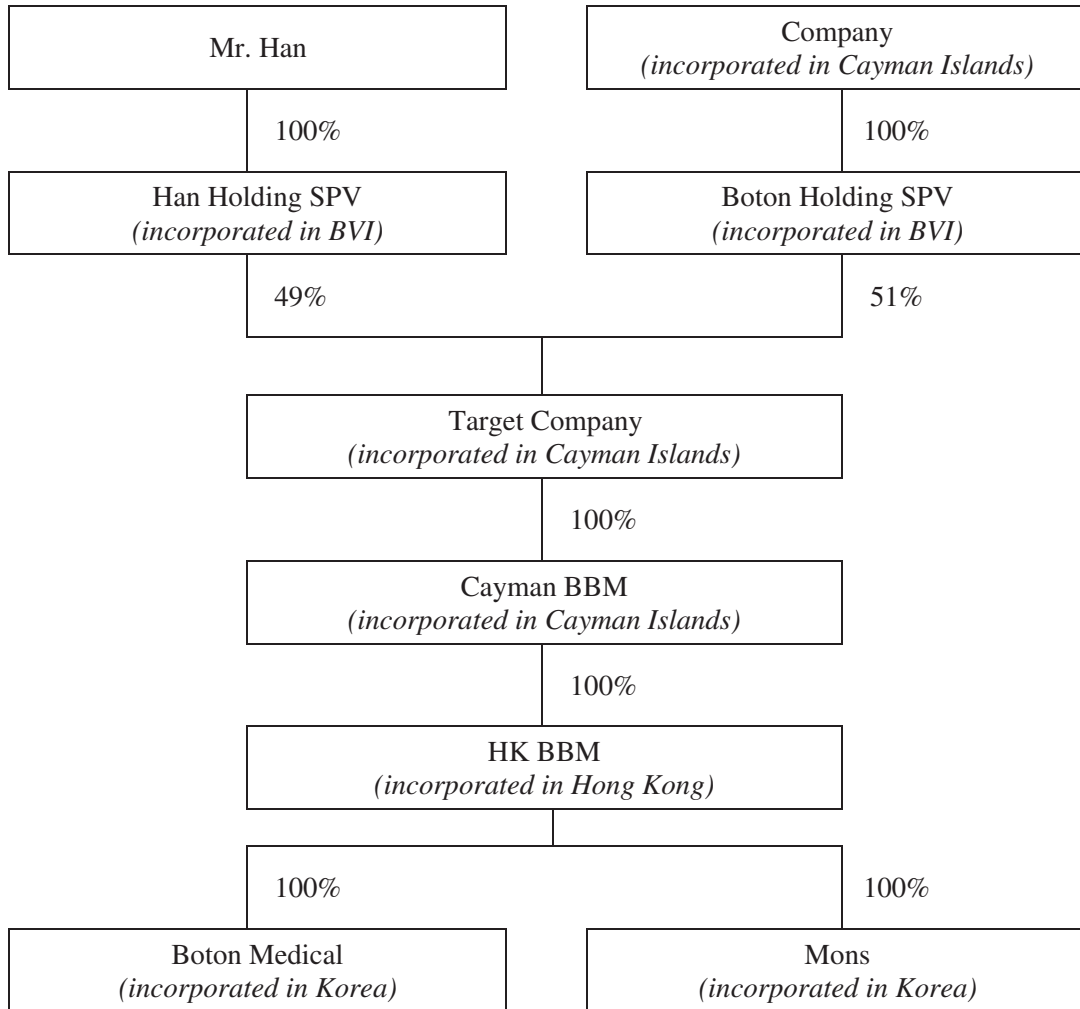


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**LETTER FROM THE BOARD**

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(ii) After Korea Restructuring and before the Disposal



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## LETTER FROM THE BOARD

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### Consideration

The consideration for the Disposal shall be RMB100 million and shall be payable by the Purchaser to Boton Holding SPV in cash on the Completion Date.

The consideration for the disposal of 30% equity interest of the Target Company by Han Holding SPV shall be RMB58,823,529.

The consideration for the Disposal and the disposal by Han Holding SPV were determined after arm's length negotiations with reference to the price earning ratio of the companies doing similar business as the Korea Targets.

In arriving at the consideration of the Korea Targets, various valuation multiples of comparable companies including price-to-sales, price-to-earnings and price-to-book multiples were considered. The price-to-book multiples were not adopted as they cannot reflect the future earnings and growth potentials of the Korea Targets. The price-to-sales multiples were not adopted because they could not fully capture the cost structure of the Korea Targets. Therefore, the price-to-earnings ("P/E") multiple was considered to be the most reasonable and appropriate multiple in determining the consideration of the Korea Targets and was hence adopted.

According to the financials of Boton Medical and Mons, the revenue generated from Boton Medical is not significant to the Korea Targets and represented approximately 7.36% and 1.81% of the total revenue of the Korea Targets for FY2021 and FY2022 respectively. Therefore, the Directors have tried to identify the comparable companies:

- (i) that are principally engaged in and generated over 50% of their revenue from similar principal business as Mons in their respective latest financial year;
- (ii) whose profits for the year are similar to the Korea Targets' profit for the year for FY2022 (i.e. approximately RMB17.41 million) with less than HK\$50 million; and
- (iii) with their shares listed on the Main Board of the Stock Exchange.

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## LETTER FROM THE BOARD

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No comparable companies fulfilling all of the above conditions were identified. However, 2 comparable companies (“**Comparable Companies**”) were identified (a) with businesses similar to that of the Korea Targets; and (b) the shares of which are listed on the Main Board of the Stock Exchange. The following table sets out the details of the Comparable Companies:

Company (Stock code)	Principal business	Average closing price of the share as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Disposal Agreement (HK\$) (Note 1)	Profits for the year of the latest financial year (HK\$ 'million) (Note 2)	Number of issued shares as at the date of the financial year ended (Note 2)	Earnings per share (HK\$) (Note 3)	P/E Ratio (times) (Note 4)
Tian Chang Group Holdings Ltd. (2182)	Manufacturing and sales of e-cigarettes products	0.44	105.95	620,000,000	0.17	2.59
China Tobacco International (HK) Company Limited (6055)	Sales, import and export of cigarettes and tobacco leaf products	9.41	464.16	691,680,000	0.67	14.04
<b>Average</b>						<b>8.32</b>

*Notes:*

1. The figures are calculated based on the figures from the website of the Stock Exchange.
2. The figures are based on the figures from the respective Comparable Companies' latest annual report.
3. The figures are calculated based on the profits for the year of the latest financial year of the Comparable Companies divided by the number of issued shares of the Comparable Companies on the date of the latest financial year ended.
4. The figures are calculated based on the average closing price of the share of the Comparable Companies as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Disposal Agreement divided by the earnings per share of the Comparable Companies.

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## LETTER FROM THE BOARD

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As shown in the above table, the P/E ratio of the Comparable Companies are approximately 2.59 times and 14.04 times, with an average of approximately 8.32 times. The P/E ratio of the Korea Targets implied by the consideration of the Disposal and the profits for the year of the Korea Targets for FY2022 is approximately 11.3 times (“**Implied P/E Ratio**”), which was calculated by the consideration of the Disposal (i.e. RMB100 million) divided by 51% of the profits for the year of the Korea Targets for FY2022 (i.e. RMB8.88 million). The Implied P/E Ratio is within the range of Comparable Companies’ P/E ratios and higher than the average of the Comparable Companies’ P/E ratio.

