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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer 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 (the “Company”), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

(1) VERY SUBSTANTIAL DISPOSAL AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed “Definitions” of this circular.

A notice convening an EGM of the Company to be held at Conference Room of ProTop Financial Press Limited, Room 908, 9/F, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong on Monday, 2 February 2026, at 3:00 pm or any adjournment thereof is set out on pages EGM-1 to EGM-2 of this circular. A proxy form for use in the EGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than Tuesday, 27 January 2026 at 4:30 pm (Hong Kong time). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

16 January 2026

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baishuo”	Baishuo, a company established in the PRC with limited liability, which is wholly owned by Shenzhenshi Dashahe Construction Investment Limited (深圳市大沙河建設投資有限公司), a state-owned enterprise located in Shenzhen
“Board”	the board of Directors
“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 and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3318)
“Compensation”	the aggregate consideration by way of cash compensation for the Land Resumption, being the amount of RMB2,271,913,552 or RMB2,494,385,886 (assuming the Early Completion Bonus is applicable), payable by the Local Authority to Shenzhen Boton pursuant to the Land Resumption Agreement
“Completion”	completion of the Land Resumption in accordance with the terms and conditions of the Land Resumption Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Early Completion Bonus”	an early completion bonus in the amount of RMB222,472,334 will be payable by the Local Authority to Shenzhen Boton pursuant to the Land Resumption Agreement if the Proposed Land can be delivered early, i.e. before 6 April 2026
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Identifiable Net Income Stream”	The revenue received under the leases of the industrial complex of the investment properties located on the Proposed Land net of the expense specifically attributed to the Proposed Land

DEFINITIONS

“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Land Resumption”	the resumption of the Proposed Land by the Local Authority pursuant to the terms and conditions of the Land Resumption Agreement
“Land Resumption Agreement”	the land resumption agreement dated 7 December 2025 entered into between Shenzhen Boton and the Local Authority in relation to, among others, the Land Resumption (and supplemented and varied by the supplemental agreements)
“Latest Practicable Date”	14 January 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Local Authority”	Xili Residential District Office in Nanshan District of Shenzhen* (深圳市南山區西麗街道辦事處), being a PRC government authority entrusted by the local government of Nanshan District, Shenzhen, Guangdong Province, the PRC to be responsible for, among others, the implementation of the Land Resumption
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Land”	the land located at Le Li Road, Nanshan District, Shenzhen, Guangdong Province, the PRC with an aggregate site area of approximately 64,662.42 sq.m., including all the constructions (buildings and structures) on such land, which is intended to be resumed by the Local Authority pursuant to the Land Resumption Agreement
“Proposed Disposal”	the proposed disposal of the Proposed Land
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Remaining Group”	the Group excluding the Proposed Land upon the completion of the Proposed Disposal
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Land Resumption Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$1.00 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Shenzhen Boton”	Shenzhen Boton Flavor & Fragrances Co., Ltd. (深圳波頓香料有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Supplemental Agreement”	the supplemental agreement dated 24 December 2025 entered into between the Local Authority, Shenzhen Boton and Baishuo to the Land Resumption Agreement
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1 to HK\$1.0982. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

** The English translation of the Chinese name is for identification purposes only and should not be regarded as the official English translation of such name.*

LETTER FROM THE BOARD



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

Ms. Wang Xinyi

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent non-executive Directors:

Mr. Ng Kwun Wan

Mr. Leung Wai Man, Roger

Mr. Zhou Xiao Xiong

Mr. Yau How Boa

Principal place of business

in Hong Kong:

Flat A-B, 37/F

Boton Technology Innovation Tower

368 Kwun Tong Road

Kowloon

Hong Kong

16 January 2026

To the Shareholders

Dear Sir/Madam,

(1) VERY SUBSTANTIAL DISPOSAL; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 9 December 2025 and 29 December 2025 in respect of the Land Resumption pursuant to the Land Resumption Agreement.

The purpose of this circular is to provide you with (i) further information in relation to the Land Resumption Agreement; (ii) an independent valuation report in relation to the Proposed Land; (iii) the notice contemplated convening the EGM and (iv) other information as required under the Listing Rules.

BACKGROUND

On 7 December 2025 (after trading hours of the Stock Exchange), Shenzhen Boton, an indirect wholly-owned subsidiary of the Company, entered into the Land Resumption Agreement with the Local Authority pursuant to which Shenzhen Boton shall surrender the Proposed Land and its land use rights to the Local Authority in return for a cash Compensation of RMB2,271,913,552 (equivalent to approximately HK\$2,495,015,463).

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On 24 December 2025, the Local Authority, Shenzhen Boton and Baishuo entered into the Supplemental Agreement to the Land Resumption Agreement, which included Baishuo as a party.

AGREEMENTS ON THE LAND RESUMPTION

Date : Land Resumption Agreement dated 7 December 2025
Supplemental Agreement dated 24 December 2025

Parties : Land Resumption Agreement Parties

(i) Shenzhen Boton

(ii) The Local Authority

Supplemental Agreement Parties

(i) Shenzhen Boton

(ii) The Local Authority

(iii) Baishuo

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Local Authority and Baishuo and their respective ultimate beneficial owners are Independent Third Parties.

The Land Resumption Agreement was amended by the Supplemental Agreement to the effect that Baishuo shall assume the rights and obligations of the Local Authority under the Land Resumption Agreement. The rights and obligations of Shenzhen Boton under the Land Resumption Agreement will not be affected.

Proposed Land

The Proposed Land is a parcel of land with an aggregate site area of approximately 64,662.42 sq.m. located at Le Li Road, Nanshan District, Shenzhen, Guangdong Province, the PRC. The Proposed Land is part and parcel of the land lot (lot number T505-0059) that Shenzhen Boton owns with an aggregate site area of 80,167.47 sq.m.. The headquarter of the Group and the Proposed Land are located in the said land lot.

The Proposed Land comprises the portions below:

- (i) certain buildings and structures in the total gross floor area of 8,579.44 sq.m. which were held to earn rentals, the land use rights of which have been granted;
- (ii) certain buildings and structures not specified in the land use rights granting agreement of the Proposed Land or its supplemental agreement with a total gross floor area of 2,503.23 sq.m.; and

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- (iii) the remaining portion of the land with a total gross floor area of approximately 128,657.09 sq.m., for which the land use rights have been granted but no building or structure has yet been constructed.

Pursuant to the terms and conditions of the Land Resumption Agreement, Shenzhen Boton shall (a) surrender the land use rights of the Proposed Land and procure the amendment of the land use rights granting agreement of the Proposed Land (including the relevant supplemental agreement) with the Nanshan Administration Bureau of the Shenzhen Municipal Planning and Natural Resources Bureau (深圳市規劃和自然資源局南山管理局); and (b) arrange for the de-registration of the land title certificate of the Proposed Land under its name.

Condition precedent

Shenzhen Boton shall procure the Company to convene a general meeting within 45 days after the date of signing of the Land Resumption Agreement, i.e. 21 January 2026, to approve the Land Resumption Agreement and the transactions contemplated thereunder. If the Company fails to convene the general meeting within such period or the relevant resolution is not passed, the Land Resumption Agreement shall lapse upon expiry of such period and no Party shall have any further obligations thereunder. However, if, due to regulatory procedures applicable to listed companies or other objective reasons, the Company is unable to convene the general meeting within the aforesaid period, the Land Resumption Agreement shall continue to be effective.

A jointly managed bank account shall be established after signing, into which the amount of Compensation in accordance with the Land Resumption Agreement shall be deposited. If the relevant resolution is not passed by the Shareholders within the aforesaid period, Shenzhen Boton shall return the Compensation together with any accrued statutory interest in full. If the resolution is passed by the Shareholders, Shenzhen Boton shall, within two days after the general meeting, notify the other parties in writing and provide the relevant proof, after which the Compensation will be released.

Compensation and payment terms

Pursuant to the Land Resumption Agreement, the total Compensation payable to Shenzhen Boton for the Land Resumption is RMB2,271,913,552 (equivalent to approximately HK\$2,495,015,463) and the total Compensation (if the Early Completion Bonus is applicable) payable to Shenzhen Boton for the Land Resumption is RMB 2,494,385,886 (equivalent to approximately HK\$2,739,334,580), which shall be payable in cash to Shenzhen Boton by instalments into the jointly managed bank account of the parties in the following manner:

- (a) as to the amount of RMB1,135,956,776 (equivalent to approximately HK\$1,247,507,731) within 40 working days after the Land Resumption Agreement becoming effective;
- (b) as to the amount of RMB681,574,065.6 (equivalent to approximately HK\$748,504,639) within 40 working days after the vacation of the Proposed Land by Shenzhen Boton, tentatively before 6 April 2026; and

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- (c) as to the remaining amount of RMB454,382,710.4 (equivalent to approximately HK\$499,003,093) within 40 working days after the completion of deregistration of the land title and amendment of the land use rights granting agreement of the Proposed Land with Shenzhen Municipal Planning and Natural Resources Bureau (including entering into relevant supplemental agreement), tentatively before 16 May 2026. However, if, through no fault of Shenzhen Boton, the deregistration and amendment have not been completed within 40 working days after Shenzhen Boton vacates the Proposed Land, the relevant amount shall become payable within 60 working days following such vacation and the delivery of a notarized power of attorney by Shenzhen Boton.
- (d) if the Proposed Land can be delivered early, i.e. before 6 April 2026, an Early Completion Bonus in the amount of RMB222,472,334 (equivalent to approximately HK\$244,319,117) shall be paid within 40 working days after Shenzhen Boton vacates and delivers the Proposed Land and its land use rights as scheduled.

The Compensation was determined after arm's length negotiation between Shenzhen Boton and the Local Authority with reference to the laws, regulations and procedures applicable to resumption of state-owned lands in Nanshan District, Shenzhen, Guangdong Province, the PRC and the valuation report in respect of the Proposed Land conducted by an independent valuer which has preliminarily assessed the value of the Proposed Land in the approximate amount of RMB155,000,000 as at 30 November 2025.

The Directors consider that the terms of the Land Resumption Agreement (including the amount of the Compensation) are fair, reasonable and in the interest of the Company and the Shareholders as a whole.

Completion

Completion shall take place within 40 working days upon the fulfilment of the condition precedent stipulated under the Land Resumption Agreement, whereby Shenzhen Boton shall surrender the land use rights of the Proposed Land and return the original of documents such as the land use certificate and state-owned land use rights transfer agreement to the Local Authority.

REASONS FOR AND BENEFITS OF THE LAND RESUMPTION

The Company is principally engaged in manufacturing, trading and selling of extracts, flavors and fragrances. It also engaged in design and manufacturing of high-quality electronic cigarettes and the related products as well.

In September 2023, Shenzhen Boton had received a letter from the local government of Nanshan District notifying a land preparation project for the Xili high-speed rail hub and related projects (the “**Xili Project**”), and planned to resume the Proposed Land on the grounds of public interest. Since then, Shenzhen Boton had started immediate negotiation and discussion with the government officers of the Xili Project to seek further information, including: background materials for the Xili High-speed Rail hub and related works on land preparation project, construction plan, compensation plan and the relevant schematic diagrams and maps, etc.

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It was advised that the Xili Project was an important transportation project and also a transformative infrastructure project of Shenzhen city together with new residential and commercial construction and community area, social facilities and utilities. The Proposed Land would have significant contribution towards the Xili Project in the economy and urban development for the benefit of the country and the community.

During these years and up to the Latest Practicable Date, the Group has already established various factories in other major cities in the PRC, such as Huizhou, Dongguan, Fuzhou and Hubei Xiantao and also have a factory in Indonesia. There is no production line of the Group's business segments maintained on the Proposed Land. Accordingly, the Board is of the view that the Land Resumption will not have any material adverse effect on the Group's operation and principal business activities.

Further, the amount of Compensation is at a premium to the independent valuation of the Proposed Land. The Company will make a gain from the Compensation, which will enhance the working capital for the Group.

Taking into account of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Land Resumption Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Supplemental Agreement is to set out the relationships among the Local Authority, Baishuo, Shenzhen Boton and their respective rights and obligations while the rights of Shenzhen Boton under the Land Resumption Agreement is not affected. If Baishuo fails to perform the Land Resumption Agreement due to liquidation or other reason, the Local Authority will continue to perform the obligations under the Land Resumption Agreement. If the Local Authority or Baishuo is in breach, Shenzhen Boton has the right to take action against the Local Authority and/or Baishuo. Hence, the Board is of the view that the terms of the Supplemental Agreement are fair and reasonable and the Supplemental Agreement is in the interest of the Company and its Shareholders as a whole.

Financial effects of the Land Resumption

Based on the latest audited consolidated financial statements as at 31 December 2024, the net book value of the Proposed Land was approximately RMB113,719,015 (equivalent to approximately HK\$124,886,222). The unaudited net profit before tax of the Proposed Land was approximately RMB7,451,000 (equivalent to approximately HK\$8,182,688) and RMB6,632,000 (equivalent to approximately HK\$7,283,262) for the years ended 31 December 2024 and 2023, respectively. The unaudited net profit after tax of the Proposed Land was approximately RMB6,333,000 (equivalent to approximately HK\$6,954,901) and RMB5,637,000 (equivalent to approximately HK\$6,190,553) for the years ended 31 December 2024 and 2023, respectively. On account of the Compensation of RMB2,271,913,552 (equivalent to approximately HK\$2,495,015,463) and assuming that the Early Completion Bonus of RMB222,472,334 (equivalent to approximately HK\$244,319,117) shall be payable, the Company is expected to record an unaudited gain before tax from the Land Resumption of approximately RMB2,380,666,871 (equivalent to approximately HK\$2,614,448,358) based on the net book value of the Proposed Land as at 31 December 2024. The actual amount of the gain from the

LETTER FROM THE BOARD

Land Resumption to be recorded by the Group is subject to audit and will take into account any costs and expenses incurred relating to the Land Resumption, the actual outcome of the Early Completion Bonus, and the carrying amount of the Proposed Land upon the completion date, and accordingly, it may be different from the amount stated above.

