
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ban Loong Holdings Limited, you should at once hand this Composite Document together with the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the provisions of which form part of the terms of the Offer contained herein.

The Stock Exchange of Hong Kong Limited and Hong Kong Exchanges and Clearing Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.



YUNBAIYAO HONG KONG CO., LIMITED

雲白藥香港有限公司

(Incorporated in Hong Kong with limited liability)

萬隆控股集團有限公司

Ban Loong Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 30)

**COMPOSITE DOCUMENT RELATING TO
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)**

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



Holders of the Offer Shares should inform themselves of and observe any applicable legal or regulatory requirements. See "Important Notice" beginning on page iv of this Composite Document.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document. A "Letter from CICC" containing, among other things, the details of the terms and conditions of the Offer are set out on pages 7 to 17 of this Composite Document. A letter from the Board is set out on pages 18 to 24 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer is set out on pages 25 to 26 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer is set out on pages 27 to 51 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out on pages I-1 to I-9 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:00 p.m. on Wednesday, 5 January 2022 or such later time and/or the date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Forms of Acceptance to any jurisdiction outside of Hong Kong should read the details in this regard which are contained in the section headed "Overseas Shareholders" of the "Letter from CICC" in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer. The Composite Document will appear on the Stock Exchange website at <http://www.hkex.com.hk> and the Company's website at <http://www.0030hk.com> as long as the Offer remains open.

15 December 2021

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be announced by the Offeror and the Company as and when appropriate.

Despatch date of this Composite Document and the accompanying Form of Acceptance	Wednesday, 15 December 2021
Offer open for acceptance	Wednesday, 15 December 2021
First Closing Date of the Offer (<i>Note 1</i>)	Wednesday, 5 January 2022
Latest time and date for acceptance of the Offer on the First Closing Date (<i>Note 2</i>)	4:00 p.m. on Wednesday, 5 January 2022
Announcement of the results of the Offer as at the First Closing Date to be posted on the website of the Stock Exchange	7:00 p.m. on Wednesday, 5 January 2022
Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offer on or before 4:00 p.m. on the First Closing Date assuming the Offer becomes or is declared unconditional in all respects on the First Closing Date (<i>Note 3</i>)	Friday, 14 January 2022
Latest time and date for acceptance of the Offer remaining open assuming the Offer becomes, or is declared, unconditional on the First Closing Date (<i>Note 4</i>)	Wednesday, 19 January 2022
Latest time and date by which the Offer can become or be declared unconditional in all respects (<i>Note 4</i>)	7:00 p.m. on 13 February 2022

Notes:

- (1) The Offer will close for acceptances at 4:00 p.m. on Wednesday, 5 January 2022 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any extension of the Offer no later than 7:00 p.m. on Wednesday, 5 January 2022, which announcement will state either the next Closing Date or, if the Offer is at that time unconditional in all respects, a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

EXPECTED TIMETABLE

- (2) Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (please also refer to “Procedures for Acceptance of the Offer” on page I-1 in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptances of the Offer are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed “Right of Withdrawal” on page I-6 in Appendix I to this Composite Document.
- (3) Subject to the Offer becoming unconditional, remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty in respect of acceptances of the Offer) payable for the Shares tendered under the Offer will be despatched to those Shareholders accepting the Offer (to the address specified on the relevant Shareholder’s Form of Acceptance) by ordinary post at their own risk as soon as possible, but in any event within seven Business Days from the later of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid, and the date on which the Offer becomes or is declared unconditional in all respects.
- (4) In accordance with the Takeovers Code, when the Offer becomes or is declared unconditional in all respects, at least 14 days’ notice in writing must be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional in all respects after 7:00 p.m. on the 60th day after the day this Composite Document is posted. Accordingly, unless the Offer has previously become unconditional in all respects, the Offer will lapse on 13 February 2022 unless extended with the consent of the Executive.
- (5) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning: (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day and the latest date for the posting of remittances will remain on the same Business Day; and (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. and the posting of remittances will be next following Business Day which does not have either of those warnings in force at any time between 12:00 noon and 4:00 p.m.

Save as disclosed above, if the latest time for the acceptance of the Offer does not take effect on the date and at the time stated above, other dates mentioned in the expected timetable above may be affected. The Offeror and the Company will notify Shareholders by way of announcement of any change to the expected timetable as soon as practicable.

All time and date references contained in this Composite Document and accompanying Form of Acceptance are to Hong Kong times and dates.

IMPORTANT NOTICE

NOTICE TO SHAREHOLDERS OUTSIDE OF HONG KONG

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror and parties acting in concert, the Company, CICC, Red Sun Capital and the Registrar, their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Such holders should inform themselves about and observe any applicable legal or regulatory requirements. Please refer to the section headed “Overseas Shareholders” of the “Letter from CICC” in this Composite Document for further information.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	means the purchase of the Acquisition Shares by New Huadu HK on 9 September 2021
“Acquisition Shares”	means 56,000,000 Shares acquired by New Huadu HK under the Acquisition
“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Offeror in relation to the Offer. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
“Closing Date”	the date stated in this Composite Document as the First Closing Date of the Offer or if the Offer is revised or extended or lapsed, any subsequent closing date as may be announced by the Offeror and approved by the Executive
“CMB Wing Lung Bank”	CMB Wing Lung Bank Limited, the lender to the Offeror under the Loan Facility
“Company”	Ban Loong Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 30)