Based on the above, the Directors (including members of the Independent Board Committee after considering the advice from the Independent Financial Adviser) are of the view that the consideration of the Disposal is fair and reasonable.

### **Conditions precedent**

Completion of the Disposal is subject to the satisfaction or waiver (as the case may be) of, inter alia, the following conditions precedent:

1. completion of the Korea Restructuring; and
2. the passing of the relevant resolution(s) by the Independent Shareholders approving the Disposal Agreement and the transactions contemplated thereunder.

The conditions precedent can be waived by the party who is entitled to the benefit thereof, to the extent as permitted by the applicable laws, rules or regulations.

If any of the conditions precedent has not been fulfilled or waived (as the case may be) on or before 30 September 2023 (or such later date as the Purchaser, Boton Holding SPV and Han Holding SPV may agree in writing), the Disposal Agreement will become void at such time save and except for antecedent breach of the obligations of any parties under the Disposal Agreement.

As at the Latest Practicable Date, conditions 1 and 2 above have been fulfilled.

### **Completion**

Upon fulfillment or waiver (as the case may be) of all the conditions precedent, the completion of the Disposal shall take place on the Completion Date.

The Disposal of 51% equity interest in the Target Company by Boton Holding SPV and the disposal of 30% equity interest in the Target Company by Han Holding SPV to the Purchaser are inter-conditional and shall be completed simultaneously.

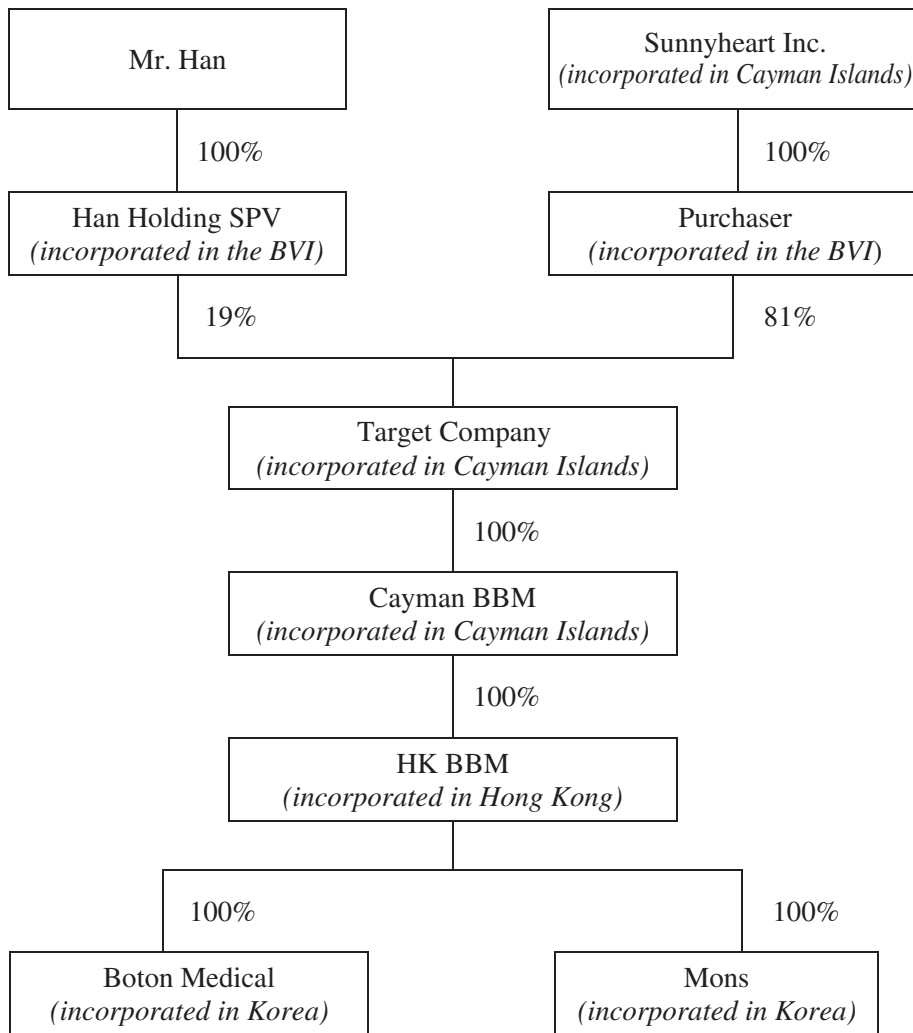
Upon completion of the Disposal, the Company will cease to have any equity interest in the Korea Targets and the Target Company. Accordingly, the financial results of the Target Group will not be consolidated into the financial statements of the Company from the Completion Date.

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## LETTER FROM THE BOARD

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The shareholding structure of the Target Group and Korea Targets after the completion of the Disposal and Korea Restructuring is set out below:



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## LETTER FROM THE BOARD

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### INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the Cayman Islands with limited liability on 17 March 2023. It is an investment holding company and holds the entire equity interest in Cayman BBM, which in turn wholly owns HK BBM as at the date of the Disposal Agreement. Cayman BBM and HK BBM do not have any operation or business since their incorporation.

Boton Medical is a company incorporated in Korea which is owned as to 51% and 49% by Pakily and Mr. Han respectively at the date of the Disposal Agreement. It is principally engaged in pharmaceutical wholesale and retail business. The net loss (both before and after taxation) of Boton Medical for the years ended 31 December 2021 and 2022 were RMB0.68 million and RMB1.68 million, respectively. The audited net asset value of Boton Medical as at 31 December 2021 and 31 December 2022 were approximately RMB1.9 million and RMB202,000, respectively. Boton Medical will become an indirect wholly owned subsidiary of the Target Company upon completion of the Korea Restructuring.

Mons is a company incorporated in Korea which is owned as to 51% and 49% by Pakily and Mr. Han respectively at the date of the Disposal Agreement. It is principally engaged in the trading of e-cigarette products business. The net gain of Mons for the years ended 31 December 2021 and 2022 were RMB32.0 million and RMB22.7 million, respectively before taxation and RMB30.2 million and RMB19.1 million, respectively after taxation. The audited net asset value of Mons as at 31 December 2021 and 31 December 2022 were approximately RMB45.5 million and RMB67.0 million, respectively. Mons will become an indirect wholly owned subsidiary of the Target Company upon completion of the Korea Restructuring.

The total value of property, plant and equipment of the Korea Targets for FY2022 was RMB6,145,380, which represented 7.0% of the total asset of the Target Company in FY2022. Other assets held by the Korea Targets mainly included cash and cash equivalents, trade receivables, prepayments and inventories in light of the nature of business of the Korea Targets.

### INFORMATION OF THE PARTIES

#### Information on the Group and Boton Parties

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the research and development, manufacturing, trading and selling of extracts, flavors and fragrances. It is also engaged in design and manufacturing of high quality electronic cigarettes and the related products as well.

Boton Holding SPV is an investment holding company incorporated under the laws of the BVI with limited liability and a direct wholly owned subsidiary of the Company.