Proposed use of proceeds

The estimated net proceeds (after deducting the relevant PRC enterprise income tax and professional fees payable and assuming that the Early Completion Bonus of RMB222,472,334 (equivalent to approximately HK\$244,319,117) shall be payable) arising from the Land Resumption will be approximately RMB1,885,310,130 (equivalent to approximately HK\$2,070,447,585).

The Company plans to use the net proceeds in the following manner:

- (i) approximately RMB1,250,000,000 (equivalent to approximately HK\$1,372,750,000) will be used to repay the bank borrowings of the Group; and
- (ii) the balance of approximately RMB635,310,130 (equivalent to approximately HK\$697,697,585) will be used to improve the automated production line in the e-cigarette products segment, enhance operational funding for the e-cigarette products segment and other business segments.

INFORMATION OF THE PARTIES TO THE LAND RESUMPTION AGREEMENT

Shenzhen Boton is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Shenzhen Boton is principally engaged in manufacturing, trading and selling of tailor made flavors enhancers and tobacco fragrance products to major customers in the PRC and overseas.

The Local Authority is a PRC government authority entrusted by the local government of Nanshan District, Shenzhen City, Guangdong Province, the PRC to be responsible for, among others, the implementation of the Land Resumption.

Baishuo is a company established in the PRC with limited liability in the leasing and business services industry. Baishuo is wholly owned by Shenzhenshi Dashahe Construction Investment Limited (深圳市大沙河建設投資有限公司) which is a state-owned enterprise located in Shenzhen. It is a market entity introduced by the Local Authority through open bidding procedures to enter into the Supplemental Agreement.

To the best of the Board's knowledge, information, and belief, having made all reasonable enquiry, the Local Authority and Baishuo are Independent Third Parties of and not connected with the Company and their respective connected persons.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Land Resumption exceed 75%, the Land Resumption constitutes a very substantial disposal for the Company and is therefore subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

A notice convening the EGM to be held at Conference Room of ProTop Financial Press Limited, Room 908, 9/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong on 2 February 2026 at 3:00 pm is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not later than 31 January 2026 at 3:00 pm (Hong Kong time). Completion and return of the form of proxy will not preclude you from attending and voting in person or via online (if applicable) at the EGM or any adjournment thereof should you so wish.

Pursuant to the Listing Rules, any Shareholder who has a material interest in the Land Resumption and his/her/its close associates will abstain from voting on the relevant resolutions at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Land Resumption as contemplated under the Land Resumption Agreement and therefore none of the Shareholders and their associates would be required to abstain from voting on the ordinary resolution to approve the Land Resumption Agreement and the transactions contemplated thereunder at the EGM.

The resolution approving the Land Resumption Agreement will be voted by way of a poll at the EGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 28 January 2026 to 2 February 2026, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 pm on 27 January 2026.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors are of the opinion that the terms of the Land Resumption Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and the Land Resumption is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the Land Resumption Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of the Board
China Boton Group Company Limited
WANG MING FAN
Chairman

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2022, 2023 and 2024, and the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2025 are disclosed in the following documents which have been published on both the websites of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.boton.con.hk), and can be accessible by the links as follows:

1. annual reports of the Company for the year ended 31 December 2022 (pages 45 to 114)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0411/2023041100379.pdf>
2. annual reports of the Company for the year ended 31 December 2023 (pages 50 to 114)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0419/2024041900254.pdf>
3. annual reports of the Company for the year ended 31 December 2024 (pages 48 to 110)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0411/2025041100193.pdf>
4. interim report for the six months ended 30 June 2025 (pages 3 to 24)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0912/2025091200221.pdf>

2. INDEBTEDNESS STATEMENT

As at 30 November 2025, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

Borrowings

As at 30 November 2025, the Group had total borrowings of approximately RMB2,221.9 million, of which approximately RMB1,427.9 million was secured and approximately RMB794.0 million was unsecured.

As at 30 November 2025, the Group's borrowings were secured by (i) its equity interests of certain subsidiaries; (ii) certain buildings, warehouses and investment properties owned by Shenzhen Boton (together with personal guarantee of Mr. Wang Ming Fan); (iii) the land use right of a PRC subsidiary in Hubei, PRC; (iv) certain bank deposits; (v) a property located in Hong Kong and (vi) the land use right and construction in progress of a PRC subsidiary in Huizhou, PRC.

Lease liabilities

As at 30 November 2025, the Group had lease liabilities amounting to approximately RMB 15.4 million.

Amount due to the directors and employees of Boton Flavors and Fragrances Company Limited

As at 30 November 2025, the Group had amount due to the directors and employees of Boton Flavors and Fragrances Company Limited amounting to approximately RMB36.5 million.

Contingent liabilities

As at the close of business on 30 November 2025, the Group did not have contingent liabilities except for a legal proceeding between the Company and one of the sellers (the "**Plaintiff**") under the share purchase agreement ("**SPA**") for the acquisition of Kimree (the "**Kimree Acquisition**") for an alleged RMB150 million as the remaining payment of the consideration under the SPA in respect of the Kimree Acquisition. The pleading stage of this case had been closed and since then, no further step has been taken by the Plaintiff up to the date of the Group's unaudited consolidated financial statements for the period ended 30 June 2025. As of the date of this circular, the above case is still at an early stage and thus management cannot reasonably estimate the outcome of this case at this stage. As of 30 November 2025, the remaining payment of the consideration amounting to RMB150 million has been accrued and included in Trade and other payables.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 30 November 2025, the Group did not have any other debt securities issued and outstanding, authorised or otherwise created but unissued, bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments or guarantees.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group, including the internally generated funds and the available banking facilities, and the impact of and net proceeds from the Proposed Disposal, whether or not the Early Completion Bonus of RMB222,472,334 shall be payable, the Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

Based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 December 2025, the Group may consider having an impairment loss on the goodwill of its tobacco businesses for not less than approximately RMB750 million due to changes in demand from major customers in the tobacco flavor industry, adjustments in procurement policies and self-developed tobacco flavours. These factors have led to a decrease in revenue. Based on the applicable accounting principles on a prudent basis, the Group has adopted a forecast of the future sales of the tobacco flavors enhancers products, resulting in the aforementioned goodwill impairment estimate.

The Company is still finalising the consolidated financial statements of the Group for the year ended 31 December 2025. Hence, the aforesaid information disclosed only represents a preliminary assessment by the Board and the management of the Group based on the information currently available. The audited consolidated annual results of the Group may be subject to adjustments following further review by the Board, discussions with the auditor of the Company and completion of the required auditing procedures. The Company may release an appropriate announcement when further financial information is available in accordance with the Listing Rules. Detailed financial results of the Group for the year ended 31 December 2025 will be disclosed in the Group's annual results announcement, which is expected to be published by the end of March 2026.

Save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024 (being the date on which the latest published audited consolidated financial statements of the Group were prepared) up to the Latest Practicable Date.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below are the management discussion and analysis of the Group for each of the three financial years ended 31 December 2022, 2023 and 2024, and for the six months ended 30 June 2025.

(a) For the year ended 31 December 2022**BUSINESS REVIEW**

During the year ended 31 December 2022, the total revenue of the Group amounted to approximately RMB2,324.8 million (2021: RMB2,286.1 million), representing a slight increase of 1.7% when compared to last year. The Group's gross profit was decreased to approximately RMB786.9 million (2021: RMB892.3 million), representing a decrease of 11.8% when compared to last year and the Group's net profit for the review period was RMB84.5 million (2021: approximately RMB225.6 million) representing a tremendous decrease of 62.5% when compared to last year. The tremendous decrease was due to a one-off provision in the amount of RMB143.1 million made in relation to two litigations in the PRC as disclosed in the announcements dated 30 September 2022 and 10 March 2023 respectively. If, without taking into account the aforesaid provision, the net profit of the Group should amount to RMB227.6 million which representing a slight increase of 0.9% when compared to last year. The e-Cigarette Products Segment and the Flavor Enhancers Segment have contributed approximately 84.3% of the total revenue of the Group as at 31 December 2022 in aggregate.

Revenue

The Group recorded a total revenue of approximately RMB2,324.8 million, representing a slight increase of 1.7% (2021: RMB2,286.1 million) for the year ended 31 December 2022.

The breakdowns of the total revenue of the Group for the year ended 31 December 2022 (excluding intersegment revenue) were as follows:

	For the year ended 31 December 2022		2021		% change
	Revenue RMB (M)	% of total revenue	Revenue RMB (M)	% of total revenue	
Flavor enhancers	795.9	34.2%	729.2	31.9%	+9.1%
Food flavors	171.7	7.4%	165.5	7.2%	+3.7%
Fine fragrances	149.8	6.5%	138.3	6.1%	+8.3%
e-Cigarette products	1,164.9	50.1%	1,213.4	53.1%	-4.0%
Investment properties	42.5	1.8%	39.7	1.7%	+7.1%
Total	<u>2,324.8</u>	<u>100.0%</u>	<u>2,286.1</u>	<u>100.0%</u>	<u>+1.7%</u>

Flavor enhancers

The revenue of flavor enhancers amounted to approximately RMB795.9 million for the year ended 31 December 2022 (2021: RMB729.2 million), representing an increase of 9.1% when compared to last year and this segment had the continuous support from the existing customers brought about the stable growth of the sales of this segment in the tobacco industry. The Group would continue to deploy stringent cost control and enhance the growth momentum.

Food flavors

The food flavors segment recorded a revenue of approximately RMB171.7 million for the year ended 31 December 2022 (2021: RMB165.5 million), representing an increase of 3.7% when compared to last year. Due to the increase in sales of the existing local customers, the revenue of this segment had recorded an increase during the year ended 31 December 2022. The Group would continue to develop new flavors from the natural resources and to cater the expand of the market share in the industry.

Fine fragrances

The fine fragrances segment recorded a revenue of approximately RMB149.8 million for the year ended 31 December 2022 (2021: RMB138.3 million), representing an increase of 8.3% when compared to last year. The increase in the revenue of the fine fragrance segment was due to the cease of transportation control and increase in sales of the existing local customers during Year 2022.

e-Cigarette products

The revenue of e-Cigarettes (which comprised disposable e-Cigarettes and rechargeable e-Cigarettes) and its accessories amounted to approximately RMB1,164.9 million during the year ended 31 December 2022, representing a decrease of 4.0% from approximately RMB1,213.4 million of last year.

Investment properties

The revenue of this segment was approximately RMB42.5 million, representing an increase of 7.1% from approximately RMB39.7 million last year. The increase was due to the continuous stable leasing of the properties at Shenzhen which generated stable revenue during the year ended 31 December 2022.

Gross Profit

The operations recorded a gross profit of approximately RMB786.9 million for the year ended 31 December 2022 (2021: RMB892.3 million), representing a decrease of 11.8% when compared to last year and the gross profit margin also reduced from 39.0% in 2021 to 33.8% in 2022. Although

the revenue of most business segments of the Group were maintained during the year ended 31 December 2022, the continuous increase in raw material costs during the severe economic environment reduced the gross profit margin. As a result, both gross profit and gross profit margin decreased during the year ended 31 December 2022.

Expenses***Selling and marketing expenses***

Selling and marketing expenses amounted to approximately RMB102.1 million for the year ended 31 December 2022 (2021: RMB144.2 million) representing approximately 4.4% to revenue of the year (6.3% to revenue in 2021) and also representing a decrease of 29.2% when compared to last year. The decrease in these expenses was mainly attributable to the decrease in the advertising costs and the expenses of office, transportation and consultancy during the year under review.

Administrative expenses

Administrative expenses amounted to approximately RMB359.4 million for the year ended 31 December 2022 (2021: RMB359.0 million) representing approximately 15.5% to revenue of the year 2022 (15.7% to revenue in 2021) and also representing a slight increase of 0.1% when compared to last year.

Net impairment losses on financial assets

The Group had applied the expected credit losses for all trade receivables. There was a net impairment loss of RMB13.4 million for trade receivables of the Group during the reporting period (2021: RMB30.5 million).

Other income

Other income amounted to approximately RMB16.5 million for the year ended 31 December 2022 (2021: RMB6.8 million). The increase was mainly due to the increase in the PRC government grants of the Group during the year ended 31 December 2022.

Other losses - net

Other losses - net amounted to approximately RMB170.3 million for the year ended 31 December 2022 (2021: losses of RMB5.4 million). The losses were mainly due to the revaluation loss of the investment properties of the Group and a one-off provision of litigation claims in the amount of RMB143.1 million during the year ended 31 December 2022.

Finance costs - net

Finance costs - net amounted to approximately RMB45.8 million for the year ended 31 December 2022 (2021: RMB57.4 million) which mainly consisted of the interest expenses on borrowings obtained in the year. Due to the increase in interest income at the year ended 31 December 2022, that caused the decrease in the Finance costs - net.

Net Profit

Net profit for the year ended 31 December 2022 amounted to approximately RMB84.5 million (2021: RMB225.6 million), representing a significant decrease of 62.5% when compared to last year. The decrease was due to the implementation of new PRC regulation in the e-Cigarette products and the one-off provision of litigation claims during the year ended 31 December 2022. Net profit margin for the year decreased to approximately 3.6% (2021: 9.9%).

Principal risks and uncertainties

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

Future Plans and Prospects

The corporate culture of the Group consists of “Four Transforms and Five Attitudes”. Four Transforms mean: “new brand, new culture, new strength, new image” while Five Attitudes include: “attentive, concentration, carefulness, sincerity, care”. The Group proposes “high technology, high quality, high outset and high standard” as core values and sets ambitious goals periodically in order to improve its competitiveness in the ever-changing market environment and to go forward to the international markets in the foreseeable future.