DEFINITIONS

“Composite Document”	this composite offer and response document jointly issued and despatched by the Offeror and the Company to all the Shareholders in connection with the Offer in compliance with the Takeovers Code
“Condition”	the condition of the Offer, as set out under the section “Condition to the Offer” of the “Letter from CICC” of this Composite Document
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the convertible bonds issued by the Company to YNBY Group Co. in the aggregate principal amount of HK\$500,000,000 on 30 October 2020 pursuant to a subscription agreement entered into on 14 October 2019 between the Company and YNBY Group Co.
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Extended Closing Date”	the date which is 60 calendar days after the date of the despatch of the Composite Document, unless the date has been extended by the Offeror with the consent of the Board and the Executive pursuant to Rule 15.5 of the Takeovers Code
“Facility Agreement”	the facility agreement dated 3 November 2021 entered into by the Offeror as the borrower and CMB Wing Lung Bank as lender in respect of the Loan Facility
“First Closing Date”	Wednesday, 5 January 2022, the first Closing Date of the Offer which is 21 calendar days after despatch of this Composite Document
“Form of Acceptance”	the form of acceptance and transfer in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, consisting of Mr. Fong For, Mr. Jiang Zhi, Mr. Leung Ka Kui, Johnny and Ms. Wong Chui San, Susan, established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable, and as to acceptance of the Offer
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and parties acting in concert with it, being holder(s) of Offer Share(s)
“Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participants
“Joint Announcement”	the joint announcement dated 4 November 2021 jointly issued by the Company and the Offeror, in relation to, among other things, the Acquisition and the Offer
“Last Trading Day”	27 October 2021, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue and publication of the Joint Announcement
“Latest Practicable Date”	10 December 2021, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facility”	the loan facility of HK\$1,360,000,000 made available by CMB Wing Lung Bank to the Offeror under the Facility Agreement

DEFINITIONS

“Mr. Chen Fashu”	Mr. Chen Fashu (陳發樹), a party acting in concert with the Offeror
“New Huadu HK”	New Huadu Group (HK) Investment Limited, a company incorporated in Hong Kong with limited liability
“New Huadu Industrial”	New Huadu Industrial Group Co., Ltd* (新華都實業集團股份有限公司), a company incorporated with limited liability in the PRC which is ultimately held as to approximately 93.69% by Mr. Chen Fashu, and a party deemed to be acting in concert with the Offeror
“Offer”	the mandatory conditional general offer in cash made by CICC for and on behalf of the Offeror for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code at the Offer Price
“Offer Period”	has the meaning ascribed thereto under the Takeovers Code, being the period commencing on the date of the Joint Announcement up to and including the Closing Date
“Offer Price”	the price per Offer Share at which the Offer will be made in cash, being HK\$0.285 per Offer Share
“Offer Share(s)”	all Shares that are not owned or agreed to be acquired by the Offeror or parties acting in concert with it and “Offer Share” means any of them
“Offeror”	Yunbaiyao Hong Kong Co., Limited 雲白藥香港有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of YNBY Group Co.
“Overseas Shareholders”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China (for the purpose of this Composite Document, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)

DEFINITIONS

“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Relevant Period”	the period from 4 May 2021, being the date falling six months before the date of the commencement of the Offer Period, up to and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Charges”	the share charges entered into by (a) the Offeror in relation to Shares to be acquired by it under the Offer, and (b) YNBY Group Co., in relation to Shares held by it, in favour of CMB Wing Lung Bank as security for the Loan Facility
“Share Option Scheme”	the share option scheme approved by Shareholders at the annual general meeting of the Company held on 30 September 2013, which is valid and effective from 30 September 2013 to 29 September 2023
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Xiamen Huadu”	Xiamen New Huadu Management Consulting Investment Co., Ltd* (廈門新華都投資管理諮詢有限公司), a company established in the PRC, which is wholly-owned by Mr. Chen Fashu, and a party deemed to be acting in concert with the Offeror

DEFINITIONS

“YNBY Group”	YNBY Group Co. and its subsidiaries
“YNBY Group Co.”	Yunnan Baiyao Group Co., Ltd.* (雲南白藥集團股份有限公司), a joint stock company established in the PRC with limited liability (shares of which are listed on the Shenzhen Stock Exchange with stock code 000538)
“%”	per cent.

Notes:

1. Certain English translations of Chinese names or words or Chinese translations of English names or words in this Composite Document are included for information and identification purposes only and should not be regarded as the official English translation of such Chinese names or words or official Chinese translation of such English names or words, respectively.
2. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.
3. The singular includes the plural and vice versa, unless the context otherwise requires.
4. References to any Appendix, paragraph and any sub-paragraphs of them are references to the Appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them respectively.
5. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document.
6. Reference to one gender is a reference to all or any genders.

LETTER FROM CICC



15 December 2021

To the Independent Shareholders

Dear Sir/Madam,

**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)**

1. INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Acquisition and the Offer.

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.