Pakily is a company incorporated under the laws of Hong Kong with limited liability which is an indirect wholly owned subsidiary of the Company. It is an investment holding company and holds 51% equity interest in the Korea Targets as at the date of the Disposal Agreement.



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## LETTER FROM THE BOARD

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### **Information on the Han Parties**

Mr. Han, a Korean citizen, is the sole legal and beneficial owner of the Target Company and holds 49% equity interest in each of the Korea Targets, which are the subsidiaries of the Company, as at the date of the Disposal Agreement. He has over ten years of experience in the e-cigarette industry before forming the joint venture of the Korea Targets with the Group.

Han Holding SPV is an investment holding company incorporated under the laws of the BVI with limited liability, the shares of which are wholly owned by Mr. Han. As at the date of the Disposal Agreement, Han Holding SPV is interested in the entire equity interest of the Target Company.

### **Information on the Purchaser**

The Purchaser is an investment holding company incorporated under the laws of BVI with limited liability and a wholly-owned subsidiary of Sunnyheart Inc., a company incorporated under the laws of the Cayman Islands with limited liability. Sunnyheart Inc. is principally engaged in sales of e-cigarettes. To the best knowledge, information and belief of the Directors based on the information provided by Sunnyheart Inc., the ultimate controlling beneficial owner of Sunnyheart Inc. is Ms. Wang Ying who holds more than 50% of the voting power of Sunnyheart Inc. and is the sole director of Sunnyheart Inc.

The Purchaser and its ultimate beneficial shareholders are Independent Third Parties otherwise than under Rule 14A.20 of the Listing Rules in respect of the Disposal.

To the best knowledge, information and belief of the Directors, having made reasonable enquiries, the Purchaser and Mr. Han are third parties independent of each other and there is no relationship between the Purchaser and Mr. Han.

### **FINANCIAL EFFECTS FROM THE DISPOSAL**

Upon completion of the Korea Restructuring and the Disposal, the Company will cease to have any equity interest in the Korea Targets and the Target Company. It is estimated that the Company will record a gain on disposal of the entire effective interest in the Korea Targets in the approximate amount of RMB32.8 million, which is calculated based on the net asset value of the Korea Targets as at 31 December 2022.

The Group intends to apply the sale proceeds from the Disposal as to approximately RMB50 million for repayment of loan and the remaining for the development of e-cigarettes.

### **REASONS AND BENEFITS FOR THE DISPOSAL**

The Disposal benefits the Group by recording a considerable gain from disposal which helps to strengthen the Group's liquidity.

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## LETTER FROM THE BOARD

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Further, various agreements will be entered into incidental to the Disposal whereby the Group will be the exclusive manufacturer and supplier of certain electronic cigarettes. These agreements will enable continuous business to be obtained by the Group and hence serves to secure an income source for the Group.

Ultimately, the Disposal and the Korea Restructuring will bolster the Group's financial position and enable it to remain competitive in the market.

The Directors (including members of the Independent Board Committee after considering the advice from the Independent Financial Adviser) consider that the terms and conditions of the Disposal Agreement and the consideration thereof are fair and reasonable and are on normal commercial terms and that it is in the interest of the Group and the Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

As at the date of the Disposal Agreement, Mr. Han is a substantial shareholder, holding 49% equity interest in each of the Korea Targets, which are subsidiaries of the Company. Hence, Mr. Han is a connected person of the Company. Han Holding SPV, being wholly owned by Mr. Han, is an associate of Mr. Han and hence also a connected person. The Target Company is a connected person as at the date of the Disposal Agreement as it is wholly indirectly owned by Mr. Han and hence an associate of Mr. Han. After the Korea Restructuring, the Target Company will cease to be an associate of Mr. Han but become a subsidiary of the Company.

As the Purchaser enters into the Disposal Agreement with a subsidiary of the Company (namely Boton Holding SPV) and connected persons of the Company (namely the Han Parties), the Purchaser is a deemed connected person under Rule 14A.20 of the Listing Rules.

Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more applicable ratios (as defined under the Listing Rules) in relation to the Disposal exceed 5% but are all below 25%, the Disposal also constitutes a discloseable transaction. Therefore, the Disposal is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

None of the Shareholders or Directors has a material interest in the Disposal and is required to abstain from voting.

The Company has applied for, and on 21 June 2023, the Stock Exchange has granted, a waiver from the requirement for the Company to convene a general meeting under Rule 14A.37 of the Listing Rules on the basis that: (i) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder had a material interest in the Disposal, and no Shareholder would be required to abstain from voting if the general meeting of the Company was convened to approve the Disposal; and (ii) written approval by a closely allied group of Shareholders, namely Mr. Wang and Creative China, had been obtained by the Company in respect of the Disposal in lieu of convening a general meeting. Mr. Wang is the controlling shareholder of Creative China holding approximately 41.2% in Creative China. As at the Latest Practicable Date, Creative China is interested in 348,320,509 Shares (representing approximately 32.2% of the issued share capital of the Company) whereas Mr. Wang is personally interested in 336,555,052 Shares (representing approximately 31.1%

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## **LETTER FROM THE BOARD**

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of the issued share capital of the Company). Hence, Mr. Wang and Creative China together hold 684,875,561 Shares (representing approximately 63.3% of the issued share capital of the Company) and have the right to attend and vote at the Company's general meetings. Since the Stock Exchange has granted the abovementioned waiver, no extraordinary general meeting of the Company will be convened for the purposes of considering and approving the Disposal.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors has been formed to consider, and to advise the Shareholders, as to whether the terms of the Disposal Agreement are fair and reasonable, whether the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

The Company has appointed Nuada Limited to advise the Independent Board Committee and the Shareholders in the same regard.

### **RECOMMENDATION**

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 19 to 20 of this circular; and (ii) the letter from the Independent Financial Advisor on pages 21 to 33 of this circular which contains its advice to the Independent Board Committee and the Shareholders.

The Independent Board Committee, having considered the advice from the Independent Financial Advisor, is of the opinion that the terms of the Disposal Agreement are fair and reasonable, the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the Disposal Agreement and the transactions contemplated thereunder if a general meeting were to be convened for the purpose of consideration and if thought fit, approving the Disposal Agreement and the transactions contemplated thereunder.

The Directors (including members of the Independent Board Committee after considering the advice from the Independent Financial Adviser) consider that the terms of the Disposal Agreement are fair and reasonable, the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the Disposal Agreement and the transactions contemplated thereunder if a general meeting were to be convened for the purpose of consideration and if thought fit, approving the Disposal Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By order of the Board  
**China Boton Group Company Limited**  
**Wang Ming Fan**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3318)**

10 July 2023

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF SUBSIDIARIES**

We refer to the circular of the Company dated 10 July 2023 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall bear the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to consider whether the terms of the Disposal Agreement are fair and reasonable, whether the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and to advise the Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 18 of the Circular, and the letter from Independent Financial Adviser to the Independent Board Committee and the Shareholders which contains its advice to us in respect of whether the terms of the Disposal Agreement are fair and reasonable, whether the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole as set out on pages 21 to 33 of the Circular.