After the revised Regulations on the Implementation of the Tobacco Monopoly Law of the People’s Republic of China (中華人民共和國煙草專賣法實施條例) and the implementation of new mandatory regulation to regulate all e-Cigarette products in 2022, all companies with e-Cigarette business must obtain licences from the State Tobacco Monopoly Administration* (國家煙草專賣局) 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. Accordingly, eight subsidiaries of the Group had obtained the necessary licences in respect of e-liquids, manufacturing of e-Cigarettes for own brands (also including original equipment manufacturing of e-Cigarettes for clients) and brand holding of e-Cigarettes.

The Group has obtained a series of licences in respect of e-liquids, manufacturing of electronic cigarettes for own brands (also including original equipment manufacturing of electronic cigarettes for clients) and brand holding of electronic cigarettes. The Group will modify, enhance and optimise all e-Cigarette products’ design and production in order to best fit the national standard requirement according to new policies in the PRC. The Group believes that the e-Cigarette Products Segment will adjust its business direction and adopts new strategies to overcome those challenges and to regain its normal growth momentum in Year 2023. With the promulgation on the law relating to the licence, the Group will accelerate the development of the e-Cigarette business to meet the global electronic cigarette market expansion from the Year 2023 onwards.

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

FINANCIAL REVIEW**Liquidity and Financial Resources**

As at 31 December 2022, the net current assets of the Group amounted to approximately RMB189.3 million (2021: RMB138.8 million). The increase in net current assets was mainly attributable to increase in inventories and cash in banks. The cash and deposit for bank borrowings of the Group amounted to RMB706.7 million (2021: RMB531.9 million). Accordingly, the current ratio of the Group was 1.1 (2021: 1.1).

The Group strives to adopt stringent credit control over the trade receivable and this can enhance the cash position of the Group and improves our liquidity and current ratio from time to time.

Total equity of the Group as at 31 December 2022 was approximately RMB3,262.1 million (2021: RMB3,169.6 million) mainly driven up by increase in other reserves and retained earnings. As at 31 December 2022, the Group had borrowings totalling approximately RMB1,665.9 million (2021: RMB1,395.9 million), therefore debt gearing ratio was 51.1% (total borrowings over total equity) (2021: 44.0%). The borrowings comprised (i) current bank borrowings and current portion of long term borrowings of approximately RMB917.5 million (2021: RMB706.3 million) and (ii) long-term borrowings of approximately RMB748.3 million (2021: RMB689.6 million). The borrowings are denominated in RMB, USD and HKD. As at 31 December 2022, the effective interest rates of the borrowings was 4.14% per annum.

The Group adopts a prudent approach in its financial management and maintains a sufficient financial position for its business operation throughout the year.

Financing

The Board considers that the financing pressure in front of the Group in connection of those acquisitions completed in 2016 will diminish in due course. With the business performance of the Group and the funds generated from business operations, the Group believes that it will be able to obtain additional financing with good terms when needs arise.

Capital Structure

The share capital of the Company comprised ordinary shares for the reporting period. The total number of issued shares of the Company was 1,080,512,146 ordinary shares as at 31 December 2022.

Foreign Exchange Risk and Interest Rate Risk

The Group had net exchange losses of approximately RMB3.6 million in 2022 (2021: net exchange losses of RMB6.3 million). The Group mainly operates in the PRC. Most of its transactions are basically denominated in RMB with some transactions in Korean Won, USD and HKD and some bank borrowings in HKD and USD. The Company shall monitor the exchange rate of RMB against the HKD, USD and Korean Won closely.

It is looking into the possibility of currency hedging and will take appropriate action when favourable opportunities arise. As at 31 December 2022, the Group had bank borrowings of a total of RMB1,665.9 million denominated in RMB, USD and HKD. Lending rates on bank borrowings denominated in RMB fluctuate with reference to The People's Bank of China Prescribed Interest Rate while bank borrowings denominated in HKD fluctuate with reference to the Hong Kong Inter-bank rates and fixed interest rates on those bank borrowings denominated in USD. The Group did not hedge its interest rate risk. The Board is of the opinion that the interest rate risk would not have material impact on the Group.

Capital Expenditure

During the year ended 31 December 2022, the Group invested approximately RMB169.6 million (2021: RMB111.2 million) in fixed assets, of which RMB13.5 million (2021: RMB6.3 million) was used for the purchase of plant and machinery. For the year ended 31 December 2022, the Group had capital commitments of approximately RMB28.2 million (2021: RMB155.0 million) in respect of fixed assets, which shall be funded by internal resources.

Charge on Group's Assets

As at 31 December 2022, the Group had charged: (i) its equity interests in some subsidiaries; (ii) certain buildings, warehouses and investment properties located at Shenzhen City owned by Shenzhen Boton (together with personal guarantee of Mr. Wang Ming Fan); (iii) the land use right of a PRC subsidiary in Hubei, PRC and (iv) a property located in Hong Kong as pledge of financing raised in the year under review.

Staff Policy

The Group had 1,464 employees in the PRC, Hong Kong and South Korea as at 31 December 2022 (2021: 1,674 employees in the PRC, Hong Kong and South Korea). The decrease in the number of employees was mainly attributable to the decrease in labour force in the production plant located in Fuzhou, Huizhou and Dongguan, the PRC. The Company appreciates talents and value staff as valuable asset of the Group. The Group offers a comprehensive and competitive remuneration, retirement schemes, a share option scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are in compliance with the rules and make contribution to a social insurance scheme in the PRC.

The Group and its employees in the PRC are also required to make contribution to fund the endowment insurance and unemployment insurance at rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme, as required under the Mandatory Provident Schemes Ordinance, for its employees in Hong Kong. The Group has also made contribution to the National Pension for its employees in South Korea pursuant to the National Pension Act of South Korea.

Material Investment

For the year ended 31 December 2022, the Group did not have material investment.

Contingent Liabilities

As at 31 December 2022, the Group did not have any significant contingent liabilities.

LEGAL PROCEEDINGS WITH TWO VENDORS OF AN ACQUISITION

The Company had a few legal proceedings in Hong Kong and the PRC against two vendors, Mr. Liu Qiuming and Mr. Xiang Zhiyong (the “**Vendors**”). Those legal proceedings arose were related to the acquisition of Kimree, Inc. and its subsidiaries from the Vendors in 2016 (the “**Kimree Acquisition**”). Since the Vendors had breached the non-competition clauses of a share purchase agreement in the Kimree Acquisition, the Company claimed, inter alia, for injunction order to restrain Mr. Liu Qiuming from committing acts in breach of the non-competition clauses and damages against the Vendors in 2020.

There were also other arguments between the Group and the Vendors which were undergone legal proceedings 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 dispute in relation to the settlement method of the Loan. Subsequently in 2020, Mr. Liu and Mr. Xiang initiated legal proceedings against the Company for the repayment of the Loan in cash. The Shenzhen Intermediate People’s Court of Guangdong Province (廣東省深圳市中級人民法院) ruled in favour of Mr. Liu and Mr. Xiang and the Company made appeals in 2021. The Higher People’s Court of Guangdong Province (廣東省高級人民法院) dismissed the Company’s appeal and the Company received the judgement of Mr. Liu in early September 2022. For Mr. Xiang’s case, the Higher People’s Court of Guangdong Province (廣東省高級人民法院) also dismissed the Company’s appeal and the Company received the judgement of Mr. Xiang in February 2023.

However, the Company would prepare to retrial against the verdicts of the Higher People’s Court of Guangdong Province for the aforesaid litigation claims. Details of the legal proceedings were disclosed on the Company’s announcements dated 13 August 2020, 30 September 2022 and 10 March 2023 respectively.

COMPLETION OF DISCLOSEABLE TRANSACTION - ACQUISITION OF PROPERTY IN HONG KONG

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

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

ACQUISITION OF LAND USE RIGHT IN THE PRC

On 9 December 2022, the Company and the Administrative Committee of Huizhou Zhongkai Hi-tech Industrial Development Zone* (惠州仲愷高新技術產業開發區管理委員會) entered into an investment agreement pursuant to which, inter alia, the Company would bid for the land use right of

a piece of land located at Huizhou Zhongkai Hi-tech Industrial Development Zone, Guangdong Province, the PRC (the “**Land**”) and subject to the successful bidding, would construct a headquarter and phase 2 of the intelligent manufacturing base of electronic vaporizer of the Group (the “**Construction Project**”).

The Company had, through a newly established wholly owned subsidiary (the “**Project Company**”), bid for the land use right of the Land via “listing-for-sale” procedures (掛牌出讓). The Land had an aggregate gross site area of approximately 54,533 square metres and the land use right thereof would be granted for a term of 50 years for industrial use. The commencement of the Construction Project was subject to the successful bidding of the land use right. The Company undertook that the Project Company would be recognised as a High and New Technology Enterprises* (高新技術企業) within 5 years from its date of establishment. Details of the aforesaid acquisition were disclosed in the Company’s announcement dated 9 December 2022.

(b) For the year ended 31 December 2023

BUSINESS REVIEW

During the year ended 31 December 2023, the Group had undergone corporate restructure and disposed two subsidiaries in Korea. The disposal had benefited the Group by recording a gain from the disposal and strengthen the Group’s liquidity.

During the year ended 31 December 2023, the total revenue of the Group amounted to approximately RMB2,063.7 million (2022: RMB2,324.8 million), representing a decrease of 11.2% when compared to last year. The Group’s gross profit was increased to approximately RMB798.1 million (2022: RMB786.9 million), representing a mild increase of 1.4% when compared to last year and the Group’s net profit for the review period was approximately RMB140.6 million (2022: RMB84.5 million) representing an increase of 66.5% when compared to last year. The increase was mainly due to a gain on disposal in the amount of approximately RMB62.8 million in relation to the disposal of two subsidiaries in Korea to an independent third party. After excluding the gain on disposal, the net profit of the Group was approximately RMB 77.8 million for the year, representing a decrease of 7.9% as compared to last year. The e-Cigarette Products Segment and the Flavor Enhancers Segment have contributed approximately 81.0% of the total revenue of the Group as at 31 December 2023 in aggregate (2022: 84.3%).

Revenue

The Group recorded a total revenue of approximately RMB2,063.7 million, representing a decrease of 11.2% (2022: RMB2,324.8 million) for the year ended 31 December 2023.

The breakdowns of the total revenue of the Group for the year ended 31 December 2023 (excluding inter-segment revenue) were as follows:

	For the year ended 31 December		2022		% change
	2023		2022		
	Revenue	% of total	Revenue	% of total	
	RMB (M)	revenue	RMB (M)	revenue	
Flavor enhancers	768.6	37.3%	795.9	34.2%	-3.4%
Food flavors	182.0	8.8%	171.7	7.4%	+6.0%
Fine fragrances	165.8	8.0%	149.8	6.5%	+10.7%
e-Cigarette products	901.6	43.7%	1,164.9	50.1%	-22.6%
Investment properties	45.7	2.2%	42.5	1.8%	+7.5%
Total	<u>2,063.7</u>	<u>100.0%</u>	<u>2,324.8</u>	<u>100.0%</u>	<u>-11.2%</u>

Flavor enhancers

The revenue of flavor enhancers was approximately RMB768.6 million for the year ended 31 December 2023 (2022: RMB795.9 million), representing a mild decrease of 3.4% when compared to last year. After the pandemic and the uplift of all lockdown and transportation barriers, the customers did not require to store up a significant amount of stocks in their warehouse to avoid delay in transportation and also due to the severe global economic environment, the consumption confidence of the customers was affected. Therefore, the revenue of this segment was decreased slightly during the year ended 31 December 2023. However, the net profit of this segment had recorded approximately RMB175.8 million, representing an increase of 21.6% when compared to last year (2022: RMB144.6 million). The increase was due to an effective cost control of this segment during the reporting year. The Group would continue to deploy stringent cost control to maintain the growth momentum.

Food flavors

The food flavors segment recorded a revenue of approximately RMB182.0 million for the year ended 31 December 2023 (2022: RMB171.7 million), representing an increase of 6.0% when compared to last year. Due to the support of existing clients of the Group, the revenue of this segment had recorded an increase during the year ended 31 December 2023. The Group would continue to develop new flavors from the natural resources and to cater the expand of the market share in the industry.

Fine fragrances

The fine fragrances segment recorded a revenue of approximately RMB165.8 million for the year ended 31 December 2023 (2022: RMB149.8 million), representing an increase of 10.7% when compared to last year. The increase in the revenue of the fine fragrance segment was due to the increase of new customers and the continuous support of long relationship customers.

e-Cigarette products

The revenue of e-Cigarettes (which comprised disposable e-Cigarettes and rechargeable e-Cigarettes) and its accessories amounted to approximately RMB901.6 million during the year ended 31 December 2023, representing a decrease of 22.6% from approximately RMB1,164.9 million of last year. The decrease in revenue during the reporting year was due to the new policy on the sales control of the flavors of the e-Cigarette products in the PRC which affected the sales of the local market in the PRC. The Group had reformed its short-term strategies and decided to expand the international market by high quality design of e-Cigarette products with own brand and the tailor-made design of the clients.

Investment properties

The revenue of this segment was approximately RMB45.7million, representing an increase of 7.5% from approximately RMB42.5 million last year. The increase was due to the continuous stable leasing of the properties at Shenzhen which generated stable revenue during the year ended 31 December 2023.

Gross Profit

The operations recorded a gross profit of approximately RMB798.1 million for the year ended 31 December 2023 (2022: RMB786.9 million), representing a mild increase of 1.4% when compared to last year and the gross profit margin increased from 33.8% in 2022 to 38.7% in 2023.