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, pursuant to Rule 26.1 of the Takeovers Code, a mandatory conditional general offer in cash for all the issued Shares held by the Independent Shareholders was required to be made on or around the date of the Acquisition. The failure to announce the Acquisition and the Offer immediately after the Acquisition was due to the fact that New Huadu HK was not aware that New Huadu HK was deemed to be a party acting in concert with YNBY Group Co. for the purposes of the Takeovers Code at the relevant time. New Huadu HK has sincerely apologised for not making the Offer as soon as it was triggered.

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Following the Acquisition, New Huadu HK was advised that the Acquisition gave rise to the requirement for a mandatory conditional general offer in cash to be made. As the Offeror required time to prepare, among others, the contents of the Joint Announcement relating to the Offeror, the parties acting in concert with it and the Offer, as well as entering into financing arrangements (as more particularly described in the section headed “2. Mandatory conditional cash offer – 2.5 Financial resources of the Offeror”), the Offeror was not able to issue the Joint Announcement immediately following the Acquisition. On 27 October 2021 (after trading hours of the Stock Exchange), the Offeror formally informed the Company with respect to the making of the Offer.

This letter forms part of this Composite Document and sets out, among other things, details of the Offer, information on the Offeror, and the Offeror’s intentions in relation to the Company. Further details on the terms and the procedures for acceptances of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

2. MANDATORY CONDITIONAL CASH OFFER

2.1 Principal terms of the Offer

For and on behalf of the Offeror, we hereby conditionally make the Offer in compliance with 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 equivalent to the purchase price per Share paid by New Huadu HK under the Acquisition. The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

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.

2.2 Comparisons of value

The Offer Price of HK\$0.285 per Offer Share represents:

- a discount of approximately 1.72% to the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on 9 September 2021, being the date of the Acquisition;

LETTER FROM CICC

- a premium of approximately 3.64% over the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 15.38% over the average closing price of approximately HK\$0.247 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day;
- a premium of approximately 3.26% over the average closing price of approximately HK\$0.276 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 5.32% over the average closing price of approximately HK\$0.301 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 12.58% over the average closing price of approximately HK\$0.326 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 20.17% over the average closing price of approximately HK\$0.357 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 28.03% over the average closing price of approximately HK\$0.396 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Day;
- a premium of approximately 9.62% over the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 115.91% over the audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$0.132 as at 31 March 2021, based on a total of 6,448,152,160 Shares in issue as at the Latest Practicable Date and the audited consolidated net asset value attributable to owners of the Company of approximately HK\$851,155,911 as at 31 March 2021; and
- a premium of approximately 137.50% over the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.120 as at 30 September 2021, based on a total of 6,448,152,160 Shares in issue as at the

LETTER FROM CICC

Latest Practicable Date and the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$772,225,946 as at 30 September 2021.

2.3 Highest and lowest prices

During the Relevant Period:

- (a) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.470 per Share on 10 May 2021; and
- (b) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.238 per Share on 25 October 2021 and 26 October 2021.

Save for the Acquisition by New Huadu HK, none of the Offeror or parties acting in concert with it dealt in the Shares, options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) during the six-month period prior to the date of the Acquisition and from the date of the Acquisition up to the Latest Practicable Date.

2.4 Value of the Offer

Based on the Offer Price of HK\$0.285 per Offer Share and 6,448,152,160 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK\$1,837.72 million. As at the Latest Practicable Date, the Offeror and parties acting in concert with it hold an aggregate of 1,964,025,360 Shares, representing approximately 30.46% of the total issued Shares.

On the basis that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Closing Date and assuming that the Offer is accepted in full, the value of the Offer will be approximately HK\$1,277.98 million.

2.5 Financial resources available to the Offeror

The Offeror intends to finance the cash amounts required for the Offer through the Loan Facility made available by CMB Wing Lung Bank, which is secured by, among others, the Share Charges.

CICC, being the financial adviser to the Offeror in relation to the Offer, is satisfied that sufficient financial resources are available to the Offeror for discharging its payment obligations in respect of the full acceptance of the Offer.

The Offeror does not intend that the payment of interest on, repayment of, or security for, any liability (contingent or otherwise) relating to the Loan Facility will depend to any significant extent on the business of the Company.

LETTER FROM CICC

3. CONDITION TO THE OFFER

The Offer is conditional only on valid acceptances being received by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares, which together with Shares owned, acquired or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company (namely, the “**Condition**”).

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional in all respects. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional in all respects.

Acceptance

The Offer is capable of acceptance on and from 15 December 2021 and will remain open for acceptance until 5 January 2022, being the First Closing Date, unless extended or revised in accordance with the Takeovers Code. The Offeror reserves the right to revise or extend the Offer 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.**

Unless the Offer has previously been revised or extended with the consent of the Executive, to be valid, the Form of Acceptance must be received by no later than 4:00 p.m. (Hong Kong time) on 5 January 2022. Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Please also refer to Appendix I to this Composite Document for further terms and procedures for acceptance of the Offer.

WARNING: The Offer is subject to the Condition being fulfilled and the Offer may or may not become unconditional. Shareholders and potential investors should therefore exercise caution when dealing in the securities in the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

LETTER FROM CICC

4. INFORMATION REGARDING THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT

4.1 The Offeror

The Offeror is a company incorporated in Hong Kong with limited liability, and which is principally engaged in investment holding. It is an indirect wholly-owned subsidiary of YNBY Group Co.. The sole director of the Offeror is Li Yi.

