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LETTER FROM THE BOARD

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萬隆控股集團有限公司  
Ban Loong Holdings Limited  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 30)

*Executive Directors:*

Mr. Wang Minghui (*Chairman*)  
Mr. Chow Wang  
(*Deputy Chairman & Chief Executive Officer*)  
Mr. Yin Pinyao  
Mr. Wang Zhaoqing (*Chief Operating Officer*)

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Director:*

Mr. Fong For

*Principal place of business in Hong Kong:*

Room 2709-10  
27/F, China Resources Building  
No. 26 Harbour Road  
Wanchai, Hong Kong

*Independent Non-executive Directors:*

Mr. Jiang Zhi  
Mr. Leung Ka Kui, Johnny  
Ms. Wong Chui San, Susan

15 December 2021

*To the Independent Shareholders,*

**MANDATORY CONDITIONAL CASH OFFER BY  
CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED  
FOR AND ON BEHALF OF YUNBAIYAO HONG KONG CO., LIMITED  
FOR ALL THE SHARES IN BAN LOONG HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY OR  
AGREED TO BE ACQUIRED BY YUNBAIYAO HONG KONG CO., LIMITED  
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

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On 9 September 2021, New Huadu HK acquired 56,000,000 Shares (namely the Acquisition Shares, which comprise approximately 0.87% of the Shares in issue as at the Latest Practicable Date) for a consideration of HK\$0.285 per Share on the secondary market.

New Huadu HK is wholly-owned by New Huadu Industrial, which is held as to approximately 93.69% by Mr. Chen Fashu, through his shareholding in Xiamen Huadu and through such shareholding held by him in his own capacity. Mr. Chen Fashu is a director and the co-chairman of YNBY Group Co. and together with parties acting in concert with him, holds approximately 25.04% of YNBY Group Co. The Offeror is an indirect wholly-owned subsidiary of YNBY Group Co. Accordingly, the Offeror, Mr. Chen Fashu, New Huadu HK, Xiamen Huadu, New Huadu Industrial and YNBY Group Co. are presumed to be parties acting in concert under the Takeovers Code.

Prior to the Acquisition, YNBY Group Co. held 1,908,025,360 Shares (representing 29.59% of the issued Shares as at the Latest Practicable Date), and save for aforementioned Shares and the Convertible Bonds, none of the Offeror and the parties acting in concert with it held, controlled or had direction over any Shares, convertible securities, warrants or options or any other interests in the issued Shares or voting rights of the Company.

As a result of the Acquisition, the Offeror, together with parties acting in concert with it, became collectively interested in 1,964,025,360 Shares, representing approximately 30.46% of the total issued Shares immediately after the Acquisition and as at the Latest Practicable Date. Accordingly, the Offeror is required under Rule 26.1 of the Takeovers Code to make the Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

As at the Latest Practicable Date, there are 6,448,152,160 Shares in issue. As at the Latest Practicable Date, the Company has not issued any share options under the Share Option Scheme. The Directors confirm that other than the Convertible Bonds held by YNBY Group Co., the Company does not have any outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares. For the avoidance of doubt, as the Convertible Bonds are held by YNBY Group Co., a party acting in concert with the Offeror, no offer will be made in relation to the Convertible Bonds pursuant to Rule 13 of the Takeovers Code.

Since 31 March 2021 (being the date on which the Company's latest published audited accounts were prepared) and up to and including the Latest Practicable Date, no new Shares have been issued by the Company.

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Save for Mr. Fong For, being the sole non-executive Director, holding 349,068,000 Shares as at the Latest Practicable Date, the Independent Board Committee comprising the sole non-executive Director and all independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Fong For, Mr. Jiang Zhi, Mr. Leung Ka Kui, Johnny and Ms. Wong Chui San, Susan, has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

The Company has appointed Red Sun Capital as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer, and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

The purpose of this Composite Document is to provide you with, among other things, (i) the details of the Offer (including the expected timetable and terms of the Offer); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Offer, together with the Form of Acceptance.

You are advised to read the “Letter from the Independent Board Committee” addressed to the Independent Shareholders, the “Letter from the Independent Financial Adviser” and the additional information contained in the appendices to this Composite Document before taking any action in respect of the Offer.

### THE OFFER

#### Principal terms of the Offer:

CICC, on behalf of the Offeror, is making the Offer to all the Independent Shareholders in compliance with Rule 26.1 of the Takeovers Code on the following basis:

For each Offer Share ..... HK\$0.285 in cash

The Offer Price of HK\$0.285 per Offer Share under the Offer is the same as the purchase price per Acquisition Share paid by New Huadu HK under the Acquisition. The Offer will be extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code. **The Offeror will not increase the Offer Price as set out above. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.**

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The Offer is conditional only upon the Offeror having received acceptances in respect of voting rights which, together with the Shares already owned by the Offeror and parties acting in concert with it, will result in the Offeror and parties acting in concert with it in aggregate holding more than 50% of the voting rights of the Company at or before 4:00 p.m. (Hong Kong time) on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the Takeovers Code, decide and the Executive may approve).