Expenses***Selling and marketing expenses***

Selling and marketing expenses amounted to approximately RMB108.8 million for the year ended 31 December 2023 (2022: RMB102.1 million) representing approximately 5.3% to revenue of the year (4.4% to revenue in 2022) and also representing an increase of 6.5% when compared to last year. The increase in these expenses was mainly attributable to the increase in the sales related incentive bonus to the distribution chain stores in Korea (the “**Incentive Bonus**”) during the year under review. The Incentive Bonus would not be incurred in Year 2024 because the Group had completed the disposal of two subsidiaries in Korea in August 2023.

Administrative expenses

Administrative expenses amounted to approximately RMB342.6 million for the year ended 31 December 2023 (2022: RMB359.4 million) representing approximately 16.6% to revenue of the year 2023 (15.5% to revenue in 2022) and also representing a decrease of 4.7% when compared to last year. The decrease in these expenses was mainly attributable to the decrease in the office expenses during the reporting year.

Net impairment losses on financial assets

The Group had applied the expected credit losses for all trade receivables. There was a net impairment loss of RMB156.9 million for trade receivables of the Group during the reporting period (2022: RMB13.4 million). The significant increase of net impairment loss was due to the impairment of certain long overdue trade receivable of certain e-Cigarette products with fruit or other flavors which could not be sold in the PRC after the new policy implemented in October 2022.

Other income

Other income amounted to approximately RMB5.4 million for the year ended 31 December 2023 (2022: RMB16.5 million). The decrease was mainly due to the decrease in the PRC government grants and subsidies of the Group during the year ended 31 December 2023.

Other gains/(losses) - net

Other gains - net amounted to approximately RMB53.8 million for the year ended 31 December 2023 (2022: losses of RMB170.3 million). The gain was mainly due to the gain on disposal of two Korean subsidiaries of the Group during the year ended 31 December 2023.

Finance costs - net

Finance costs - net amounted to approximately RMB65.6 million for the year ended 31 December 2023 (2022: RMB45.8 million) which mainly consisted of the interest expenses on borrowings obtained in the year. The increase in the finance costs - net was due to the decrease in interest income and the increase of the interest expenses at the year ended 31 December 2023.

Net Profit

Net profit for the year ended 31 December 2023 amounted to approximately RMB140.6 million (2022: RMB84.5 million), representing an increase of 66.5% when compared to last year. The increase was mainly due to the gain on disposal of two Korean subsidiaries of the Group and the reduction of provision for litigation claims net off by the net impairment loss on financial assets during the year ended 31 December 2023. Net profit margin for the year increased to approximately 6.8% (2022: 3.6%).

Principal risks and uncertainties

The Company is exposed to risks of unfavourable market conditions, uncertainty of business developments, changes in consumption trends, changes in the PRC property market, regional and local economies, changes in currency rates and interest rates as well as changes in the public policies, laws

and regulations in different jurisdictions in relation to its businesses. These developments may or may not have material impact on the Group's financial condition and results of its operation. The Company will continue to implement prudent operational and financial policies in seeking to address the impact of these uncertain factors.

Future Plans and Prospects

In 2024, the global economic recovery continues to be weak and sluggish. The global economic growth would be worse than the pre-pandemic and is estimated to be slow in the coming year. The consumer confidence drops to the lowest level after pandemic and affects local consumption and international trades.

Under the severe business environment and change of consumption pattern, the Group would continue to deploy sufficient resources to enhance the quality of flavor enhance products for the traditional tobacco industries and also to enhance the flavors and fragrances formula so as to improve the quality and variety of the products in the Food Flavors Segment and the Fine Fragrances Segment. For the e-Cigarette Products Segment, after disposal of two Korean subsidiaries and corporate reorganization, the Group will adjust its business direction and adopts new strategies to overcome those challenges and to regain its normal growth momentum. The Group will accelerate the development of the e-Cigarette business by expanding its international market.

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

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2023, the net current assets of the Group amounted to approximately RMB100.6 million (2022: RMB189.3 million). The decrease in net current assets was mainly attributable to decrease in trade and other receivables and cash in bank. The cash and cash equivalents and deposits for bank borrowings of the Group amounted to RMB610.4 million (2022: RMB706.7 million). Accordingly, the current ratio of the Group was 1.06 (2022: 1.09).

Total equity of the Group as at 31 December 2023 was approximately RMB3,376.2 million (2022: RMB3,262.1 million) mainly driven up by increase in other reserves and retained earnings. As at 31 December 2023, the Group had borrowings totalling approximately RMB1,555.3 million (2022: RMB1,665.9 million), therefore debt gearing ratio was 46.1% (total borrowings over total equity) (2022: 51.1%). The borrowings comprised (i) current bank borrowings and current portion of long term borrowings of approximately RMB859.1 million (2022: RMB917.5 million) and (ii) long-term borrowings of approximately RMB696.2 million (2022: RMB748.3 million). The borrowings are denominated in RMB, USD and HKD. As at 31 December 2023, the effective interest rates of the borrowings was 4.57% per annum.

The Group adopts a prudent approach in its financial management and maintains a sufficient financial position for its business operation throughout the year.

Financing

The Board considers that the financing pressure in front of the Group in connection of those acquisitions completed in 2016 will diminish in due course. With the business performance of the Group and the funds generated from business operations, the Group believes that it will be able to obtain additional financing with good terms when needs arise.

Capital Structure

The share capital of the Company comprised ordinary shares for the reporting period. The total number of issued shares of the Company was 1,080,512,146 ordinary shares as at 31 December 2023.

Foreign Exchange Risk and Interest Rate Risk

The Group had net exchange losses of approximately RMB4.4 million in 2023 (2022: net exchange losses of RMB3.6 million). The Group mainly operates in the PRC. Most of its transactions are basically denominated in RMB with some transactions in Korean Won, USD and HKD and some bank borrowings in HKD and USD. The Company shall monitor the exchange rate of RMB against the HKD, USD and Korean Won closely.

It is looking into the possibility of currency hedging and will take appropriate action when favourable opportunities arise. As at 31 December 2023, the Group had bank borrowings of a total of RMB1,555.3 million denominated in RMB, USD and HKD. Lending rates on bank borrowings denominated in RMB fluctuate with reference to The People's Bank of China Prescribed Interest Rate while bank borrowings denominated in HKD fluctuate with reference to the Hong Kong Inter-bank rates and fixed interest rates on those bank borrowings denominated in USD. The Group did not hedge its interest rate risk. The Board is of the opinion that the interest rate risk would not have material impact on the Group.

Capital Expenditure

During the year ended 31 December 2023, the Group invested approximately RMB160.7 million (2022: RMB170.0 million) in fixed assets and construction in progress. For the year ended 31 December 2023, the Group had capital commitments of approximately RMB320.5 million (2022: RMB28.2 million) in respect of fixed assets, which shall be funded by internal resources.

Charge on Group's Assets

As at 31 December 2023, the Group had charged: (i) its equity interests in some subsidiaries; (ii) certain buildings, warehouses and investment properties located at Shenzhen City owned by Shenzhen Boton (together with personal guarantee of Mr. Wang Ming Fan); (iii) the land use right of a PRC subsidiary in Hubei, PRC, (iv) pledged bank deposits; (v) corporate guarantee; and (vi) a building in Hong Kong as pledge of financing raised in the year under review.

Staff Policy

The Group had 1,334 employees in the PRC Hong Kong and Indonesia as at 31 December 2023 (2022: 1,522 employees in the PRC, Hong Kong, South Korea and Indonesia). During the year ended 31 December 2023, the Group had disposed two Korea subsidiaries to an independent third party. Therefore, the Group had no Korean employees after the disposal. Details of the disposal was disclosed under the below paragraph of "Discloseable and Connected Transaction — Disposal of Subsidiaries".

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

Material Investment

For the year ended 31 December 2023, saved for the Construction Project disclosed under the paragraph of "Completion of Acquisition of Land Use Right in Guangdong Province, the PRC" in the Management, Discussion and Analysis Section, the Group did not have material investment.

Contingent Liabilities

As at 31 December 2023, saved for the litigation cases disclosed under the below paragraph of “Legal Proceeding against Vendors of an Acquisition”, the Group did not have any significant contingent liabilities.

COMPLETION OF ACQUISITION OF LAND USE RIGHT IN GUANGDONG PROVINCE, THE PRC

On 9 December 2022, the Company and the Administrative Committee of Huizhou Zhongkai Hi-tech Industrial Development Zone (惠州仲愷高新技術產業開發區管理委員會) entered into an investment agreement pursuant to which, inter alia, the Company had made a bid for the land use right of a piece of land located at Huizhou Zhongkai Hi-tech Industrial Development Zone, Guangdong Province, the PRC (the “**Land**”) and proposed to construct a headquarter and phase 2 of the intelligent manufacturing base of electronic vaporizer of the Group (the “**Construction Project**”) on the Land. The Land had an aggregate gross site area of approximately 54,533 square metres and the land use right thereof would be granted for a term of 50 years for industrial use.

On 7 April 2023, the Company announced that the bidding was successful. The Group had entered into an agreement (the “**Grant Contract**”) with the vendor to obtain the land use right of the Land at the consideration of RMB40,490,000. Pursuant to the Grant Contract, the Group agreed that the fixed asset investment, included but not limited to the consideration for that acquisition, investment for the construction of buildings and machinery costs, on the Land would be approximately RMB400,000,000.

The Group planned to construct the Construction Project and would devote adequate resources on the development of electronic vaporizer to increase the return to the shareholders of the Company. The Construction Project would be a strategic move to expand the e-Cigarette Products Segment of the Company. Details of the aforesaid acquisition were disclosed in the Company’s announcements dated 9 December 2022 and 7 April 2023 respectively.

ADOPTION OF SECOND AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

On 19 May 2023, the shareholders of the Company had approved amendments to the existing amended and restated memorandum and articles of association of the Company and adopted the second amended and restated memorandum and articles of association of the Company (the “**2nd M&A**”) with immediate effect after the close of the annual general meeting of the Company. Details of the 2nd M&A were disclosed on the announcement of the Company dated 19 May 2023.

DISCLOSEABLE AND CONNECTED TRANSACTION — DISPOSAL OF SUBSIDIARIES

On 31 May 2023, the Group entered into disposal agreements with the purchaser and Mr. Han Sang Un, a minority shareholder of certain subsidiaries of the Group, pursuant to which the purchaser had conditionally agreed to, inter alia, purchase 51% of the equity interest of a target company (which was the ultimate holding company of two Korean subsidiaries, namely: Mons Co., Ltd. and Boton Medical Co., Ltd., after corporate restructure) at a consideration of RMB100 million from the Group (the “**Disposal**”). On 14 August 2023, the Company had received consideration of the Disposal and the Disposal was completed on same date.

The Group applied the sale proceeds from the Disposal as to approximately RMB50.0 million for repayment of loan and the remaining for the development of e-Cigarettes Products Segment and other daily operating expenses. The Disposal had benefited the Group by recording a gain from the Disposal and strengthen the Group’s liquidity. Further, various agreements had been entered into incidental to the Disposal whereby the Group was an exclusive manufacturer and supplier of certain electronic cigarettes.

The Disposal constituted a discloseable and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules. Therefore, the Disposal is subject to reporting, announcement, circular and independent shareholders’ approval requirements of the Listing Rules. None of the shareholders or directors of the Company had material interest in the Disposal nor required to abstain from voting. On 21 June 2023, the Stock Exchange had granted a waiver from the

requirement to convene a general meeting under Rule 14A.37 of the Listing Rules and therefore no extraordinary general meeting of the Company was convened for the purposes of considering and approving the Disposal. The Company had appointed an independent financial adviser to advise the independent board committee and the shareholders of the Company on the Disposal. Details of the Disposal were disclosed in the announcements of the Company dated 31 May 2023 and 21 June 2023 respectively and in the circular of the Company dated 12 July 2023.

ADOPTION OF SHARE AWARD SCHEME AND NEW SHARE OPTION SCHEME AND TERMINATION OF EXISTING SHARE OPTION SCHEME

On 11 December 2023, the shareholders of the Company had approved the adoption of a share award scheme and a new share option scheme at an extraordinary general meeting of the Company (the “**EGM**”) and had also approved the termination of the existing share option scheme of the Company, which was adopted on 8 May 2015, at the EGM.

Details of the adoptions and termination were disclosed in the circular of the Company dated 23 November 2023 and announcement of the results of the EGM on 11 December 2023.

LEGAL PROCEEDINGS AGAINST VENDORS OF AN ACQUISITION

As at 31 December 2023, the Group had 4 legal proceedings involving Mr. Liu Qiuming (“**Mr. Liu**”) and Mr. Xiang Zhiyong (“**Mr. Xiang**”), and the remaining four vendors in the acquisition of Kimree, Inc. and its subsidiaries by the Company in 2016 (the “**Kimree Acquisition**”).

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

Kimree Technology (HK) Company Limited, an indirectly wholly-owned subsidiary (“**Kimree Tech**”), has commenced legal proceedings against Mr Liu, Mr Xiang, Mr Zhang Jian, Mr Ai Jianjie, Mr Jiang Lingfan, and Ms Yu Dafeng (collectively, the “**Defendants**”) for, inter alias, breach of fiduciary duties as former directors of Kimree Tech. On 22 September 2023, the Company had issued a writ of summons against the Defendants. The proceedings are still on-going.

There 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 judgment was made in favour of Mr. Liu and Mr. Xiang (the “**PRC Judgment**”). Details of the legal proceedings were disclosed in the announcement of the Company dated 30 September 2022 and 10 March 2023 respectively. The Company had reached agreements with Mr. Liu and Mr. Xiang in respect of the judgments and the Company would pay RMB128.7 million and RMB121.3 million to Mr. Liu and Mr. Xiang respectively by installments. After the settlement, Mr. Liu and Mr. Xiang shall not be entitled to make any further claims or claim for liquidated damages and interest compensation in respect of the loan.