YNBY Group Co. is the existing largest shareholder of the Company holding 29.59% of the issued Shares as at the Latest Practicable Date. “Yunnan Baiyao” (雲南白藥) is a well-known trademark in China. YNBY Group Co. is amongst the first batch of State Innovative Enterprises, with its A shares being listed on Shenzhen Stock Exchange with stock code: 000538. The principal businesses of YNBY Group Co. include pharmaceutical products, health products, Chinese medicine resources and pharmaceutical logistics.

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. Mr. Chen Fashu is currently the chairman and legal representative of New Huadu Industrial.

4.2 The principal parties acting in concert with the Offeror

New Huadu HK is a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding. New Huadu HK is wholly-owned by New Huadu Industrial, a company established in the PRC with limited liability, which has a diversified business portfolio across various industries including industrial investment, provision of investment management and advisory services, wholesale of pre-packaged foods and bulk-purchase foods, tourism, mining, and real estate. New Huadu Industrial is in turn held as to approximately (a) 16.82% by Xiamen Huadu, which is wholly-owned by Mr. Chen Fashu; (b) 76.87% by Mr. Chen Fashu; and (c) 6.31% by other shareholders, such other shareholders being independent third parties. Mr. Chen Fashu is the ultimate controlling shareholder of New Huadu HK.

Mr. Chen Fashu, New Huadu HK, Xiamen Huadu, New Huadu Industrial and YNBY Group Co. directly or indirectly hold Shares, and are presumed to be parties acting in concert under the Takeovers Code. As such, immediately following the Acquisition, the Offeror, together with parties acting in concert with it, is interested in 1,964,025,360 Shares, representing approximately 30.46% of the total issued Shares as at the Latest Practicable Date.

The Offeror confirms that, as at the Latest Practicable Date, save for the 1,908,025,360 Shares and Convertible Bonds held by YNBY Group Co. and the Acquisition Shares held by New Huadu HK, the Offeror and parties acting in concert with it do not hold, control or have direction over any Shares, convertible securities, warrants or options and do not have, control or have direction over any other interests in the issued Shares or voting rights of the Company.

LETTER FROM CICC

5. THE OFFEROR'S INTENTIONS REGARDING THE COMPANY

It is the intention of the Offeror, together with parties acting in concert with it, that the Group will continue to operate its business in substantially its current state. Other than a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate, the Offeror, together with parties acting in concert with it, has no intention to (i) discontinue the employment of the employees or (ii) dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror considers that completion of the Offer would reinforce the status of YNBY Group as the single largest shareholder and controlling shareholder of the Company and as such strengthen the strategic synergy between YNBY Group and the Group as well as strengthen the international profile of YNBY Group. Having regard to the Group's extensive experience in commodities trading and established sales channels, the Offeror believes that YNBY Group and the Group would be able to further pursue mutually beneficial business development opportunities through cooperation, while allowing YNBY Group to realise return from its investment in the Group.

The Board is currently made up of eight Directors, comprising four executive Directors, namely Mr. Wang Minghui, Mr. Chow Wang, Mr. Yin Pinyao and Mr. Wang Zhaoqing, one non-executive Director, namely Mr. Fong For, and three independent non-executive Directors, namely are Mr. Jiang Zhi, Mr. Leung Ka Kui, Johnny and Ms. Wong Chui San, Susan.

As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Directors and which Director(s) will resign. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and the Listing Rules and further announcement(s) will be made as and when appropriate.

6. MAINTAINING THE LISTING STATUS OF THE COMPANY

Pursuant to the Listing Rules, 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) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained. The Offeror considers that the appropriate actions to be taken after the close of the Offer shall include placing down of sufficient number of accepted Shares by the Offeror and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

The Offeror intends to continue the listing of the Company, and the Offeror does not intend to privatize the Company by availing itself of any powers of compulsory acquisition of the remaining Shares not acquired under the Offer after the close of the Offer.

LETTER FROM CICC

7. OVERSEAS SHAREHOLDERS

The Offeror intends to make the Offer available to all Independent Shareholders, including the Overseas Shareholders. However, the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders in respect of such jurisdictions). The Offeror, the Company, CICC, Red Sun Capital, the Registrar, and parties acting in concert with any of them and their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay.

Any acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror and CICC that the local laws and requirements have been complied with. Overseas Shareholders should consult their professional advisers if in doubt.

8. PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

8.1 Procedures for Acceptance of the Offer

To accept the Offer, you must complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which forms part of the terms of the Offer.

The completed Form of Acceptance should then be forwarded, together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the whole of your holding of the Shares or, if applicable, for not less than the number of Shares in respect of which you intend to accept the Offer, by post or by hand to the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as practicable after receipt of these documents and in any event, so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on 5 January 2022, being the First Closing Date (or such later time and/or date as the Offeror may decide and announce with the consent of the Executive in accordance with the Takeovers Code). No acknowledgement of receipt of any Forms of Acceptance, Share certificate, transfer receipt

LETTER FROM CICC

or other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is also drawn to the further details of the Offer set out in “Appendix I – Further Terms and Procedures for Acceptance of the Offer” to this Composite Document and the accompanying Form of Acceptance.