Having taken into account the reasons relating to the Disposal, the terms of the Disposal Agreement and the advice of Independent Financial Adviser, we consider that the terms of the Disposal Agreement are fair and reasonable, the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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As stated in the “Letter from the Board”, the Stock Exchange has granted its approval to waive the general meeting requirement on 21 June 2023. We recommend the Shareholders to vote in favor of the Disposal Agreement and the transactions contemplated thereunder if a general meeting were to be convened for the purpose of consideration and if thought fit, approving the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,

*For and on behalf of the Independent Board Committee*

**Leung Wai Man, Roger**

*Independent non-  
executive Director*

**Ng Kwun Wan**

*Independent non-  
executive Director*

**Zhou Xiao Xiong**

*Independent non-  
executive Director*

**Yau How Boa**

*Independent non-  
executive Director*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice to the Independent Board Committee and the Shareholders from Nuada Limited dated 10 July 2023 prepared for the purpose of inclusion in this circular.*

Nuada Limited

Unit 1606, 16/F  
OfficePlus @Sheung Wan  
93-103 Wing Lok Street  
Sheung Wan, Hong Kong  
香港上環永樂街93-103號  
協成行上環中心16樓1606室

10 July 2023

*To the Independent Board Committee  
and the Shareholders of  
China Boton Group Company Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF SUBSIDIARIES**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in relation to the Disposal Agreement, details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in the Company’s circular dated 10 July 2023 to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 31 May 2023, in relation to the Disposal. On 31 May 2023, the Target Company, Boton Parties, Han Parties and the Purchaser entered into the Disposal Agreement, pursuant to which the Purchaser has conditionally agreed to, inter alia, purchase from Boton Holding SPV 5,100 Target Shares (which will represent 51% of the equity interest of the Target Company) at the consideration of RMB 100 million. The Target Company shall be owned as to 81% and 19% by the Purchaser and Han Holding SPV respectively upon the completion of the Disposal. Such completion is subject to the completion of the Korea Restructuring.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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With reference to the Board Letter, as at the date of the Disposal Agreement, Mr. Han is a substantial shareholder, holding 49% equity interest in each of the Korea Targets, which are subsidiaries of the Company. Hence, Mr. Han is a connected person of the Company. Han Holding SPV, being wholly owned by Mr. Han, is an associate of Mr. Han and hence also a connected person. The Target Company is a connected person as at the date of the Disposal Agreement as it is wholly owned by Mr. Han and hence an associate of Mr. Han. After the Korea Restructuring, the Target Company will cease to be an associate of Mr. Han but become a subsidiary of the Company.

As the Purchaser enters into the Disposal Agreement with a subsidiary of the Company (namely Boton Holding SPV) and connected persons of the Company (namely the Han Parties), the Purchaser is a deemed connected person under Rule 14A.20 of the Listing Rules.

Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more applicable ratios (as defined under the Listing Rules) in relation to the Disposal exceed 5% but are all below 25%, the Disposal also constitutes a discloseable transaction. Therefore, the Disposal is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Company has applied for, and on 21 June 2023, the Stock Exchange has granted, a waiver from the requirement for the Company to convene a general meeting under Rule 14A.37 of the Listing Rules on the basis that: (i) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder had a material interest in the Disposal, and no Shareholder would be required to abstain from voting if the general meeting of the Company was convened to approve the Disposal; and (ii) written approval by a closely allied group of Shareholders, namely Mr. Wang and Creative China, had been obtained by the Company in respect of the Disposal in lieu of convening a general meeting. Mr. Wang is the controlling shareholder of Creative China holding approximately 41.2% in Creative China. As at the Latest Practicable Date, Creative China is interested in 348,320,509 Shares (representing approximately 32.2% of the issued share capital of the Company) whereas Mr. Wang is personally interested in 336,555,052 Shares (representing approximately 31.1% of the issued share capital of the Company). Hence, Mr. Wang and Creative China together hold 684,875,561 Shares (representing approximately 63.3% of the issued share capital of the Company) and have the right to attend and vote at the Company's general meetings. Since the Stock Exchange has granted the abovementioned waiver, no extraordinary general meeting of the Company will be convened for the purposes of considering and approving the Disposal.

The Independent Board Committee has been formed to advise the Shareholders as to the fairness and the reasonableness in relation to the Disposal Agreement. We, Nuada Limited, have been appointed to advise the Independent Board Committee and the Shareholders in this respect.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, there were no other engagement between the Group and Nuada Limited during the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser. Apart from normal professional fees for our services to the Company in connection with the aforesaid engagement and this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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independence. Accordingly, pursuant to Rule 13.84 of the Listing Rules, we are independent from, and are not associated with the Company or their respective substantial shareholder(s) or connected person(s) as defined under the Listing Rules, and accordingly are considered eligible to give independent advice on the Disposal Agreement.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company (“**Management**”). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us is untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of this circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

Our review and analysis were based upon, among other things, (i) the Disposal Agreement; (ii) the financial information of the Group for the year ended 31 December 2022 (“**FY2022**”) as shown in the annual report of the Company for FY2022 (the “**Annual Report 2022**”); (iii) the financial information of the Group for the two years ended 31 December 2021 (“**FY2021**”) and 31 December 2020 (“**FY2020**”) respectively as shown in the annual report of the Company for FY2021 (the “**Annual Report 2021**”); (iv) the financial information of Korea Targets provided by the Management; and (v) this circular.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the Disposal Agreement, we have taken into account the following principal factors and reasons:

#### 1. Background information of the Group

##### *Information of the Group and Boton Parties*

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the research and development, manufacturing, trading and selling of extracts, flavors and fragrances. It is also engaged in design and manufacturing of high quality electronic cigarettes and the related products as well.

Boton Holding SPV is an investment holding company incorporated under the laws of the BVI with limited liability and a direct wholly owned subsidiary of the Company.

Pakily is a company incorporated under the laws of Hong Kong with limited liability which is an indirect wholly owned subsidiary of the Company. It is an investment holding company and holds 51% equity interest in the Korea Targets as at the date of the Disposal Agreement.

##### *Financial information of the Group*

The tables below summarises (i) the financial results of the Group for FY2022 extracted from the Annual Report 2022; (ii) the financial results of the Group for FY2021 and FY2022 respectively as extracted from the Annual Report 2021; and (iii) the financial information of segments of the Group provided by the Management.

Table 1: Consolidated income statement of the Group

	<b>For FY2022</b>	<b>For FY2021</b>	<b>For FY2020</b>
	<b>(audited)</b>	<b>(audited)</b>	<b>(audited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	2,324,807	2,286,102	1,852,933
- Flavor enhancers	795,850	729,229	718,219
- Food flavors	171,743	165,526	145,563
- Fine fragrances	149,846	138,277	153,438
- e-cigarette products	1,164,858	1,213,356	800,884
- revenue generated from the Korea Targets	296,384	197,144	98,404
- Investment properties	42,510	39,714	34,829
<b>Operating profit</b>	<b>158,063</b>	<b>359,967</b>	<b>316,402</b>

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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For FY2020 and FY2021

The Group recorded a revenue of approximately RMB2.29 billion for FY2021, representing an increase of approximately 23.78% as compared with that of approximately RMB1.85 billion for FY2020. As disclosed in the Annual Report 2021, the revenue generated from e-cigarette products increased from approximately RMB800.88 million (in which RMB98.40 million generated from Korea Targets) for FY2020 to approximately RMB1,213.36 million (in which RMB197.14 million generated from Korea Targets) for FY2021, which represented approximately 53.08% of total revenue of the Group for FY2021. According to the Management, the increase of revenue generated from e-cigarette segment in Korea was mainly due to the increase of new sizeable customers for FY2021. According to the Annual Report 2021, the net profit of e-cigarette segment of the Group excluding the nicotine tax and surcharges under the relevant regulations in Korea was amounted to RMB121.3 million for FY2021, representing an increase of 178.2% when compared to FY2020.