(c) For the year ended 31 December 2024**BUSINESS REVIEW**

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

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

Revenue

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

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

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

Flavor enhancers

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

Food flavors

The food flavors segment recorded a revenue of approximately RMB190.4 million for the year ended 31 December 2024 (2023: RMB182.0 million), representing an increase of 4.6% when compared to last year. Due to the support of existing clients of the Group, the revenue of this segment had recorded an increase during the year ended 31 December 2024. The Group would continue to develop new flavors from the natural resources and to cater the expand of the market share in the industry.

Fine fragrances

The fine fragrances segment recorded a revenue of approximately RMB169.8 million for the year ended 31 December 2024 (2023: RMB165.8 million), representing a mild increase of 2.4% when compared to last year. The increase in the revenue of the fine fragrance segment was due to the continuous support of long relationship customers.

e-Cigarette products

The revenue of e-Cigarettes (which comprised disposable e-Cigarettes and rechargeable e-Cigarettes) and its accessories amounted to approximately RMB639.6 million during the year ended 31 December 2024, representing a decrease of 29.1% from approximately RMB901.6 million of last year. The decrease in revenue during the reporting year was due to increase of direct labour cost in the PRC, various taxes and new requirements of the e-Cigarette products in various international countries. The Group had reformed and strengthened its marketing division to enhance the promotion of the e-Cigarette products and e-Liquid. It would also implement new automation in the production chain of the factories in order to reduce costs and improve the gross profit margin of this segment.

Investment properties

The revenue of this segment was approximately RMB51.2 million, representing an increase of 12.1% from approximately RMB45.7 million of last year. The increase was due to the continuous stable leasing of the properties at Shenzhen which generated stable revenue during the year ended 31 December 2024.

Gross Profit

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

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

Expenses***Selling and marketing expenses***

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

Administrative expenses

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

Impairment of goodwill

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

Net impairment losses on financial assets

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

Other income

Other income amounted to approximately RMB3.4 million for the year ended 31 December 2024 (2023: RMB5.4 million). The decrease was mainly due to the decrease in the PRC government grants and subsidies of the Group during the year ended 31 December 2024.

Other gains - net

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

Finance costs - net

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

Net Profit

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

Principal risks and uncertainties

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

Future Plans and Prospects

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

In 2025, the Group will proactively restore and strengthen its domestic market shares while accelerating the pace of globalization, especially in the developing countries. It will promote sustainable and steady growth of the existing business segments through localization strategies and technical cooperation. The Group will also continue to deploy advanced production technology in its

production plants and strives to seize high value-added markets. The new marketing team of the Group will implement new aggressive sales strategies, including expansion of sales channels and net-works and enhanced customer service support to promote e-Cigarette products, including e-Liquid and e-Cigarette device, to different countries.

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

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2024, the net current assets of the Group amounted to approximately RMB46.7 million (2023: RMB100.6 million). The decrease in net current assets was mainly attributable to decrease in cash in bank and increase in short term borrowings. The cash and cash equivalents and deposits for bank borrowings of the Group amounted to RMB466.2 million (2023: RMB610.4 million). Accordingly, the current ratio of the Group was 1.03 (2023: 1.06).

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

The Group adopts a prudent approach in its financial management and maintains a sufficient financial position for its business operation throughout the year.

Financing

The Board considers that the financing pressure in front of the Group in connection of those acquisitions completed in 2016 will diminish in due course. With the business performance of the Group and the funds generated from business operations, the Group believes that it will be able to obtain additional financing with good terms when needs arise.

Capital Structure

The share capital of the Company comprised ordinary shares for the reporting period. The total number of issued shares of the Company was 1,080,512,146 ordinary shares as at 31 December 2024.

Foreign Exchange Risk and Interest Rate Risk

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

It is looking into the possibility of currency hedging and will take appropriate action when favourable opportunities arise. As at 31 December 2024, the Group had bank borrowings of a total of RMB1,850.0 million denominated in RMB, USD and HKD. Lending rates on bank borrowings denominated in RMB fluctuate with reference to The People's Bank of China Prescribed Interest Rate while bank borrowings denominated in HKD fluctuate with reference to the Hong Kong Inter-bank rates and fixed interest rates on those bank borrowings denominated in USD. The Group did not hedge its interest rate risk. The Board is of the opinion that the interest rate risk would not have material impact on the Group.

Capital Expenditure

During the year ended 31 December 2024, the Group invested approximately RMB544.9 million (2023: RMB160.7 million) in fixed assets and construction in progress. For the year ended 31 December 2024, the Group had capital commitments of approximately RMB188.9 million (2023: RMB320.5 million) in respect of fixed assets, which shall be funded by internal resources.

Charge on Group's Assets

As at 31 December 2024, the Group had charged: (i) its equity interests in some subsidiaries; (ii) certain buildings, warehouses and investment properties located at Shenzhen City owned by Shenzhen Boton (together with personal guarantee of Mr. Wang Ming Fan); (iii) the land use right of a PRC subsidiary in Hubei, PRC; (iv) certain bank deposits and (v) a property located in Hong Kong as pledge for borrowings.

Staff Policy

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

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

Material Investment

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

The Group had entered into an agreement with the vendor to obtain the land use right of the Land at the consideration of RMB40,490,000 on 7 April 2023. Pursuant to the agreement, the Group agreed that the fixed asset investment, included but not limited to the consideration for that acquisition, investment for the construction of buildings and machinery costs, on the Land would be approximately RMB400,000,000. The Group planned to construct the construction project and planned to expand the e-Cigarette Products Segment of the Company. Details of the aforesaid acquisition were disclosed in the Company's announcements dated 9 December 2022 and 7 April 2023 respectively.

Contingent Liabilities

As at 31 December 2024, saved for the litigation cases disclosed under the below paragraph of “Legal Proceeding against Vendors of an Acquisition”, the Group did not have any significant contingent liabilities.

LAND RESUMPTION IN SHENZHEN

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

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

LEGAL PROCEEDINGS AGAINST VENDORS OF AN ACQUISITION

As at 31 December 2024, the Group had 4 legal proceedings involving Mr. Liu Qiuming (“**Mr. Liu**”) and Mr. Xiang Zhiyong (“**Mr. Xiang**”), and the remaining four vendors in the acquisition of Kimree, Inc. and its subsidiaries by the Company in 2016 (the “**Kimree Acquisition**”).

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

Kimree Technology (HK) Company Limited, an indirectly wholly-owned subsidiary (“**Kimree Tech**”), has commenced legal proceedings against Mr. Liu, Mr. Xiang, Mr. Zhang Jian, Mr. Ai Jianjie, Mr. Jiang Lingfan, and Ms. Yu Dafeng (collectively, the “**Defendants**”) for, inter alias, breach of fiduciary duties as former directors of Kimree Tech. On 22 September 2023, the Company had issued a writ of summons against the Defendants. The proceedings are still on-going.

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

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

(d) For the six months ended 30 June 2025

Business Review

For the six months ended 30 June 2025, the Group’s total revenue was approximately RMB637.8 million (2024: RMB751.0 million), representing a decrease of 15.1% when compared to the same period of last year. The Group’s gross profit decreased to approximately RMB198.9 million (2024: RMB305.6 million), representing a decrease of 34.9% when compared to the same period of last year. The Group’s net profit for the period was approximately RMB8.7 million (2024: approximately RMB62.7 million), representing a significant decrease of 86.1% when compared to the same period of last year.

Revenue

The breakdowns of the total revenue of the Group for the six months ended 30 June 2025 (excluding inter-segment revenue) were as follows:

	For the six months ended 30 June 2025		2024		% change
	Revenue RMB (m)	% of total revenue	Revenue RMB (m)	% of total revenue	
Flavor enhancers	179.5	28.1%	308.1	41.0%	-41.7%
Food flavors	93.1	14.6%	90.3	12.0%	+3.1%
Fine fragrances	73.1	11.5%	69.6	9.3%	+5.0%
e-Cigarette products	267.2	41.9%	256.1	34.1%	+4.3%
Investment properties	24.9	3.9%	26.9	3.6%	-7.4%
Total	637.8	100.0%	751.0	100.0%	-15.1%

Flavor enhancers

Revenue of flavor enhancers amounted approximately RMB179.5 million during the reporting period, representing a significant decrease of 41.7% from approximately RMB308.1 million of the corresponding period last year. During the reporting period, this segment had faced various challenges, including severe competition of the industry, increase of natural raw material costs, tightening of safety requirement and control of the government of different countries, changing of consumer demands and also the evolving needs of different consumers towards natural and green flavors used in cigarette products whose ingredients are derived from natural extracts or synthesized through green chemical methods. These increased the production costs, reduced the profit margin and affected the revenue and profit of this segment. In addition, the Group would continue to deploy sufficient resources to enhance the quality of flavor enhance products in order to increase the competitiveness of the products and to diversify the oversea market to attract more oversea customers.

Food flavors

Revenue of food flavors amounted approximately RMB93.1 million during the reporting period, representing a mild increase of 3.1% from approximately RMB90.3 million of the corresponding period last year. The Group continued to develop new flavors in the competitive food market and maintained stable revenue by this segment.

Fine fragrances

Revenue of fine fragrances amounted approximately RMB73.1 million during the reporting period, representing an increase of 5.0% from approximately RMB69.6 million of the corresponding period last year. The increase in the revenue of the fine fragrance segment was due to the increase of new customers and the continuous support of long relationship customers.

e-Cigarette products

Revenue of sales of e-Cigarettes (which comprised disposable e-Cigarettes and rechargeable e-Cigarettes) and its accessories was approximately RMB267.2 million during the reporting period, representing a mild increase of 4.3% from approximately RMB256.1 million of the corresponding period last year. The mild increase was due to the diversification of local customers and the extensive marketing network of the Group.

The management is recently negotiating cooperation with several significant companies. With the Group's research and development ability and all supporting facilities advantages, it is expected that the cooperation will strengthen the synergies and improve the Group's business in the second half of the year.

Investment properties

Revenue of this segment was approximately RMB24.9 million, representing a decrease of 7.4% from approximately RMB26.9 million last year. The decrease was due to end of tenancy of certain tenants under the severe property market in Shenzhen, the PRC.

Gross Profit

The Group recorded a gross profit of approximately RMB198.9 million, representing a decrease of 34.9% for the six months ended 30 June 2025 (2024: RMB305.6 million).

Net Profit for the Period

The Group's net profit for the period was approximately RMB8.7 million (2024: RMB62.7 million), representing a significant decrease of 86.1% from the corresponding period last year. Net profit margin for the reporting period had diminished to approximately 1.4% (2024: 8.3%).

Other Income

Other income was RMB1.5 million for the six months ended 30 June 2025 (2024: RMB2.2 million), representing a decrease of 34.9%. The decrease was due to decrease of income of other auxiliary businesses which were not classified under the five major business segments during the reporting period.

Other Gains — Net

Other gains — net was approximately RMB0.2 million for the six months ended 30 June 2025 (2024: gain of RMB2.5 million). The decrease of gain was mainly due to cease of a gain on deregistration of a PRC subsidiary during the reporting period when compared to same period of last year.

Expenses

Selling and marketing expenses was approximately RMB24.9 million for the six months ended 30 June 2025 (2024: RMB23.6 million), representing approximately 3.9% (2024: 3.1%) of the total revenue of the reporting period and also representing an increase of 5.5% when compared to the corresponding period of last year. The increase in selling and marketing expenses was mainly due to the increase of advertising costs.

Administrative expenses amounted to approximately RMB146.3 million for the six months ended 30 June 2025 (2024: RMB168.5 million), representing approximately 22.9% (2024: 22.4%) of the total revenue of the reporting period and also representing a decrease of 13.2% when compared to the corresponding period of last year. The decrease of the administrative expenses was mainly due to the decreases of employee benefit expenses, consulting expenses and office expenses during the reporting period.

Finance Costs — Net

Net finance costs was approximately RMB22.9 million for the six months ended 30 June 2025 (2024: RMB28.0 million). The decrease in net finance costs for the reporting period was mainly attributable to the reduction of loan interest rates on borrowings.

Corporate Culture

The corporate culture of the Group consists of “Four Transforms and Five Attitudes”. Four Transforms mean: “new brand, new culture, new strength, new image” while Five Attitudes include: “attentive, concentration, carefulness, sincerity, care”. The Group proposes “high technology, high quality, high outset and high standard” as core values and sets ambitious goals periodically in order to improve its competitiveness in the ever-changing market environment and to go forward to the international markets in the foreseeable future.

Prospects

The global economy in the second half year of 2025 is expected recovering slowly and unevenly under the disruptions of economic fragmentation and geopolitical tensions. Emerging economies, particularly countries in Asia (e.g., India, Southeast Asia), are driving the global growth. Artificial intelligence, automation, and digitalization will continue to be important and shall transform the industries by boosting productivity and reducing direct labor cost.

In 2025, the Group has proactively been restoring and strengthening its domestic market shares while accelerating the pace of globalization, especially in the developing countries. It will promote sustainable and steady growth of the existing business segments in the oversea markets through localization and technical cooperation. The Group will also continue to deploy enhanced production technology in its production plants and to seize high value-added markets. The new marketing team of the Group has implemented extensive sales strategies to expand the sales channels and net-works and also has enhanced customer service support to promote e-Cigarette products, including e-Liquid and e-Cigarette device, to different countries.

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

FINANCIAL REVIEW**Liquidity and Financial Resources**

As at 30 June 2025, the Group had net current assets of approximately RMB67.0 million (31 December 2024: RMB46.7 million). As at 30 June 2025, the Group's cash and deposit for bank borrowings were approximately RMB420.2 million (31 December 2024: RMB466.2 million). The current ratio of the Group was approximately 1.04 as at 30 June 2025 (31 December 2024: 1.03). The increase in net current assets in the reporting period was mainly attributable to the decrease in trade and other payables.