8.2 Settlement of the Offer

Subject to the Offer having become, or have been declared, unconditional in all respects, payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days following the later of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid, or the date on which the Offer becomes or is declared unconditional in all respects.

Relevant documents evidencing title must be received by the Registrar or on behalf of the Offeror to render such acceptance of the Offer complete and valid. The latest time on which the Offeror can declare the Offer unconditional in all respects is 7:00 p.m. on the 60th day after the despatch of this Composite Document (or such later date to which the Executive may approve). If the Offer does not become unconditional in all respects, pursuant to Rule 20.2 of the Takeovers Code, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title received by the Registrar will be returned to the relevant Shareholders who have accepted the Offer by ordinary post at the relevant Shareholders’ own risk as soon as possible but in any event within ten (10) days after the Offer has lapsed.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

8.3 Hong Kong stamp duty

Seller’s Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Shareholders at a rate of 0.13% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer (where the stamp duty calculated includes a fraction of HK\$1.00, the stamp duty would be rounded-up to the nearest HK\$1.00). The Offeror will arrange for payment of the sellers’ Hong Kong ad valorem stamp duty on behalf of accepting Shareholders and pay the buyer’s Hong Kong ad valorem stamp duty in connection with such Offer Shares and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

LETTER FROM CICC

8.4 Taxation Advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Company, the Offeror, CICC, the Registrar or parties acting in concert with any of them or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

8.5 Nominee registration

To ensure the equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Share(s) whose investments are registered in the names of nominees (including those whose interests in Shares are held through CCASS) to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their respective nominees.

9. FURTHER DETAILS OF THE OFFER

Further details of the Offer are set out in “Appendix I – Further Terms and Procedures for Acceptance of the Offer” to this Composite Document and the accompanying Forms of Acceptance.

Information of the Group is set out in the section headed “Information of the Group” in the “Letter from the Board” and Appendix III as contained in this Composite Document.

10. GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

All documents and remittances to be sent to the Independent Shareholders by ordinary post at their respective addresses as they appear in the register of members of the Company are at their own risk. None of the Company, the Offeror, CICC, the Registrar or parties acting in concert with any of them or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

LETTER FROM CICC

11. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
China International Capital Corporation
Hong Kong Securities Limited
David Ching
Executive Director

LETTER FROM THE BOARD



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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.**

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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	0	–	56,000,000	0.87
Aggregate number of Shares held by the Offeror and parties acting in concert with it ^{Note 1}	1,908,025,360	29.59	1,964,025,360	30.46
Directors				
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	3,695,654,800	57.32	3,639,654,800	56.45
Total	<u>6,448,152,160</u>	<u>100</u>	<u>6,448,152,160</u>	<u>100</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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer.



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

15 December 2021

To the Independent Shareholders

Dear Sir or Madam,

**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)**

We refer to the composite offer and response document dated 15 December 2021 issued jointly by the Offeror and the Company (the “**Composite Document**”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Red Sun Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in respect of the terms of the Offer and as to acceptance thereof. Details of its advice and the principal factors considered by it in arriving at its advice and recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 27 to 51 of the Composite Document.

We also wish to draw your attention to the “Letter from the Board”, the “Letter from CICC” and the additional information set out in the appendices to the Composite Document.

RECOMMENDATION

Having considered the terms of the Offer, taking into account the advice from the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in the Composite Document, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend you to accept the Offer.

However, Independent Shareholders who wish to realise their investments in the Company are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and should, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Offer if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Offer.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to realise or to hold their investments in the Company is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offer. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in the Composite Document.

Yours faithfully,

The Independent Board Committee

Fong For

Non-executive Director

Jiang Zhi

Independent Non-executive Director

Leung Ka Kui, Johnny

Independent Non-executive Director

Wong Chui San, Susan

Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Red Sun Capital to the Independent Board Committee and the Independent Shareholders in relation to the Offer, which has been prepared for the purpose of inclusion in this Composite Document.



紅日資本有限公司
RED SUN CAPITAL LIMITED

15 December 2021

To: The Independent Board Committee of Ban Loong Holdings Limited

Dear Sir/Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the mandatory conditional cash offer being made by CICC on behalf of the Offeror to acquire all of the issued share capital of the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Details of which are set out in the Composite Document dated 15 December 2021, of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

Reference is made to the Joint Announcement, in relation to among other things, the Offer. 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 Last Trading Day) for a consideration of HK\$0.285 per Share on the secondary market.

On 27 October 2021 (after trading hours of the Stock Exchange), the Offeror formally informed the Company with respect to the making of the Offer.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 26.1 of the Takeovers Code, a mandatory conditional general offer in cash for all the issued Shares held by the Independent Shareholders was required to be made on or around the date of the Acquisition. As set out in the Letter from CICC in the Composite Document, CICC is making the Offer for and on behalf of the Offeror.

THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors. In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising the sole non-executive Director and all the independent non-executive Directors, namely Mr. Fong For, Mr. Jiang Zhi, Mr. Leung Ka Kui, Johnny and Ms. Wong Chui San, Susan, has been established to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer.