For FY2021 and FY2022

The Group recorded a revenue of approximately RMB2.32 billion for FY2022, representing an increase of approximately 1.31% as compared with that of approximately RMB2.29 billion for FY2021. As disclosed in the Annual Report 2022 and the table above, the increase of revenue generated from flavour enhancers, food flavors, fine fragrances and investment properties for FY2022 off set the slight decrease of revenue generated from e-cigarette products for FY2022 (from approximately RMB1,213.36 million for FY2021 to approximately RMB1,164.86 million for FY2022). According to the Management, such decrease was mainly due to new policies on the production, design and sales requirement imposed on all e-cigarette products effective from 1 October 2022 which affected the sales of existing products. The e-cigarette products segment of the Group had to modify all e-cigarette products to best fit the national standard requirements.

Table 2: Consolidated statement of financial position of the Group

	<b>As at 31 December 2022 (audited) RMB'000</b>	<b>As at 31 December 2021 (audited) RMB'000</b>
<b>Current assets</b>	<b>2,352,629</b>	<b>2,239,455</b>
- Cash	433,015	330,484
<b>Non-current assets</b>	<b>4,098,377</b>	<b>4,072,155</b>
<b>Total assets</b>	<b>6,451,006</b>	<b>6,311,610</b>
<b>Current liabilities</b>	<b>2,163,372</b>	<b>2,100,611</b>
- Borrowings	917,544	706,335
<b>Non-current liabilities</b>	<b>1,025,514</b>	<b>1,041,430</b>
- Borrowings	748,344	689,620
<b>Total liabilities</b>	<b>3,188,886</b>	<b>3,142,041</b>
<b>Net current assets</b>	<b>189,257</b>	<b>138,844</b>
<b>Total equity</b>	<b>3,262,120</b>	<b>3,169,569</b>

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As stated in the Annual Report 2022, as at 31 December 2022, current assets of the Group amounted to approximately RMB2.35 billion as compared with approximately RMB2.24 billion as at 31 December 2021. The cash level increased from approximately RMB330.48 million as at 31 December 2021 to approximately RMB433.02 million as at 31 December 2022. According to the consolidated statement of cash flows in the Annual Report 2022, the Group turnaround from net cash used in financing activities of approximately RMB97.11 million for FY2021 to net cash generated from financing activities of approximately RMB186.59 million for FY2022. The non-current assets of the Group remained stable and recorded approximately RMB4.1 billion as at 31 December 2021 and 2022.

The current liabilities of the Group increased slightly from approximately RMB2.10 billion as at 31 December 2021 to approximately RMB2.16 billion as at 31 December 2022. The current portion of borrowings for the Group increased from approximately RMB706.34 million as at 31 December 2021 to approximately RMB917.54 million as at 31 December 2022. According to note 24 to the consolidated financial statements of the Group of the Annual Report 2022, the current portion of non-current borrowings increased from approximately RMB211.56 million as at 31 December 2021 to approximately RMB407.71 million as at 31 December 2022. The non-current liabilities of the Group decreased slightly from approximately RMB1.04 billion as at 31 December 2021 to approximately RMB1.03 billion as at 31 December 2022. The non-current portion of borrowings increased from approximately RMB689.62 million as at 31 December 2021 to approximately RMB748.34 million as at 31 December 2022. Based on the above, the total equity of the Group increased slightly from approximately RMB3.17 billion as at 31 December 2021 to approximately RMB3.26 billion as at 31 December 2022.

## **2. Information of the parties to the Disposal Agreement**

### *Information on the Han Parties*

With reference to the Board Letter, Mr. Han, a Korean citizen, is the sole legal and beneficial owner of the Target Company and holds 49% equity interest in each of the Korea Targets, which are the subsidiaries of the Company, as at the date of the Disposal Agreement. He has over ten years of experience in the e-cigarette industry before forming the joint venture of the Korea Targets with the Group.

Han Holding SPV is an investment holding company incorporated under the laws of the BVI with limited liability, the shares of which are wholly owned by Mr. Han. As at the date of the Disposal Agreement, Han Holding SPV is interested in the entire equity interest of the Target Company.

### *Information on the Purchaser*

With reference to the Board Letter, the Purchaser is an investment holding company incorporated under the laws of BVI with limited liability and a wholly-owned subsidiary of Sunnyheart Inc., a company incorporated under the laws of the Cayman Islands with limited liability. Sunnyheart Inc. is principally engaged in sales of e-cigarettes. To the best knowledge, information and belief of the Directors based on the information provided by Sunnyheart Inc., the ultimate controlling beneficial owner of Sunnyheart Inc. is Ms. Wang Ying who holds more than 50% of the voting power of Sunnyheart Inc. and is the sole director of Sunnyheart Inc.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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The Purchaser and its ultimate beneficial shareholders are Independent Third Parties otherwise than under Rule 14A.20 of the Listing Rules in respect of the Disposal.

To the best knowledge, information and belief of the Directors, having made reasonable enquiries, the Purchaser and Mr. Han are third parties independent of each other and there is no relationship between the Purchaser and Mr. Han.

### *Information on the Target Group*

With reference to the Board Letter, the Target Company is a company incorporated in the Cayman Islands with limited liability on 17 March 2023. It is an investment holding company and holds the entire equity interest in Cayman BBM, which in turn wholly owns HK BBM as at the date of the Disposal Agreement. Cayman BBM and HK BBM do not have any operation or business since their incorporation.

Boton Medical is a company incorporated in Korea which is owned as to 51% and 49% by Pakily and Mr. Han respectively at the date of the Disposal Agreement. It is principally engaged in pharmaceutical wholesale and retail business. The net loss (both before and after taxation) of Boton Medical for the years ended 31 December 2021 and 2022 were RMB0.68 million and RMB1.68 million, respectively. The audited net asset value of Boton Medical as at 31 December 2021 and 31 December 2022 were approximately RMB1.9 million and RMB202,000, respectively. Boton Medical will become an indirect wholly owned subsidiary of the Target Company upon completion of the Korea Restructuring.

Mons is a company incorporated in Korea which is owned as to 51% and 49% by Pakily and Mr. Han respectively at the date of the Disposal Agreement. It is principally engaged in the trading of e-cigarette products business. The net gain of Mons for the years ended 31 December 2021 and 2022 were RMB32.0 million and RMB22.7 million, respectively before taxation and RMB30.2 million and RMB19.1 million, respectively after taxation. The audited net asset value of Mons as at 31 December 2021 and 31 December 2022 were approximately RMB45.5 million and RMB67.0 million, respectively. Mons will become an indirect wholly owned subsidiary of the Target Company upon completion of the Korea Restructuring.