The equity attributable to shareholders of the Company as at 30 June 2025 amounted to approximately RMB3,411.5 million (31 December 2024: RMB3,409.3 million). As at 30 June 2025, the Group had a total borrowings of approximately RMB2,039.7 million (31 December 2024: RMB1,850.0 million) therefore a debt gearing ratio of 59.8% (total borrowings over total equity) (31 December 2024: 54.3%). The debt gearing ratio was increased in the reporting period when compared to last year. During the reporting period, interest rates of the short-term borrowings range from 3.4% to 5.2% while those of the long-term borrowings range from 2.8% to 6.1%. The Group adopts a central management of its financial resources and always maintain a prudent approach for a steady financial position.

Financing

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

Capital Structure

The share capital of the Company comprised ordinary shares for the reporting period. On 30 June 2025, the total number of issued shares of the Company was 1,080,512,146 ordinary shares.

Foreign Exchange Risk and Interest Rate Risk

The Group had net exchange gains of approximately RMB3.6 million for the six months ended 30 June 2025 (2024: exchange gains of RMB0.7 million). The Group's main operation was in the PRC during the reporting period. Most of its transactions are basically denominated in RMB save for some transactions and some bank borrowings in USD and HKD. The Company shall monitor the exchange rate of RMB against the USD and HKD closely.

It is looking into the possibility of currency hedging and will take appropriate action when favourable opportunities arise. As at 30 June 2025, the Group had bank borrowings of a total of RMB2,039.7 million (31 December 2024: RMB1,850.0 million) denominated in RMB and HKD. Lending rates on bank borrowings denominated in RMB fluctuate with reference to the People's Bank of China prescribed interest rate while bank borrowings denominated in HKD fluctuate with reference to the Hong Kong Inter-bank rates. The Group did not hedge its interest rate risk. The Board is of the opinion that the interest rate risk would not have material impact on the Group.

Charge on Group's Assets

As at 30 June 2025, the Group had charged: (i) its equity interests in some subsidiaries; (ii) certain buildings, warehouses and investment properties located at Shenzhen City owned by Shenzhen Boton (together with personal guarantee of Mr. Wang Ming Fan); (iii) the land use right of a PRC subsidiary in Hubei, PRC; (iv) certain bank deposits; (v) a property located in Hong Kong and (vi) the land use right and construction in progress of a PRC subsidiary in Huizhou, PRC as pledge for borrowings.

Capital Expenditure

During the six months ended 30 June 2025, the Group invested approximately RMB241.6 million (2024: RMB75.3 million) in fixed assets and construction in progress. At 30 June 2025, the Group had capital commitments of approximately RMB21.7 million (31 December 2024: RMB188.9 million) in respect of fixed assets, which are to be funded by internal resources and financing.

Interim Dividend

The Board does not recommend payment of interim dividend for the six months ended 30 June 2025 (2024: nil).

Staff Policy

The Group had 1,112 employees in the PRC, Hong Kong and Indonesia as at 30 June 2025 (2024: 1,259 employees). The Group offers a comprehensive and competitive remuneration, retirement schemes, a share option scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are each required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant PRC laws and regulations. In addition, the Group has adopted a provident fund scheme, as required under the Mandatory Provident Fund Schemes Ordinance, for its employees in Hong Kong.

Material Investment

During the six months ended 30 June 2025, the Group had material investment in a construction project on a land located at Huizhou Zhongkai Hi-tech Industrial Development Zone, Guangdong Province, the PRC (the "**Land**").

The Group had entered into an agreement with the vendor to obtain the land use right of the Land at the consideration of RMB40,490,000 on 7 April 2023. Pursuant to the agreement, the Group agreed that the fixed asset investment, included but not limited to the consideration for that acquisition, investment for the construction of buildings and machinery costs, on the Land would be approximately RMB400,000,000. The Group planned to construct the construction project and planned to expand the e-Cigarette Products Segment of the Company. Details of the aforesaid acquisition were disclosed in the Company's announcements dated 9 December 2022 and 7 April 2023 respectively.

Contingent Liabilities

At 30 June 2025, saved for the litigation cases disclosed under the below paragraph of "Legal Proceeding against Vendors of an Acquisition", the Group did not have any significant contingent liabilities.

Land Resumption in Shenzhen

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

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

LEGAL PROCEEDINGS AGAINST VENDORS OF AN ACQUISITION

As at 30 June 2025, the 4 legal proceedings in relation to the Group as disclosed under the heading of “LEGAL PROCEEDING AGAINST VENDORS OF AN ACQUISITION” under “MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP” for the year ended 31 December 2024 in Appendix I of this circular are still on going. Save as disclosed above, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration, or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. PROFIT GUARANTEE IN RELATION TO SHARE TRANSFER IN BOTON FLAVORS AND FRAGRANCES COMPANY LIMITED AND EXTENSION OF PROFIT GUARANTEE

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

Since the Company had announced the proposal to spin-off DG Boton and proposed to make arrangement so that DG Boton would become a joint stock limited company to qualify for the proposed A-Share listing on the Shenzhen Stock Exchange. To, inter alia, satisfy the aforesaid requirement, the Transaction was taken place and 30% of the entire equity interest of DG Boton were then proposed to be transferred by the vendors to the purchasers to facilitate its conversion to a joint stock limited company.

Each of the purchasers had unconditionally and irrevocably warranted to SZ Boton while certain purchasers had unconditionally and irrevocably warranted to Champion that DG Boton group would maintain an annual growth of not less than 10% of its revenue and net profit excluding extraordinary items (the “**Profit Guarantee**”) in the five financial years after the completion date (the “**Relevant Period**”). If the Profit Guarantee could not be met in any two consecutive years during the Relevant

Period, the purchasers must, within 30 days after the issue of the audited financial statement, transfer the respective equity interest (save and except the respective equity interest transferred from Champion to Mr. Qian Wu, Mr. Li Qing Long and Ms. Yang Yifan under the Equity Transfer Agreement) to the vendors at the consideration pursuant to the Equity Transfer Agreement.

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

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

For the year ended 31 December 2022 (the third financial year), the net profit and the revenue of DG Boton amounted to RMB57,103,000 and RMB321,588,000 respectively. Therefore, the Profit Guarantee for the net profit was fulfilled but the Profit Guarantee for the revenue was not yet fulfilled.

For the year ended 31 December 2023, the net profit and the revenue of DG Boton amounted to RMB75,855,000 and RMB347,786,000 respectively. Therefore, the Profit Guarantee for the net profit was fulfilled but the Profit Guarantee for the revenue was not fulfilled.

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

Pursuant to the Equity Transfer Agreement, the Relevant Period expired on 31 December 2024. The guarantee on the revenue could not be fulfilled but the guarantee on the net profit was well fulfilled. The net profit of DG Boton group significantly increased by approximately 81.5% from the financial year of 2020 to 2024.

On 1 August 2025, both parties entered into a supplemental agreement to the Equity Transfer Agreement (the “**Supplemental Agreement**”) to have an extended guarantee arrangement (“**New Guarantee**”). Pursuant to the Supplemental Agreement, each of the purchasers guaranteed that the net profit of DG Boton group from 1 January 2025 to 31 March 2026 should grow by not less than 5%. In the event that the New Guarantee cannot be met (save and except due to the occurrence of the aforesaid force majeure events), the purchasers should transfer the respective sale interest (save and except the respective Sale Interest transferred from Champion Sharp to Mr. Qian, Mr. Li and Ms. Yang under the Equity Transfer Agreement) to the vendors. The Supplemental Agreement will take retrospective effect from 1 January 2025. Save as disclosed above, all other principal terms and conditions of the Equity Transfer Agreement shall remain unchanged and continue to be in full force and effect in all respects.

The Purchasers were connected persons of the Company and hence the New Guarantee constituted a connected transaction under the Listing Rules. As the applicable percentage ratios exceed 0.1% but are less than 5%, the Supplemental Agreement and the New Guarantee are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval and circular requirements under Chapter 14A of the Listing Rules.

Details of the corporate guarantee and New Guarantee could refer to the announcements dated 12 June 2020 and 1 August 2025 respectively.

7. FINANCIAL AND TRADING PROSPECT OF THE GROUP FOLLOWING THE DISPOSAL OF THE PROPOSED LAND

After the completion of the Land Resumption, the Group will continue to operate its existing businesses. Financially, the Company will have new income stream for the Group to repay all short term borrowings and to enhance the liquidity and current ratio of the Group. The remaining proceeds will enhance the working capital for the Group in the coming financial years. The Group may explore and plan to invest in advanced production technology and automation to streamline manufacturing processes, reduce direct labor costs, and improve operational efficiency across all product lines of the business segments.

Throughout 2025, the Group has been actively restoring its domestic market position while accelerating its globalization efforts, with a focused expansion into developing economies. By leveraging local natural resources and substantial market potential, the Group aims to foster sustainable and steady growth in overseas countries through localization and technical cooperation. The Group will continue to upgrade production technologies across its plants and strengthen partnerships with leading international enterprises to capture high-value-added markets and advance the alignment of Chinese fragrance standards with global benchmarks. To support its international expansion, the Group implements comprehensive sales plans to broaden distribution networks and enhance customer service support worldwide, particularly for e-cigarette products, including e-liquids and devices.

In accordance with Rule 14.68(2)(b)(i) of the Listing Rules, the Company is required to include in this Circular a profit and loss statement on the identifiable net income stream (the “**Identifiable Net Income Stream**”) in relation to the Proposed Land for each of the years ended 31 December 2022, 2023 and 2024 and the nine months ended 30 September 2024 and 2025 (the “**Unaudited Profit and Loss Statements**”).

In the opinion of the Directors, the Identifiable Net Income Stream of the Proposed Land set out below has been properly compiled and derived from the underlying books and records of the Proposed Land and prepared in accordance with the accounting policies consistent with those of the Group.

The Unaudited Profit and Loss Statements prepared by the Directors based on the information of the Group are set out below:

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	5,178	6,450	5,781	4,040	4,001
Cost of sales	(677)	(844)	(756)	(528)	(523)
Administrative expenses	(974)	(974)	(974)	(731)	(731)
Fair value (loss)/gain on investment properties	(9,000)	2,000	3,400	—	1,100
(Loss)/profit before income tax	(5,473)	6,632	7,451	2,781	3,847
Income tax expense	821	(995)	(1,118)	(417)	(577)
Net (loss)/profit for the year/period	(4,652)	5,637	6,333	2,364	3,270

In accordance with paragraph 14.68(2)(b)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Directors of the Company engaged PricewaterhouseCoopers to perform certain agreed-upon procedures on the compilation of the Unaudited Profit and Loss Statements in accordance with the Hong Kong Standard on Related Services 4400 (Revised), *Agreed-Upon Procedures Engagements* issued by Hong Kong Institute of Certified Public Accountants. The auditor has compared the amounts shown on the Unaudited Profit and Loss Statements to the corresponding amounts in the underlying books and records of the Proposed Land and reported its findings based on the agreed-upon procedures to the Directors of the Company.

The work performed by the auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the auditor on the Unaudited Profit and Loss Statements.

Pursuant to the terms of the relevant engagement letter between the Company and the auditor, the reported findings should not be used or relied upon by any other parties for any purposes. In the opinion of the Directors, the Unaudited Profit and Loss Statements have been properly compiled and derived from the underlying books and records of the Proposed Land.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. Introduction

The following is the unaudited pro forma financial information of China Boton Group Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”), comprising the unaudited pro forma consolidated net assets statement as at 30 June 2025 and the unaudited pro forma consolidated income statement for the year ended 31 December 2024 and related notes (collectively, the “**Unaudited Pro Forma Financial Information**”).

The Unaudited Pro Forma Financial Information is prepared by the directors of the Company in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), for the purpose of illustrating the effect of the Proposed Disposal of the Proposed Land as described in the section headed “Letter from the Board” in this circular. The Group excluding the Proposed Land upon the completion of the Proposed Disposal is referred to as the “Remaining Group”.

The Unaudited Pro Forma Financial Information presented below is prepared to illustrate (i) the consolidated net assets of the Group as at 30 June 2025 as if the Proposed Disposal had been completed on 30 June 2025; and (ii) the consolidated income statement of the Remaining Group for the year ended 31 December 2024 as if the Proposed Disposal had been completed on 1 January 2024.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent the true picture of the financial position of the Group as at 30 June 2025 or at any future date had the Proposed Disposal been completed on 30 June 2025 or the results of the Group for the year ended 31 December 2024 or for any future period had the Proposed Disposal been completed on 1 January 2024.

The unaudited pro forma consolidated income statement of the Remaining Group is prepared based on the audited consolidated income statement of the Group for the year ended 31 December 2024, which has been extracted from the published annual report of the Group for the year ended 31 December 2024 after making certain pro forma adjustments resulting from the Proposed Disposal as described in the accompanying notes as set out on pages 45 to 46 to this circular and has been prepared in accordance with Rules 4.29 and 14.68(2)(b)(ii) of the Listing Rules.

The unaudited pro forma consolidated net assets statement of the Remaining Group is prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2025, which has been extracted from the published interim report of the Group for the six months ended 30 June 2025 after making certain pro forma adjustments resulting from the Proposed Disposal as described in the accompanying notes as set out on pages 45 to 46 to this circular and has been prepared in accordance with Rules 4.29 and 14.68(2)(b)(ii) of the Listing Rules.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Group for year ended 31 December 2024 or the published interim report of the Group for the six months ended 30 June 2025 and other financial information included elsewhere in this circular.