The Offeror will issue a further announcement in relation to the fulfilment of such condition (at which time the Offeror can declare the Offer unconditional in all respects if such condition has been fulfilled) and any revision, extension or lapse of the Offer, as the case may be, in accordance with the Takeovers Code. Pursuant to Rule 15.5 of the Takeovers Code, unless otherwise agreed by the Executive, the latest time at which the Offeror may declare the Offer unconditional in all respects is 7:00 p.m. (Hong Kong time) on the Extended Closing Date (or such later date to which the Executive may approve).

### **Further details of the Offer**

Further details of the Offer including, among other things, the value of the Offer, its extension to the Overseas Shareholders, effects of accepting the Offer, information on stamp duty, taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the "Letter from CICC" on pages 7 to 17 of this Composite Document, and Appendix I to this Composite Document and the Form of Acceptance.

### **INFORMATION ON THE OFFEROR AND THEIR INTENTIONS IN RELATION TO THE COMPANY**

Your attention is drawn to the sections headed "4. Information regarding the Offeror and parties acting in concert with it" and "5. The Offeror's intentions regarding the Company" in the "Letter from CICC" set out in this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Group and its employees and is willing to co-operate with the Offeror further, which is in the interests of the Company and the Shareholders as a whole.

### **INFORMATION OF THE GROUP**

The Company was incorporated in Bermuda with limited liability and its issued shares have been listed on Stock Exchange since 9 October 1991. The Group is principally engaged in money lending business, trading of goods and commodities and Cannabidiol (CBD) isolate.

Your attention is drawn to the financial information on the Group set out in Appendix II to this Composite Document.

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### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company immediately prior to the Acquisition and immediately after the Acquisition and as at the Latest Practicable Date:

Shareholders	Immediately prior to the Acquisition		Immediately after the Acquisition and as at the Latest Practicable Date	
	Number of Shares	%	Number of Shares	%
Offeror	0	–	0	–
YNBY Group Co.	1,908,025,360	29.59	1,908,025,360	29.59
New Huadu HK	<u>0</u>	–	<u>56,000,000</u>	<u>0.87</u>
Aggregate number of Shares held by the Offeror and parties acting in concert with it <sup>Note 1</sup>	1,908,025,360	29.59	1,964,025,360	30.46
<b>Directors</b>				
Chow Wang	495,404,000	7.68	495,404,000	7.68
Fong For	349,068,000	5.41	349,068,000	5.41
Public Shareholders	<u>3,695,654,800</u>	<u>57.32</u>	<u>3,639,654,800</u>	<u>56.45</u>
<b>Total</b>	<u><u>6,448,152,160</u></u>	<u><u>100</u></u>	<u><u>6,448,152,160</u></u>	<u><u>100</u></u>

*Notes:*

- As at the Latest Practicable Date, YNBY Group Co. is the holder of the Convertible Bonds with a principal amount of HK\$500,000,000, none of which have been exercised. Pursuant to the terms and conditions of the Convertible Bonds, among other things, YNBY Group Co. may not convert any of such Convertible Bonds to Shares if such conversion would trigger any mandatory offer obligation under Rule 26 of the Takeovers Code. The sole director of the Offeror has confirmed that YNBY Group Co. will not exercise its conversion right in respect of the Convertible Bonds prior to the close of the Offer.
- All percentages in the above table are approximations and rounded to two decimal places.

Your attention is drawn to the “Financial Information of the Group” and “General Information of the Group” as set out in Appendices II and III respectively to this Composite Document.

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### **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

Your attention is drawn to the section headed "6. Maintaining the Listing Status of the Company" in the "Letter from CICC" in this Composite Document.

The Board noted the Offeror's intention to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The Directors, the sole director of the Offeror and the new director(s) to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists for the Shares following the close of the Offer.

**The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.**

### **RECOMMENDATION**

Your attention is drawn to (i) the "Letter from the Independent Board Committee" on pages 25 to 26 of this Composite Document, which sets out its recommendation to the Independent Shareholders as to whether the terms of the Offer are or are not fair and reasonable so far as the Independent Shareholders are concerned, and as to the acceptance thereof; and (ii) the "Letter from the Independent Financial Adviser" on pages 27 to 51 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders are concerned, and as to the acceptance thereof, and the principal factors considered by it in arriving at its advice and recommendation.

The Independent Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

Taking into account the terms of the Offer and the advice from Independent Board Committee, and the principal factors and reasons taken into account in arriving at its recommendations, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

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### ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,  
For and on behalf of  
The board of directors of  
**Ban Loong Holdings Limited**



**Chow Wang**  
*Deputy Chairman and  
Chief Executive Officer*