According to the financial statements of Korea Targets provided by the Management, although there was an increase in the revenue of Korea Targets (FY2021: approximately RMB197.14 million; FY2022: approximately RMB296.38 million), the profit for the year of which has decreased during the same period (FY2021: approximately RMB29.50 million; FY2022: approximately RMB17.42 million).

Having also considered (i) the reasons and benefits of the Disposal and use of proceeds from the Disposal as stated under the paragraph headed “3. Reasons for and benefits for the Disposal and use of proceeds from the Disposal” below in this letter; and (ii) our analysis on the fairness and reasonableness of the consideration of the Disposal as stated under the paragraph headed “4. Major terms of the Disposal Agreement” below in this letter, we are of the view and concur with the Management’s view that the Disposal is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### 3. Reasons for and benefits for the Disposal and use of proceeds from the Disposal

#### (a) *Reasons for and benefit for the Disposal*

Please refer to paragraph headed “Reasons and benefits for the Disposal” under the Board Letter for the details of the reasons and benefits for the Disposal. As stated in the Board Letter, the Disposal can strengthen the Group’s liquidity and according to the terms of the supplemental agreement under the Disposal Agreement, various agreements will be entered into incidental to the Disposal whereby the Group will be the exclusive manufacturer and supplier of certain electronic cigarettes in Korea. We have reviewed the supplemental agreement under the Disposal Agreement and noticed that the abovementioned agreements shall have entered into with Korea Targets prior to the completion of the Disposal.

Having considered that (i) the Disposal can increase the cash inflow of the Group by the amount of the consideration from the Disposal and strengthen the liquidity of the Group; (ii) various agreements will be entered into incidental to the Disposal whereby the Group will be the exclusive manufacturer and supplier of certain electronic cigarettes in Korea which can derive stable income stream after the Disposal; and (iii) the use of proceed from the Disposal is justifiable as stated below, we are of the view and concur with Management’s view that the reasons for and benefit for the Disposal is in the interest of the Company and the Shareholders as a whole.

#### (b) *Use of proceeds from the Disposal*

As stated in the Board Letter, the Group intends to apply the proceeds from the Disposal as to approximately RMB50 million for repayment of loan and the remaining for the development of e-cigarettes.

With reference to the Company’s business update announcement dated 7 July 2022, the subsidiaries of the Company have obtained Tobacco Monopoly Production Enterprise Licence\* (煙草專賣生產企業許可證) (the “License”) from the State Tobacco Monopoly Administration\* (國家煙草專賣局) in respect of e-liquids and the Group is among the few companies that have obtained the License. Pursuant to the Regulation on the Implementation of the Law of the People’s Republic of China on Tobacco Monopoly\* (中華人民共和國煙草專賣法實施條例) as revised as of 10 November 2021 and implemented on 26 November 2021, license is required 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. The Group has successfully obtained the license for the production of e-liquid after more than six months due diligence on the compliance of the manufacturing process of e-liquid of the Group by the respective government authority. With reference to the licenses provided by the Management and according to the Management, they have also obtained relevant licenses of the Group in relation to manufacture and wholesale of e-cigarette products in the PRC. We are of the view and concur with the Management’s view that the development of the e-cigarette market in the PRC is positive, as the market will be much more regulated and raised the entry-barrier of the market player which the Group already qualified upon the implementation of the aforesaid regulations.

\* *For identification purposes only*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We also studied the e-cigarettes market in PRC as the production plant and the major market of the Group is located in the PRC. According to the market news published by Hong Kong Trade Development Council (“**HKTDC**”) in April 2022 in relation to the e-cigarette market in the PRC (<https://research.hktdc.com/en/article/MTAzMzQ1MTkyOQ>), they made reference to the statistics reported by the China Electronics Chamber of Commerce that 95% of the world’s e-cigarette products are produced in China with more than 90% of them subsequently exported. The value of PRC’s e-cigarette retail market recorded approximately RMB19.7 billion in 2022, which represents an increase of approximately 36% as compared to 2021. The value of e-cigarette export market recorded approximately RMB138.3 billion in 2022, which represent a rapid growth of approximately 180% as compared to 2021. The analysis also indicated that the newly established regulations in relation to e-cigarettes products in the PRC market was prioritized to protect young people from accessing e-cigarettes. Based on the above, we are of the view and concur to the Management view’s that the Group has competitive strength as they have sufficient licenses to develop e-cigarette business in the PRC market and the growth of the e-cigarette market in the PRC is positive, accordingly, it is in the interests of the Group and the Shareholders as a whole to deploy more resources in the PRC market.

With reference to note 24 to the consolidated financial statements of Annual Report 2022, the borrowings that are repayable within one year was RMB917.54 million as at 31 December 2022. We are of the view and concur with the Management’s view that the proceeds from the Disposal would strengthen the liquidity of the Group and provide flexibility in allocating resources for operation and development of the business of the Group.

Having considered (i) various agreements will be entered into incidental to the Disposal whereby the Group will be the exclusive manufacturer and supplier of certain electronic cigarettes in Korea; (ii) the Group have competitive strengths to continue to develop e-cigarette business in the PRC upon successfully obtained sufficient licenses in the PRC; (iii) the growth of the e-cigarette market in the PRC is positive according to the market news published by HKTDC; (iv) the proceeds from the Disposal would strengthen the liquidity of the Group in order to repay borrowings and allocate resources for operation and development of the business of the Group; and (v) it is estimated that the Company will record a gain on disposal of approximately RMB32.8 million (subject to audit), we are of the view and concur the Management’s view that the Disposal is in the interests of the Group and the Shareholders as a whole.

#### **4. Major terms of the Disposal Agreement**

*Date*

31 May 2023

*Parties*

- (i) The Target Company;
- (ii) Boton Parties;
- (iii) Han Parties; and
- (iv) the Purchaser

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *(a) Consideration*

With reference to the Board Letter, the consideration for the Disposal shall be RMB100 million and shall be payable by the Purchaser to Boton Holding SPV in cash on the Completion Date. The consideration for the disposal of 30% equity interest of the Target Company by Han Holding SPV shall be RMB 58,823,529. Accordingly, the consideration of the Disposal is in proportion to the consideration for the disposal of 30% equity interest of the Han Holding SPV in terms of the percentage of equity interest of the Target Company and we are of the view and concur with the Management's view that the consideration for Disposal is fair and reasonable.

The consideration for the Disposal and the disposal by Han Holding SPV were determined after arm's length negotiations with reference to the price earning ratio of the companies doing similar business as the Korea Targets. For details of the terms of the Disposal Agreement, please refer to the paragraph headed "The Disposal Agreement" under the Board Letter.

### *Comparable with other comparable companies*

As the consideration of the Disposal was determined after arm's length negotiations with reference to the price earning ratio of the companies doing similar business as the Korea Targets, we have attempted to use the price-earning ("**P/E**") ratio analysis in evaluating the price multiple of the companies that are comparable to the Korea Targets. According to the Management, the P/E ratio of the Company implied by the consideration of the Disposal and the profits for the year of Korea Targets for FY2022 is approximately 11.3 times ("**Implied P/E Ratio**"). The Implied P/E Ratio was calculated by the consideration of the Disposal (i.e. RMB100 million) divided by 51% of the profits for the year of Korea Targets for FY2022 (i.e. RMB8.88 million).