2. Unaudited Pro Forma Consolidated Net Assets Statement of the Remaining Group at 30 June 2025

	Unaudited Consolidated Net Assets Statement as at 30 June 2025 <i>RMB'000</i> <i>Note (a)</i>	Pro Forma Adjustment <i>RMB'000</i> <i>Note (b)</i>	Pro Forma Consolidated Net Assets Statement as at 30 June 2025 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	2,164,053	(11,902)	2,152,151
Right-of-use assets	156,771	(30,929)	125,842
Investment properties	631,400	(71,500)	559,900
Intangible assets	1,597,156		1,597,156
Investment in an associate	1,745		1,745
Deferred income tax assets	34,466		34,466
Prepayments for property, plant and equipment	<u>5,369</u>		<u>5,369</u>
	<u><u>4,590,960</u></u>		<u><u>4,476,629</u></u>
Current assets			
Inventories	283,153		283,153
Trade and other receivables	875,808		875,808
Pledged deposits for bank borrowings	183,500		183,500
Financial assets at fair value through profit or loss	140,577		140,577
Cash and cash equivalents	<u>236,668</u>	2,492,586	<u>2,729,254</u>
	<u><u>1,719,706</u></u>		<u><u>4,212,292</u></u>
Total assets	<u><u>6,310,666</u></u>		<u><u>8,688,921</u></u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	Unaudited Consolidated Net Assets Statement as at 30 June 2025 <i>RMB'000</i> <i>Note (a)</i>	Pro Forma Adjustment <i>RMB'000</i> <i>Note (b)</i>	Pro Forma Consolidated Net Assets Statement as at 30 June 2025 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Deferred government grants	34,389		34,389
Deferred income tax liabilities	67,430	(5,125)	62,305
Borrowings	1,133,013		1,133,013
Lease liabilities	<u>11,697</u>		<u>11,697</u>
	<u>1,246,529</u>		<u>1,241,404</u>
Current liabilities			
Trade and other payables	629,461		629,461
Contract liabilities	41,531		41,531
Lease liabilities	3,659		3,659
Current income tax liabilities	71,375	606,746	678,121
Borrowings	<u>906,648</u>		<u>906,648</u>
	<u>1,652,674</u>		<u>2,259,420</u>
Total liabilities	<u>2,899,203</u>		<u>3,500,824</u>
Net Assets	<u>3,411,463</u>		<u>5,188,097</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

3. Unaudited Pro Forma Consolidated Income Statement of the Remaining Group for the year ended 31 December 2024

	Consolidated Income Statement Year ended 31 December 2024	Pro Forma Adjustments			Pro Forma Consolidated Income Statement Year ended 31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>
	<i>Note(c)</i>	<i>Note (d)</i>	<i>Note (e)</i>		
Revenue	1,652,996		(5,781)		1,647,215
Cost of sales	<u>(1,055,090)</u>		756		<u>(1,054,334)</u>
Gross profit	597,906				592,881
Selling and marketing expenses	(48,484)				(48,484)
Administrative expenses	(334,671)		974		(333,697)
Impairment charge of goodwill	(67,414)				(67,414)
Net impairment losses on financial assets	(7,628)				(7,628)
Other income	3,402				3,402
Other gains — net	<u>5,938</u>	2,381,293	(3,400)		<u>2,383,831</u>
Operating profit	149,049				2,522,891
Finance income	2,085				2,085
Finance costs	<u>(65,905)</u>				<u>(65,905)</u>
Finance costs — net	<u>(63,820)</u>				<u>(63,820)</u>
Share of net profit of investment in an associate	423				423
Profit before income tax	85,652	2,381,293	(7,451)		2,459,494
Income tax expense	<u>(22,370)</u>	(601,159)	1,118		<u>(622,411)</u>
Profit for the year	63,282				1,837,083
Attributable to:					
Owners of the Company	18,381				1,792,182
Non-controlling interests	<u>44,901</u>				<u>44,901</u>
	<u>63,282</u>				<u>1,837,083</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

- a. The amounts are extracted from the Group's unaudited consolidated balance sheet as set out in the published interim report for the six months ended 30 June 2025.
- b. The adjustment represents the financial impact of the Proposed Disposal as if it had taken place on 30 June 2025, which is estimated as follows:

RMB '000

Estimated total compensation for the Land Resumption (i)	2,494,386
Less: Net book value of the Proposed Land as at 30 June 2025	(114,331)
Less: Estimated costs directly attributable to the Land Resumption	<u>(1,800)</u>

Estimated pre-tax gain on the Proposed Disposal 2,378,255

Less: Estimated tax effects in relation to the gain on the Land Resumption calculated at the applicable tax rates (ii)	<u>(601,621)</u>
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Estimated post-tax gain on the Proposed Disposal 1,776,634

- i. Estimated total compensation for the Land Resumption includes cash compensation in the amount of RMB2,271,913,552 and the Early Completion Bonus in the amount of RMB222,472,334 which are expected to be received in full by cash as of the completion date of the Proposed Disposal.
- ii. Estimated tax effects include the current income tax expense of RMB606,746,000 calculated at applicable rate of 25% and the reversal of deferred income tax liabilities of RMB5,125,000 relating to the accumulated fair value gain on the Proposed Land as at 30 June 2025.
- iii. The actual gain on the Proposed Disposal will be calculated based on the relevant amount as at the date of the Completion, the actual outcome of the Early Completion Bonus and subjected to audit and therefore would be different from the aforementioned amount.
- c. The amounts are extracted from the Group's audited consolidated income statement for the year ended 31 December 2024.
- d. The adjustment represents the financial impact of the Proposed Disposal as if it had taken place on 1 January 2024, which is estimated as follows:

RMB '000

Estimated total compensation for the Land Resumption (b)(i)	2,494,386
Less: Net book value of the Proposed land as at 1 January 2024	(111,293)
Less: Estimated costs directly attributable to the Land Resumption	<u>(1,800)</u>

Estimated pre-tax gain on the Proposed Disposal 2,381,293

Less: Estimated tax effects in relation to the gain on the Land Resumption calculated at the applicable tax rates (i)	<u>(601,159)</u>
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Estimated post-tax gain on the Proposed Disposal 1,780,134

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

- i. Estimated tax effects include corporate income tax expense RMB605,609,000 calculated at applicable rate of 25% and the reversal of deferred income tax liabilities of RMB4,450,000 relating to the accumulated fair value gain on the Proposed Land as at 1 January 2024.
- ii. The actual gain on the Proposed Disposal will be calculated based on the relevant amount as at the date of the Completion, the actual outcome of the Early Completion Bonus and subjected to audit and therefore would be different from the aforementioned amount.
- e. The adjustment represents the exclusion of the Identifiable Net Income Stream for the year ended 31 December 2024 as if the Proposed Disposal had taken place on 1 January 2024 for the unaudited pro forma consolidated income statement. The amounts are extracted from the unaudited profit and loss statement on the identifiable net income stream of the Proposed Disposal for the year ended 31 December 2024 as set out in Appendix II to this circular.
- f. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2025 and 1 January 2024 on the unaudited pro forma consolidated net assets statement and the unaudited pro forma consolidated income statement of the Group respectively.
- g. The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated net assets statement and the unaudited pro forma consolidated income statement of the Group.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report on the unaudited pro forma financial information of the Remaining Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Boton Group Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Boton Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") excluding the proposed land (the "Disposal Asset") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net assets statement as at 30 June 2025, the unaudited pro forma consolidated income statement for the year ended 31 December 2024 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 41 to 46 of the Company's circular dated 16 January 2026, in connection with the proposed disposal of the Disposal Asset (the "Transaction") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 41 to 46 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2025 and the Group's financial performance for the year ended 31 December 2024 as if the Transaction had taken place at 30 June 2025 and 1 January 2024 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2025, on which no audit or review report has been published. The information about the Group's financial performance has been extracted by the directors from the Group's financial statements for the year ended 31 December 2024, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2025 or 1 January 2024 respectively would have been as presented.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 16 January 2026

The following is the text of a letter, summary of value and valuation report, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 30 November 2025 of the real property located in the People's Republic of China.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 01-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心27樓2701-2708室
Tel 電話 : (852) 2593 9678 Fax 傳真 : (852) 2802 0863
Email 電郵 : enquiry@bmintelligence.com Website 網址 : www.bmi-appraisals.com

The Directors
China Boton Group Company Limited
Flat A-B, 37th Floor
Boton Technology Innovation Tower
368 Kwun Tong Road
Kowloon
Hong Kong

16 January 2026

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from China Boton Company Limited (the “Company”) for us to value the real property located in the People’s Republic of China (the “PRC”) in which the Company and / or its subsidiaries (together referred to as the “Group”) have interests. We confirm that we have conducted an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value (“Market Value”) of the real property as at 30 November 2025 (the “valuation date”).

BASIS OF VALUATION

Our valuation of the real property has been based on the Market Value, which is defined by The Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. The Market Value is also understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

In valuing the real property, we have adopted the Depreciated Replacement Cost Approach. Depreciated replacement cost is defined as “the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc.; all of these might result in the existing real property being worth less to the undertaking in occupation than would a new replacement”. This basis has been used due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of values for assets without a known used market. This opinion of value is subject to adequate profitability of the business compared to the value of the total assets employed.

TITLE INVESTIGATION

We have been provided with copies of title & legal documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copy handed to us. In the course of our valuation, we have relied upon the advice and information given by the Group’s PRC legal advisor — Zhong Lun Law Firm (中倫律師事務所) regarding the title of the real property located in the PRC. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the real property is sold in the market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the value of the real property. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the real property and no forced sale situation in any manner is assumed in our valuation.

In valuing the real property, we have relied on the advice given by the Group that the Group has valid and enforceable title to the real property which is freely transferable, and have free and uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

The real property was inspected by Ms. Krain Li (MSc in Construction and Real Estate) in December 2025. We have inspected the real property externally. In the course of our inspection, we did not note any serious defects. However, no tests or investigations are carried out to determine stability or suitability of ground conditions or factors, which could delay completion of a development on the real property such as archaeological artifacts, contamination, ecological or environmental considerations. Unless otherwise informed, we have assumed that the site is sound and no delays will occur in a construction schedule due to considerations relating to the site, and that the ground is not contaminated.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site / floor areas, identification of the real property and any other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site / floor areas in respect of the real property but have assumed that the site/floor areas shown on the documents handed to us are correct. Except otherwise stated, all dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the real property or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the real property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION STANDARDS

Our valuation has been prepared in accordance with The HKIS Valuation Standards (2024 Edition) published by The Hong Kong Institute of Surveyors, The RICS Valuation - Global Standards published by The Royal Institution of Chartered Surveyors (“RICS”) and the International Valuation Standards (IVS) published by The International Valuation Standards Council.

This valuation assignment has been prepared by the Property Valuation Team which is supervised by Dr. Tony C.H. Cheng (the “Valuers”) for and on behalf of BMI Appraisals Limited. We are not aware of any instances which would give rise to potential conflicts of interest from BMI Appraisals Limited or the Valuers who handled this valuation exercise. We confirm that BMI Appraisals Limited and the Valuers are in the position to provide objective and independent / unbiased valuation for the real property.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowance has been made for any exchange transfers.

Our Summary of Value and Valuation Report are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Dr. Tony C.H. Cheng
*BSc, MUD, MBA (Finance), MSc (Eng),
PhD (Econ), FAIA, FIPA, SIFM, FCIM,
FRSS, MASCE, MHKIE, MHKIS, MIET,
MIEEE, MASME, MISE*
Managing Director

Note: Dr. Tony C.H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 32 years' experience in valuations of real properties in Hong Kong and the People's Republic of China.

SUMMARY OF VALUATION

Real Property held by the Group for investment / future development in the PRC

	Market Value in existing state as at 30 November 2025 <i>RMB</i>
Real property	
A part of industrial land (Site No.: T505-0059) together with 4 industrial buildings erected thereon located at Le Li Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	155,000,000
位於中國廣東省深圳市南山區 樂麗路之一塊工業用地(宗地號：T505-0059)之部份及 4棟工業建築	
Total:	<u>155,000,000</u>

VALUATION REPORT

Real Property held by the Group for investment / future development in the PRC

Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2025 RMB
A part of industrial land (Site No.: T505-0059) together with 4 industrial buildings erected thereon located at Le Li Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	The real property comprises a part of an industrial complex known as “Boton Technology Park” with a site area of approximately 64,662.42 sq.m. together with 4 buildings erected thereon completed in 2012.	Portions of the land and buildings of the real property are subject to various tenancies whilst the remaining portion of the land is vacant and available for future development.	155,000,000 (One Hundred and Fifty Five Million Only)
位於中國廣東省深圳市南山區樂麗路之一塊工業用地 (宗地號：T505-0059) 之部份及4棟工業建築	The total gross floor area (“GFA”) of the real property is approximately 3,721.05 sq.m.	The land use rights of the real property have been granted for a term of 50 years commencing on 26 March 2007 and expiring on 25 March 2057 for industrial use.	

Notes:

- The real property is located in Nanshan District of Shenzhen City, which is about 30 minutes’ driving distance to Shenzhen Bao’an International Airport. The immediate locality is a science and technology area.
- Pursuant to a Shenzhen City Land Use Rights Grant Contract (深圳市土地使用權出讓合同) (“Grant Contract”) entered into between Shenzhen City State-owned Land Resources and Housing Administrative Bureau (深圳市國土資源與房屋管理局) and Shenzhen Boton Flavors & Fragrances Company Limited (深圳波頓香料有限公司) (“Shenzhen Boton”) dated 1 June 2007, the land use rights of a land parcel (Site No. T505-0059) with site area of approximately 80,167.47 sq.m. were contracted to be granted to Shenzhen Boton at a land premium of RMB58,267,476 for a term of 50 years commencing on 26 March 2007 and expiring on 25 March 2057 for industrial use. As advised, part of the land parcel with a site area of 15,505.05 sq.m. is not covered in our valuation.