We, Red Sun Capital Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee in relation to the Offer. Our appointment has been approved by the Independent Board Committee. Our role as the independent financial adviser is to give our recommendation to the Independent Board Committee as to (i) whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Offer should be accepted.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not associated with any of the Offeror or the Company or the controlling shareholder of the Offeror or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered suitable to give independent advice to the Independent Board Committee in respect of the Offer. In the previous two years, save for our appointment as the independent financial adviser in connection with connected transaction, details of which are set out in the circular of the Company dated 11 September 2020, we have not acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company for any transaction.

Apart from normal professional fees paid or payable to us in connection with the current appointment as the independent financial adviser of the Company, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or the Offeror, their respective controlling shareholders or any other party acting or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code to act as the independent financial adviser to the Independent Board Committee in respect of the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Composite Document and the information and representations provided to us by the Directors and the management of the Company. We have reviewed, inter alia, the Joint Announcement, the Composite Document, the annual reports of the Company for the three years ended 31 March 2021, 31 March 2020 and 31 March 2019 and the unaudited interim results announcement of the Group for the six months ended 30 September 2021. We have also (i) discussed with the management of the Company regarding the businesses and future outlook of the Group; and (ii) researched and considered market data which we deemed relevant in arriving at our recommendation. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than information relating to the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Group) and confirms, having made all reasonable inquiries, that, to the best of his knowledge, opinions expressed in the Composite Document (other than the opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offer, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. Should any subsequent major changes occur during the Offer Period that would affect or alter our opinion, we will notify the Independent Board Committee as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Information of the Group and the outlook of its principal businesses

(a) Historical financial information of the Group

The Group is principally engaged in money lending, trading of goods and commodities and Cannabidiol (“CBD”) isolate. Set out below are (i) the consolidated financial results of the Group for the three years ended 31 March 2019, 2020 and 2021; (ii) statement of financial position of the Group as at 31 March 2019, 31 March 2020 and 31 March 2021, which are extracted from the Company’s annual reports for the three years ended 31 March 2019 (the “2019 Annual Report”), 31 March 2020 (the “2020 Annual Report”) and 31 March 2021 (the “2021 Annual Report”), respectively; and (iii) the unaudited consolidated financial results of the Group for the six months ended 30 September 2020 and 2021 as set out in the unaudited interim results announcement of the Group for the six months ended 30 September 2021 (the “2021 Interim Results”).

Financial performance of the Group

	For the year ended 31 March			For the six months ended 30 September	
	2021 HK\$ (audited)	2020 HK\$ (audited)	2019 HK\$ (audited)	2021 HK\$ (unaudited)	2020 HK\$ (unaudited)
Revenue	1,216,714,366	1,162,153,635	910,081,910	457,632,630	614,479,742
– Money lending	87,780,178	89,701,100	74,131,590	34,464,020	43,327,740
– Trading of goods and commodities	1,126,176,789	1,072,452,535	835,950,320	422,868,422	571,152,002
– Trading of CBD isolate	2,757,399	–	–	300,188	–
Gross profit	96,395,162	108,083,580	87,004,954	38,703,227	49,888,423
(Loss)/Profit before tax	20,234,531	60,102,905	51,916,329	(91,561,085)	24,559,302
(Loss)/Profit attributable to owners of the Company	13,207,234	49,573,533	44,271,814	(83,424,656)	19,518,473

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For the six months ended 30 September 2021 compared to the six months ended 30 September 2020

As disclosed in the 2021 Interim Results, the revenue decreased by approximately HK\$156.9 million or 25.5% from approximately HK\$614.5 million for the six months ended 30 September 2020 to approximately HK\$457.6 million for the six months ended 30 September 2021. Such decrease was mainly attributable to the decrease in revenue of both money lending segment and trading segment of goods and commodities. The decrease in revenue of money lending segment was attributable to maturity of certain loans and there was no new lending made during the period while the decrease in revenue of trading segment was mainly due to the lower sales volume made by the Group's customers.

The Group's gross profit decreased by approximately HK\$11.2 million or 22.4% from approximately HK\$49.9 million for the six months ended 30 September 2020 to approximately HK\$38.7 million for the six months ended 30 September 2021. The Group's gross profit margin increased slightly from approximately 8.1% for the six months ended 30 September 2020 to approximately 8.5% for the six months ended 30 September 2021. The increase in profit margin was attributable to the decrease in revenue of trading segment of goods and commodities which generated relatively lower gross profit margin.

As set out in the 2021 Interim Results, as compared with the net profit attributable to owners of the Company of approximately HK\$19.5 million for the six months ended 30 September 2020, the Group recorded a net loss attributable to owners of the Company of approximately HK\$83.4 million for the six months ended 30 September 2021. Such decrease was mainly attributable to the increase in net allowance for expected credit losses of approximately HK\$90.3 million for certain loans and other receivables, the expected credit losses was mainly due to default of certain loans and other receivables from 11 independent borrowers during the period.

