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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

THE DISPOSAL

The Board is pleased to announce that on 31 May 2023 (after trading hours of the Stock Exchange), 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 a consideration of RMB100 million. Completion of Disposal is subject to, inter alia, the completion of the Korea Restructuring.

Upon completion of the Disposal, the Company will cease to have any equity interest in the Target Company.

THE KOREA RESTRUCTURING

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 Target Company will be owned as to 51% and 49% by Boton Holding SPV and Han Holding SPV respectively and the Korea Targets will become the indirect wholly owned subsidiaries of the Target Company. 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.

IMPACT OF THE KOREA RESTRUCTURING AND 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.

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 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.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ng Kwun Wan, Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and Mr. Yau How Boa, has been established to consider, and to advise the Independent Shareholders regarding the Disposal and as to whether the Disposal is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, inter alia, (a) further information about the Disposal; (b) the recommendation from the Independent Board Committee in relation to the Disposal; (c) the advice of an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; and (d) a notice of the EGM, will be despatched to the Shareholders on or before 21 June 2023 so as to allow sufficient time for preparation of the relevant information for inclusion in the circular.

As completion of the transactions contemplated under the Disposal are subject to various terms and conditions, the Disposal may or may not proceed to completion. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

THE DISPOSAL

The Board is pleased to announce that on 31 May 2023 (after trading hours of the Stock Exchange), 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.

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are as follows:

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, 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.

Under the Disposal Agreement, Han Holding SPV also agreed to sell, and the Purchaser agreed to purchase, 3,000 Target Shares (which will represent 30% of the total equity interest of the Target Company).

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.

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 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.

Consideration

The consideration for the Disposal to the Purchaser 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 was determined after arm's length negotiations with reference to, among others, the price earning ratio of the companies doing similar business as the Korea Targets.

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 at the EGM 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.

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.

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.

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.

Information on the Han Parties

Mr. Han is holding 49% equity interest in each of Boton Medical and Mons which are the subsidiaries of the Company as at the date of the Disposal Agreement.

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. 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. The parent company of the Purchaser is principally engaged in sales of e-cigarettes.

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 RMB50,000,000 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.

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 (excluding the independent non-executive Directors who will provide their opinion after considering the advice of an 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 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.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ng Kwun Wan, Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and Mr. Yau How Boa, has been established to consider, and to advise the Independent Shareholders regarding the Disposal and as to whether the Disposal is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial

adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, inter alia, (a) further information about the Disposal; (b) the recommendation from the Independent Board Committee in relation to the Disposal; (c) the advice of an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; and (d) a notice of the EGM, will be despatched to the Shareholders on or before 21 June 2023 so as to allow sufficient time for preparation of the relevant information for inclusion in the circular.

As completion of the transactions contemplated under the Disposal are subject to various terms and conditions, the Disposal may or may not proceed to completion. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“associate(s)”	has the 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 Cayman BBM
“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 meaning ascribed to it under the Listing Rules
“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 Company, the Boton Parties, the Han Parties and the Purchaser
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Disposal Agreement and transactions contemplated thereunder
“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 Independent Shareholders regarding the Disposal
“Independent Shareholders”	Shareholders who do not have material interest in the Disposal
“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 announcement
“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
“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
“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
“PRC”	the People’s Republic of China which, for the purposes of this announcement, 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
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the 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
“%”	per cent

By order of the Board
China Boton Group Company Limited
WANG Ming Fan
Chairman

Hong Kong, 31 May 2023

As at the date of this announcement, the executive directors are Mr. Wang Ming Fan, Mr. Li Qing Long and Mr. Yang Ying Chun. The independent non-executive directors are Mr. Ng Kwun Wan, Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and Mr. Yau How Boa.