In assessing the fairness and reasonableness of the P/E ratio adopted by the Company, we have identified an exhaustive list of companies (the "**Comparable Companies**"). According to the audited consolidated financial statements of the Korea Targets for FY2021 and FY2022 provided by the Management, the revenue generated from Boton Medical is not significant to the Korea Targets and represented approximately 7.36% and 1.81% of the total revenue of the Korea Targets for FY2021 and FY2022 respectively. Accordingly we would focus on the Comparable Companies that have similar principal business as Mons.

We have set the selection criteria which included the Comparable Companies (i) that are principally engaged in and generated over 50% of their revenue from similar principal business as Mons in their respective latest financial year; (ii) whose profits for the year are similar to the Korea Targets's profit for the year for FY2022 (i.e. approximately RMB17.42 million) with less than HK\$50 million; and (iii) with their shares listed on the Main Board of the Stock Exchange. However, we could not find any Comparable Companies that fulfil all of the above conditions. Therefore, we adjusted the selection criteria of the condition (ii) above to include Comparable Companies whose profits for the year are less than HK\$100 million, but we still could not find any Comparable Companies that fulfil all of the above conditions. We then further adjusted the selection criteria of the condition (ii) above to include Comparable Companies whose profits for the year are less than HK\$500 million. Based on these criteria, we identified 2 Comparable Companies which we are of the view that the size of the Comparable Companies is limited. Then, we further adjusted the selection criteria of the condition (ii) above to include Comparable Companies whose profits for the year are less than HK\$3,000 million



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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and we identified 3 Comparable Companies. The following table sets out the details of the Comparable Companies:

Table 3: Information of the Comparable Companies

Number	Company (Stock code)	Principal business	Average closing price of the share as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Disposal Agreement <i>(Note 1)</i>		Profits for the year of the latest financial year <i>(Note 2)</i>	Number of issued shares as at the date of the financial year ended <i>(Note 2)</i>	Earnings/ share <i>(Note 3)</i>	P/E Ratio (times) <i>(Note 4)</i>
			HK\$	HK\$ 'million				
1	Tian Chang Group Holdings Ltd. (2182)	Manufacturing and sales of e-cigarettes products	0.44	105.95	620,000,000	0.17	2.59	
2	China Tobacco International (HK) Company Limited (6055)	Sales, import and export of cigarettes and tobacco leaf products	9.41	464.16	691,680,000	0.67	14.04	
3	Smooore International Holdings Limited (6969)	Research, design, manufacture and sales of vaping devices and components and self-branded advanced personal vaporizers	8.27	2,780.68	6,078,661,720	0.46	17.98	
<b>Average</b>							<b>11.54</b>	

*Notes:*

1. The figures are calculated based on the figures from the website of the Stock Exchange.
2. The figures are based on the figures from the respective Comparable Companies' latest annual report.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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3. The figures are calculated based on the profits for the year of the latest financial year of the Comparable Companies divided by the number of issued shares of the Comparable Companies on the date of the latest financial year ended.
4. The figures are calculated based on the average closing price of the share of the Comparable Companies as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Disposal Agreement divided by the earnings per share of the Comparable Companies.

As shown in the above table, the range of the P/E ratio of the Comparable Companies is approximately 2.59 times to 17.98 times, with an average of approximately 11.54 times. The Implied P/E Ratio represented by the consideration of the Disposal is approximately 11.3 times which is within the range of Comparable Companies' P/E ratios and slightly lower than the average of the Comparable Companies' P/E ratio.

Having considered that (i) various agreements will be entered into incidental to the Disposal whereby the Group will be the exclusive manufacturer and supplier of certain electronic cigarettes in Korea as mentioned under the paragraph headed "3. Reasons for and benefits for the Disposal and use of proceeds from the Disposal" above in this letter; (ii) the Group have competitive strengths to continue to develop e-cigarette business in the PRC upon successfully obtained sufficient licenses in the PRC as mentioned under the paragraph headed "3. Reasons for and benefits for the Disposal and use of proceeds from the Disposal" above in this letter; (iii) the growth of the e-cigarette market in the PRC is positive according to the market news published by HKTDC as mentioned under the paragraph headed "3. Reasons for and benefits for the Disposal and use of proceeds from the Disposal" above in this letter; (iv) the proceeds from the Disposal would strengthen the liquidity of the Group in order to repay borrowings and allocate resources for operation and development of the business of the Group as mentioned under the paragraph headed "3. Reasons for and benefits for the Disposal and use of proceeds from the Disposal" above in this letter; and (v) it is estimated that the Company will record a gain on disposal of approximately RMB32.8 million (subject to audit), our P/E analysis as mentioned above that the Implied P/E Ratio represented by the consideration of the Disposal is within the range of Comparable Companies' P/E ratios and slightly lower than the average of the Comparable Companies' P/E ratio as mentioned above is justifiable and we are of the view and concur with the the Management's view that the consideration of the Disposal is fair and reasonable.

***(b) Other terms of the Disposal Agreement***

We have also reviewed the other terms of the Disposal Agreement and are not aware of any terms which are uncommon to normal market practice. Based on our own experiences and the study on other sale and purchase agreements of disposal transactions that conducted by other companies listed on the Stock Exchange of our previous works, the remaining sections of the Disposal Agreement (including conditions, completion and warranties, etc) are the standard sections of normal sale and purchase agreements which we have reviewed before. Accordingly, we consider that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### 5. Financial effect from the Disposal

According to the Management and with reference to the Board Letter, upon completion of the Korea Restructuring and the Disposal, the Company will cease to have any equity interest in the Korea Targets and the Target Company. It is estimated that the Company will record a gain on disposal of the entire effective interest in the Korea Targets in the approximate amount of RMB32.8 million, which is calculated based on the net asset value of the Korea Targets as at 31 December 2022. The actual amount of the gain or loss on the Disposal to be recognised in the consolidated financial statements of the Company is subject to audit and therefore may be different from the amount mentioned above.

### RECOMMENDATION

Having considered the aforementioned principal factors and reasons, we are of the view that the terms of the Disposal Agreement are fair and reasonable, the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,  
For and on behalf of  
**Nuada Limited**  
**Kevin Wong**  
*Vice President*

*Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 16 years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors and chief executive

As at the Latest Practicable Date, the interests or short positions of each Director or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 as set out in Appendix 10 to the Listing Rules (“**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

#### (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 <sup>(Note 1)</sup>	336,555,052 (L)	25,262,431 (L)	367,638,743 (L)	729,456,226 (L)	67.51%
Mr. Yang Ying Chun <sup>(Note 2)</sup>	2,000,000 (L)	—	—	2,000,000 (L)	0.19%

(L) denotes long position

Notes:

- The family interests of 25,262,431 Shares represents the shares held by Ms. Yang Yifan, the spouse of Mr. Wang as at Latest Practicable Date.