For the year ended 31 March 2020

As disclosed in the 2020 Annual Report, the Group's revenue increased by approximately HK\$252.1 million or 27.7% from approximately HK\$910.1 million for the year ended 31 March 2019 to approximately HK\$1,162.2 million for the year ended 31 March 2020. Such increase was mainly attributable to (i) increase in income from money lending segment due to the increase in number of new lending contributing for approximately HK\$82.7 million which in line with the increase in loan and interest receivables from approximately HK\$475.9 million as at 31 March 2019 to approximately HK\$531.9 million as at 31 March 2020; and (ii) increase in income from trading segment mainly due to the increase number in purchase orders placed by the Group's largest customer with revenue contribution from approximately HK\$139.0 million for the year ended 31 March 2019 to approximately HK\$322.3 million for the year ended 31 March 2020.

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The Group's gross profit increased by approximately HK\$21.1 million or 24.3% from approximately HK\$87.0 million for the year ended 31 March 2019 to approximately HK\$108.1 million for the year ended 31 March 2020. The Group's gross profit margin decreased slightly from approximately 9.6% for the year ended 31 March 2019 to approximately 9.3% for the year ended 31 March 2020. The decrease in profit margin was due to the increase in revenue from the trading segment, which have a lower profit margin.

As set out in the 2020 Annual Report, net profit attributable to owners of the Company increased from approximately HK\$44.3 million for the year ended 31 March 2019 to approximately HK\$49.6 million for the year ended 31 March 2020, representing an increase of approximately 12.0%. Such increase was mainly attributable to the increase in the revenue and profit from money lending segment.

For the year ended 31 March 2021

As disclosed in the 2021 Annual Report, the Group's revenue increased by approximately HK\$54.6 million or 4.7% from approximately HK\$1,162.2 million for the year ended 31 March 2020 to approximately HK\$1,216.7 million for the year ended 31 March 2021. Such increase was principally attributable to the increase in revenue from trading of goods and commodities and CBD isolate segment mainly due to the increase in purchase orders placed by the Group's trading customers.

The Group's gross profit decreased by approximately HK\$11.7 million or 10.8% from approximately HK\$108.1 million for the year ended 31 March 2020 to approximately HK\$96.4 million for the year ended 31 March 2021. The Group's gross profit margin decreased from approximately 9.3% for the year ended 31 March 2020 to approximately 7.9% for the year ended 31 March 2021. The decrease in gross profit margin was mainly due to (i) the decrease of gross profit margin of the trading of goods and commodities due to the impact of Novel Coronavirus ("COVID-19") pandemic; and (ii) the comparatively low profit margin of trading of CBD isolate at the initial stage with relevant costs of sales incurred in attribute to commencement of trading of CBD. The Directors expect that the profit margin of trading of CBD will be improved after reaching economies of scale.

As set out in the 2021 Annual Report, net profit attributable to owners of the Company decreased from approximately HK\$49.6 million for the year ended 31 March 2020 to approximately HK\$13.2 million for the year ended 31 March 2021, representing a decrease of approximately 73.3%. Such decrease was mainly attributable to the (i) decrease in profit margin of trading segment due to the increase in selling and distribution expenses which intended to attract potential customers for boosting sales; (ii) an increase in net allowance for expected credit losses due to default of certain loans from five independent borrowers; and (iii) an increase in finance costs due to the issuance of the Convertible Bonds.

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Financial position of the Group

	As at 31 March		As at 30 September	
	2021	2020	2019	2021
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(audited)	(unaudited)
Total assets	1,442,604,318	966,998,351	868,645,961	1,373,049,239
Total liabilities	590,525,179	166,269,370	103,691,311	599,900,309
Net assets	852,079,139	800,728,981	764,954,650	773,148,930
Equity attributable to owners of the Company	851,155,911	799,808,772	764,029,770	772,225,946

According to the 2020 Annual Report, the Company's net assets reached approximately HK\$800.7 million as at 31 March 2020, comprising total assets of approximately HK\$967.0 million and total liabilities of approximately HK\$166.3 million. As at 31 March 2020, the total assets of the Group principally comprised loan and interest receivables of approximately HK\$531.9 million and other receivables, deposits and prepayments of approximately HK\$364.3 million. As at 31 March 2020, the total liabilities of the Group principally comprised bonds of approximately HK\$69.2 million and trade and other payables of approximately HK\$45.6 million. The equity attributable to owners of the Company amounted to approximately HK\$799.8 million as at 31 March 2020, representing an increase of approximately 4.7% as compared with the corresponding period.

According to the 2021 Annual Report, the Company's net assets reached approximately HK\$852.1 million as at 31 March 2021, comprising total assets of approximately HK\$1,442.6 million and total liabilities of approximately HK\$590.5 million. As at 31 March 2021, the total assets of the Group principally comprised other receivables, deposits and prepayments of approximately HK\$602.3 million, loan and interest receivables of approximately HK\$530.0 million and bank balances and cash of approximately HK\$251.2 million. As at 31 March 2021, the total liabilities of the Group principally comprised convertible bond of approximately HK\$478.7 million and contract liabilities of approximately HK\$33.9 million. The increase in total assets and total liabilities as compared with the corresponding period was in relation to the issue of Convertible Bonds in the principal amount of HK\$500 million. The equity attributable to owners of the Company amounted to approximately HK\$851.2 million as at 31 March 2021, representing an increase of approximately 6.4% as compared with the corresponding period.