The planning and design requirements of the real property are as follows:-

Plot Ratio:	≤ 2.71
Total permitted GFA:	≤ 217,254 sq.m.
Building Height:	≤ 30 m / 100 m
Building Density:	≤ 45%
Greenery Ratio:	≥ 28%
Permitted Usage:	Industrial

3. Pursuant to an Immovable Property Title Certificate (不動產權證), Yue (2019) Shenzhen Shi Bu Dong Chan Quan Di No. 0016954 (粵(2019)深圳市不動產權第0016954號), the land use rights of the industrial complex with a site area of approximately 80,167.47 sq.m. upon which the real property is situated have been granted to Shenzhen Boton for a term of 50 years commencing on 26 March 2007 and expiring on 25 March 2057 for industrial use and the building ownership rights of 7 buildings of the industrial complex with a total GFA of approximately 8,571.3 sq.m. are legally owned by Shenzhen Boton. As at the valuation date, 3 buildings with a total GFA of approximately 4,850.25 sq.m. had been demolished.
4. Pursuant to 5 Tenancy Agreements all entered into between China Boton (the “lessor”) and Shenzhen Yixin Real Estate Consulting Company Limited (深圳壹心地產顧問有限公司) (the “lessee”) dated between 31 December 2021 and 30 June 2023, the former agreed to lease portions of the real property together with 3 demolished buildings of Boton Technology Park with a total GFA of approximately 8,153.39 sq.m. to the latter for various terms with the latest expiry date on 31 December 2026 at a total monthly rent of RMB260,641.83 for the first 2 years, subject to an increment of 10% for every 2 years exclusive of relevant outgoings. As at the valuation date, the total existing monthly rent (before tax) was RMB286,706.01. Please see the below table for further details:

No.	Tenanted Portion	GFA (sq.m.)	Land Areas (sq.m.)	Existing Monthly Rent (before tax) RMB	Tenancy Term
1	Blocks A, B & E	5,417.99	nil	160,914.3	From 1 January 2022 to 31 July 2026
2	Blocks C (Without Electrical Room & Fire Services Control Room) & D	2,183.3	nil	64,844.01	From 1 January 2022 to 31 December 2026
3	Fire Services Control Room of Block C	26	nil	772.2	From 1 January 2022 to 31 December 2026
4	Block G	666.1	nil	33,561	From 1 January 2022 to 31 December 2026
5	Block F & Vacant Land	220	1,035	26,614.5	From 1 June 2023 to 31 December 2026
Total:		8,153.39	1,035	286,706.01	

As at the valuation date, Blocks A, B & C with a total GFA of approximately 4,850.25 sq.m. had been demolished.

5. As advised and as per special terms stated in the said Tenancy Agreements, upon acquisition by the government for public purposes within the tenancy period and upon signing of acquisition agreement with the government, Shenzhen Boton (i.e. lessor) is obliged to return the rental deposit and pre-paid rent to the lessee and the lessee should at its own cost to vacate from the real property within 3 months upon receiving formal notice from Shenzhen Boton.
6. The real property is subject to 4 mortgages all in favour of Bank of China Shenzhen Nantou Branch (中國銀行股份有限公司深圳南頭支行) at a total loan amount of RMB1,520,000,000 with the latest expiry date on 11 September 2026.
7. In valuing the market value of the land of the real property, we have made reference to various sales transactions from Shenzhen Public Resources Trading Centre (深圳公共資源交易中心). Comparable land sale evidence with similar site area, plot ratio and designation of industrial uses and transacted within 12 months from the valuation date were selected. The unit rates of these comparables range from RMB1,850 to RMB2,027 per sq.m. on land area basis.
8. The opinion of the PRC legal advisor to the Group contains, inter alia, the following:
- a. The land use rights and building ownership rights of the real property are legally vested in China Boton for a term of 50 years commencing on 26 March 2007 and expiring on 25 March 2057;

- b. The real property is designated for high-tech projects and is intended for Shenzhen Boton's production, research and development and the land is classified as non-commercial use, and within the term stated in Note 8a, Shenzhen Boton is not permitted to transfer the land use rights as commodity housing or mortgage the land use rights without approval;
 - c. Shenzhen Boton is entitled to occupy, use and receive income from the real property (except the restriction in relation to Note 8b and the mortgages stated in Note 6); and
 - d. The real property is not subject to any seizure.
9. Shenzhen Boton is an indirect wholly-owned subsidiary of the Company.

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. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(i) *Interests and short positions in shares and underlying shares of the Company*

Name of Director	Capacity / Nature of interest	Number of shares held (Long Position)	Percentage of the Company's issued share capital
Mr. Wang Ming Fan ^(Note)	Beneficial owner, family interest and interest of controlled corporation	729,456,226	67.51%

Note:

The family interests of 25,262,431 Shares represents the shares held by Ms. Yang Yifan, the spouse of Mr. Wang Ming Fan as at 30 June 2025.

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

- (ii) *Interests in shares of Boton Flavors and Fragrances Company Limited (Formerly “Dongguan Boton Flavors & Fragrances Company Limited”) (波頓香料股份有限公司, 前稱“東莞波頓香料有限公司”) (the “JV Company”), an associated corporation of the Company*

Name of Director	Amount of paid-up registered capital of the JV Company	Percentage of registered capital of the JV Company
Mr. Wang Ming Fan ^(Note 2)	Approximately RMB28,934,042	Approximately 34.04%
Mr. Li Qing Long	Approximately RMB1,275,000	Approximately 1.50%

Notes:

- The total paid-up registered capital of the JV Company is approximately RMB85,000,000.
- Mr. Wang Ming Fan held 33.32% (RMB28,322,000) 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 0.72% (RMB612,042) equity interest held by Mr. Wang through two PRC limited partnerships where Mr. Wang acted as general partner.

- (iii) *Interests in shares of Creative China Limited, an associated corporation of the Company*

Name of Director	Class and number of shares held in associated corporation	Percentage of issued shares
Mr. Wang Ming Fan ^(Note 1)	4,559 ordinary shares	41.19%
Mr. Li Qing Long	436 ordinary shares	3.94%

Note:

- Creative China is owned as to 41.19% by Mr. Wang Ming Fan, as to 28.11% by Mr. Wong Ming Bun (a former director of the Company), as to 10.01% by Mr. Wang Ming Qing, as to 9.86% by Mr. Wang Ming You (a former director of the Company), as to 6.89% by Mr. Qian Wu (a former director of the Company) and as to 3.94% by Mr. Li Qing Long. As at 30 June 2025, Mr. Wang Ming Fan and Mr. Li Qing Long were Directors of the Company and also directors of Creative China. Mr. Qian Wu, who was an ex-director of the Company, is a director of Creative China.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) where were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest 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.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Name of shareholders	Capacity / Nature of interest	Number of shares held (Long Position ^{Note 1)}	Percentage of the Company's issued share capital
Mr. Wang Ming Fan ^(Note 2)	Beneficial owner, family interest and interest of controlled corporation	729,456,226	67.51%
Creative China Limited ^(Note 3)	Beneficial owner	348,320,509	32.24%
Full Ashley Enterprises Limited ^(Note 4)	Beneficial owner	19,318,234	1.79%

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. By virtue of the SFO, Mr. Wang Ming Fan is deemed to be interested in: (a) 25,262,431 Shares being held by Ms. Yang Yifan, the spouse of Mr. Wang; (b) 348,320,509 Shares being held by Creative China (which is duplicated in the interests described in Note 3); and (c) 19,318,234 Shares being held by Full Ashley (which is duplicated in the interests described in Note 4). Together with his personal shareholding of 336,555,052 Shares, Mr. Wang Ming Fan was taken to be interested in 729,456,226 shares (approximately 67.51% of the total issued share capital of the Company) as at 30 June 2025.
3. Creative China is owned as to 41.19% by Mr. Wang Ming Fan, as to 28.11% by Mr. Wong Ming Bun (a former director of the Company), as to 10.01% by Mr. Wang Ming Qing, as to 9.86% by Mr. Wang Ming You (a former director of the Company), as to 6.89% by Mr. Qian Wu (a former director of the Company) and as to 3.94% by Mr. Li Qing Long. As at 30 June 2025, Mr. Wang Ming Fan and Mr. Li Qing Long were Directors of the Company and also directors of Creative China. Mr. Qian Wu, who was an ex-director of the Company, is a director of Creative China.
4. Full Ashley is a private company which is wholly-owned by Mr. Wang Ming Fan who has a duty of disclosure under SFO in the issued share capital of the Company as Director of the Company, therefore Full Ashley is taken to have a duty of disclosure in relation to the Shares of the Company under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests in shares disclosed above in respect of the Directors, the Company has not been notified of any other interests representing 5 percent or more of the Company's issued share capital as at the Latest Practicable Date.

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or have or may have any other conflicts of interest with the Group.

5. DIRECTORS' SERVICE CONTRACTS

None of the Directors had entered or been proposed to enter into any service contract with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

6. INTEREST OF DIRECTORS OR EXPERTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, (a) none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group, (b) save as disclosed in this circular, none of the Directors or expert named in the section headed "8. Expert and Consent" in this appendix had any interest, directly or indirectly, in any assets which have been, since 31 March 2024 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

The following contract (not being contract entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the supplemental agreement dated 1 August 2025 and entered into between (i) Shenzhen Boton Flavors and Fragrances Company Limited* (深圳波頓香料有限公司) and (ii) Champion Sharp International Investment Limited (盛冠國際投資有限公司) as the vendors, (i) Mr. Qian Wu (錢武), (ii) Mr. Li Qing Long (李慶龍), (iii) Ms. Yang Yifan (楊伊帆), (iv) First Limited Partnership and Second Limited Partnership as the purchasers and Boton Flavors and Fragrances Co., Ltd. 波頓香料股份有限公司 (formerly known as Dongguan Boton Flavors and Fragrances Company Limited 東莞波頓香料有限公司) ("Boton Flavors") as the target company, pursuant to which each of the purchasers guarantee that the net profit of Boton Flavors and its subsidiaries from 1 January 2025 to 31 March 2026 shall grow by not less than 5%, details of which were disclosed in the Company's announcement dated 1 August 2025;

- (b) the disposal agreement entered into between Bubblemon Venture Limited as the target company, the Company and Boton Holding SPV and Han Holding SPV and Mr. Han Sang Un as the vendors and Bubblemon Holding Limited as the purchaser, pursuant to which (i) 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 (ii) Han Holding SPV agreed to sell, and the purchaser agreed to purchase, 3,000 Target Shares (which will represent 30% of the total equity interest of the Bubblemon Venture Limited) at the consideration of RMB58,823,529;
- (c) the Land Resumption Agreement; and
- (d) the Supplemental Agreement.

8. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given opinions or advices contained in this circular (the “**Expert**”):

Name	Qualification
BMI Appraisals Limited	Independent Professional Valuer
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)

As at the Latest Practicable Date, the Expert 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 it appears.

As at the Latest Practicable Date, the Expert did not have any shareholding in any member of the Group upon Completion 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 upon Completion.

As at the Latest Practicable Date, the Expert was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Group upon Completion since 31 December 2024, the date to which the latest audited financial statements of the Company were made up.

9. LITIGATION

As at the Latest Practicable Date, the 4 legal proceedings in relation to the Group as disclosed under the heading of “LEGAL PROCEEDING AGAINST VENDORS OF AN ACQUISITION” under “MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP” for the year ended 31 December 2024 in Appendix I of this circular are still on going. Save as disclosed above, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration, or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

10. GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business in Hong Kong of the Company is situated at Flat A-B, 37/F, Boton Technology Innovation Tower, 368 Kwun Tong Road, Kowloon, Hong Kong.
- (c) The branch share registrar and the transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The company secretary of the Company is Mr. Ma Siu Kit, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

11. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Company (<https://www.boton.com.hk/>) and the Stock Exchange (www.hkexnews.hk) between the period of not less than 14 days from the date of this circular up to and including the date of the EGM:

- (a) the report on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in appendix III to this circular;
- (b) the letter of consent referred to under the paragraph headed “Expert and Consent” in this appendix;
- (c) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (d) the valuation report on the Proposed Land, the text of which is set out in Appendix II to this circular.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of China Boton Group Company Limited (the “**Company**”) will be held at Conference Room of ProTop Financial Press Limited, Room 908, 9/F, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong on Monday, 2 February 2026 at 3:00 pm for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 16 January 2026 (the “**Circular**”)):

ORDINARY RESOLUTION

1. “**THAT:**

- (a) (i) the Land Resumption Agreement dated 7 December 2025 (a copy of which is produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and entered into between Xili Residential District Office in Nanshan District of Shenzhen* (深圳市南山區西麗街道辦事處) (the “**Local Authority**”) and Shenzhen Boton Flavor & Fragrances Co., Ltd. (深圳波頓香料有限公司) (“**Shenzhen Boton**”) and (ii) the Supplemental Agreement dated 24 December 2025 (a copy of which is produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification) and entered into between the Local Authority, Shenzhen Boton and Shenzhen Baishuo New City Investment Co., Ltd. (深圳市百碩新城投資有限公司), in relation to, among other things, the resumption of the land located at Le Li Road, Nanshan District, Shenzhen, Guangdong Province, the PRC with an aggregate site area of approximately 64,662.42 sq.m., and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the Directors be and are hereby authorised for and on behalf of the Company and in its name to execute all such documents, instruments and agreements and do all such acts, matters and things as they may in their absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with implementing, completing and giving effect to the Land Resumption Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Land Resumption Agreement as they may in their absolute discretion consider necessary or desirable and all such acts and things the Directors have done, all such documents the Directors have executed, and all such steps the Directors have taken are hereby approved, confirmed and ratified.”

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

Hong Kong, 16 January 2026

* For identification purpose only

NOTICE OF EGM

Registered office:

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

Principal place of business in Hong Kong:

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

Notes:

1. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or the adjourned meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorized.
4. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, then one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holder stand on the register in respect of the relevant joint holding.
6. The enclosed form of proxy must be signed by the appointor or by his attorney authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an office, attorney or other person duly authorized to sign the same.
7. The Register of Members of the Company will be closed from 28 January 2026 to 2 February 2026, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming extraordinary general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 27 January 2026.