The corporate interests of 367,638,743 Shares represents the total of (i) 348,320,509 Shares held by 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 whereas Full Ashley is a private company which is wholly-owned by Mr. Wang. By virtue of the SFO, Mr. Wang 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 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 (approximately)	Percentage of registered capital of Dongguan Boton (approximately)
Mr. Wang	RMB28,324,550	33.323%
Mr. Li Qing Long	RMB1,275,000	1.5%

*Notes:*

- The total paid-up registered capital of Dongguan Boton is approximately RMB85,000,000.
- Mr. Wang held 33.323% (RMB28,324,550) 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 0.8884% (RMB755,140) 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	4,559 ordinary shares	41.19%
Mr. Li Qing Long	436 ordinary shares	3.94%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or was deemed to have under such provisions of the SFO); (ii) required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders**

So far as it is known to the Directors, as at the Latest Practicable Date, the following persons had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

<b>Name of Shareholder</b>	<b>Capacity/nature of interests</b>	<b>Number of shares</b>	<b>Percentage of issued shares</b>
Mr. Wang <sup>(Note 1)</sup>	Beneficial owner, family interest and interest in controlled corporations	729,456,226 (L)	67.51%
Creative China <sup>(Note 2)</sup>	Beneficial owner	348,320,509 (L)	32.24%
Full Ashley <sup>(Note 3)</sup>	Beneficial owner	19,318,234 (L)	1.79%

*(L) denotes long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds)*

*Notes:*

- By virtue of the SFO, Mr. Wang 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 2); and (c) 19,318,234 Shares being held by Full Ashley (which is duplicated in the interests described in Note 3). Together with his personal shareholding of 336,555,052 Shares, Mr. Wang was taken to be interested in 729,456,226 Shares (approximately 67.51% of the total issued share capital of the Company) as at Latest Practicable Date.
- Creative China is owned as to 41.19% by Mr. Wang, 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 Latest Practicable Date, Mr. Wang 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.
- Full Ashley is a private company which is wholly-owned by Mr. Wang 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 Directors of the Company were not aware, as at the Latest Practicable Date, of any person who had an interest (or long position) or short position in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of compensation (other than statutory compensation)).

### 5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

### 6. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which, since 31 December 2022 (the date to which the latest published audited financial statements of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

### 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up).

### 8. LITIGATION

As at the Latest Practicable Date, the Group is involved in 3 legal proceedings involving Mr. Liu Qiuming (“**Mr. Liu**”) and Mr. Xiang Zhiyong (“**Mr. Xiang**”), the two vendors in the acquisition of Kimree, Inc. and its subsidiaries by the Company from Mr. Liu and Mr. Xiang in 2016 (the “**Kimree Acquisition**”).

As Mr. Liu and Mr. Xiang had breached the non-competition clauses of a share purchase agreement entered into between the Company and corporate entities wholly owned by Mr. Liu and Mr. Xiang in the Kimree Acquisition (the “**Non-competition Clauses**”), on 10 August 2020, the Company has commenced legal proceedings in Hong Kong by issuing a Writ of Summons for claiming against the Mr. Liu and Mr. Xiang for, inter alia, an injunction order to restrain Mr. Liu Qiuming from committing acts in breach of the Non-competition Clauses and damages against the Vendors. Details of the legal proceedings was disclosed in the announcement of the Company dated 13 August 2020.

There were two other legal proceedings between the Group and the Mr. Liu and Mr. Xiang in the PRC. In 2016, Mr. Liu and Mr. Xiang as lenders and the Company as borrower entered into loan agreements pursuant to which the Company borrowed loans from Mr. Liu and Mr. Xiang respectively. In 2019, the parties had disputes in relation to the settlement method of the loan. In 2020, Mr. Liu and Mr. Xiang initiated legal proceedings at the Shenzhen Intermediate People's Court of Guangdong Province\* (廣東省深圳市中級人民法院) against the Company for the repayment of the loan in cash. Subsequently, the case was tried in the Higher People's Court of Guangdong Province\* (廣東省高級人民法院). The final judgement was made in favour of Mr. Liu and Mr. Xiang. Details of the legal proceedings were disclosed in the announcement of the Company dated 30 September 2022 and 10 March 2023 respectively.

As at the Latest Practicable Date, the Company has reached agreements with Mr. Liu and Mr. Xiang in respect of the judgements and the Company shall pay RMB128.7 million and RMB121.3 million to Mr. Liu and Mr. Xiang respectively by installments. Such agreement is pending endorsement by the court.

Save as disclosed above, as at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## 9. QUALIFICATION AND CONSENT OF EXPERT

The following sets out the qualification of the expert who has given opinions, letter or advice included in this circular:

<b>Name</b>	<b>Qualification</b>
Nuada Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

The letter from the Independent Financial Adviser is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, the Independent Financial Adviser (i) did not have any direct or indirect shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; or (ii) did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, the date to which the latest published audited accounts of the Company were made up.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.



**10. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) on 9 October 2021, Best Fortune International Investment Limited, an indirect wholly-owned subsidiary of the Company, entered into a provisional agreement for sale and purchase with Profit Realty Development Limited, an independent third party, to acquire a property located at 37th Floor, No. 368 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong at the consideration of HK\$156,335,000;
- (ii) in July 2022, Shenzhen Shengchuangda Biotechnology Co., Ltd.\* (深圳市聖創達生物科技股份有限公司), a wholly owned subsidiary of the Group, had disposed 34% of equity interest of its subsidiary, Huizhou Babo Technology Co., Ltd.\* (惠州巴博科技有限公司), to Shenzhen Hanyun Holding Consulting Co., Ltd.\* (深圳市韓雲控股諮詢有限公司), whose beneficial owner was Mr. Han, at the consideration was RMB1,700,000;
- (iii) with effect from 7 April 2023, Boton Technology (Huizhou) Company Limited\* (波頓科技(惠州)有限公司), an indirect wholly owned subsidiary of the Company, entered into a grant contract in respect of the land use right dated 15 February 2023 (國有建設用地使用權出讓合同) (as supplemented by an agreement dated 7 April 2023) with Natural Resources Bureau of Huizhou City\* (惠州市自然資源局) to obtain the land use right of a parcel of land located at Huizhou Tonghu Ecological Smart Zone International Co-operation Industrial Park Central Area ZKD-002-54-02\* (惠州潼湖生態智慧區國際合作產業園中區 ZKD-002-54-02地塊) at the consideration of RMB40,490,000;
- (iv) on 30 May 2023, Mr. Han, Boton Medical, Mons and HK BBM entered into a share transfer agreement pursuant to which Mr. Han disposed 49% equity interest in Boton Medical and Mons to HK BBM at an aggregate consideration of US\$4,300,000;
- (v) on 31 May 2023, Pakily, Boton Medical, Mons and HK BBM entered into a share transfer agreement pursuant to which Pakily disposed 51% equity interest in Boton Medical and Mons to HK BBM at an aggregate consideration of US\$4,475,510; and
- (vi) the Disposal Agreement.

**11. MISCELLANEOUS**

- (i) The company secretary of the Company is Mr. Ma Siu Kit, who 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.
- (ii) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

- (iii) The head office and principal place of business of the Company is at Flat A-B, 37/F, Boton Technology Innovation Tower, 368 Kwun Tong Road, Kowloon, Hong Kong.
- (iv) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (v) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

## **12. DOCUMENTS ON DISPLAY**

Copies of the following documents will be available on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.boton.com.hk](http://www.boton.com.hk)) for 14 days from the date of this circular:

- (a) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- (b) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 21 to 33 of this circular;
- (c) the written consent referred to in paragraph headed “9. Qualification and Consent of Expert” of this appendix;
- (d) the Disposal Agreement; and
- (e) this circular.

*\* For identification purpose only*