According to the 2021 Interim Results, the Company's net assets reached approximately HK\$773.1 million as at 30 September 2021, comprising total assets of approximately HK\$1,373.0 million and total liabilities of approximately HK\$599.9 million. As at 30 September 2021, the total assets of the Group principally comprised other receivables, deposits and prepayments of approximately HK\$647.8 million, loan and interest receivables of approximately HK\$429.3 million and bank balances and cash of

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approximately HK\$181.6 million. As at 30 September 2021, the total liabilities of the Group principally comprised Convertible Bonds of approximately HK\$494.5 million and trade and other payables of approximately HK\$85.2 million. The equity attributable to owners of the Company amounted to approximately HK\$772.2 million as at 30 September 2021, representing a decrease of approximately 9.3% as compared with the corresponding period due to the loss of the Group during the period.

(b) *Prospect and outlook of the Group's principal activities*

Outlook

As stated in the 2021 Annual Report, for the money lending segment, subject to the market condition and the impact of COVID-19 pandemic, the Group would take a more prudent approach in approving new loan and loan renewals.

(i) Trading of goods and commodities

In previous years, the trading segment of the Group in the PRC successfully diversified its trading goods categories, expanding the product portfolio from refined edible oil and cosmetic products to sugar and personal care products. The revenue generated from the trading segment was approximately HK\$422.9 million for the six months ended 30 September 2021, of which the refined edible oil and sugar accounted for approximately 83.8% and the cosmetic products and personal care products accounted for approximately 16.2%, respectively.

Refined edible oil and sugar

According to the data published by the National Bureau of Statistics, the output of refined edible oil in the PRC in July 2021 was approximately 3.7 million tons, with a year-on-year decrease of approximately 18.6%, while the amount of import amounted to approximately US\$964 million, with a year-on-year increase of approximately 20.9%. Further, based on the information from the General Administration of Customs of the PRC, the amount of import for the refined edible oil recorded a relatively stable growth trend from 2016 to 2020. The stable output of refined edible oil demonstrates that there would be stable supply of refined edible oil which the Group can trade on such products.

According to the data published by the National Bureau of Statistics, the output of sugar crops in the PRC increased from approximately 1,137.9 million tons in 2017 to approximately 1,201.4 million tons in 2020, with a compound annual growth rate (“CAGR”) of approximately 1.4% from 2017 to 2020. The stable output of sugar crops demonstrates that there would be stable supply of sugar crops which the Group can trade on such products.

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In light of the relatively stable trend in the output of refined edible oil and sugar in the PRC which demonstrates there would be stable supply of such products, the prospect of the Group's trading of refined edible oil and sugar business is expected to remain stable.

Cosmetics and personal care products

The target customers of the Group in trading of cosmetics and personal care products are located in the PRC. According to an article published in Leading Industry Research in 2021¹, based on a research report from Euromonitor, a global market research company providing strategic intelligence on industries, companies, economies and consumers around the world, the market size of the beauty and personal care market in the PRC increased from RMB205.1 billion in 2010 to RMB519.9 billion in 2020, representing a CAGR of 9.7%, whereas the beauty and personal care market in the PRC was affected by the COVID-19 pandemic in 2020, with the growth rate decreasing from approximately 14.7% in 2019 to approximately 7.2% in 2021.

Based on the above, in view of the ongoing COVID-19 pandemic and its impact on the beauty and personal care market in the PRC from the data as shown above, it is uncertain as to the extent of the impact of the COVID-19 pandemic on the total value of imports and exports of beauty and personal care products if COVID-19 pandemic outbreak in PRC happens again. The prospect of the Group's trading of cosmetics and personal care products business is expected to align with the general performance of the beauty and personal care market in the PRC with the uncertainty on the ongoing COVID-19 pandemic.

(ii) Money lending

The Group is principally engaged in money lending business in Hong Kong. As disclosed in the 2021 Annual Report, the Group mainly focuses on short term personal and corporate loans.

We noted from the 2021 Annual Report that the Group's net allowance for expected credit losses amounted to approximately HK\$11.3 million for the year ended 31 March 2021, representing an increase of approximately 14.8 times as compared with the year ended 31 March 2020, which was mainly due to the uncertainty arisen from COVID-19. In the six months ended 30 September 2021, the Group's net allowance for expected credit losses increase to approximately HK\$90.3 million resulting from the default of certain loans and other receivables from its customers who are independent third parties. It is uncertain as to the recoverability of the outstanding loan receivables in light of the (i) incident of the default of certain loans and other receivables; and (ii) increasing allowance for expected credit losses and the low reversal of allowance for expected credit losses in the years ended 31 March 2020 and 2021 and the six months ended 30 September 2021.

¹ <http://www.leadingir.com/datacenter/view/6528.html>

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(iii) The Cannabidiol market

The Group commenced its international trading business of CBD isolate in Asia since January 2020. As disclosed in the unaudited interim results for the six months ended 30 September 2021, with much effort spent in the development of CBD end products, the management of the Company was expecting to see the debut of the Group's various skincare brands in early 2022 on a global basis, and the management of the Company expected that the CBD arm to be returning a sizeable revenue in 2022.

Based on the above, it is likely that the Group's trading of CBD will have a rapid growth but it is uncertain on whether the Group can achieve a turnaround in 2022 in light of the historical low profit margin.

Having considered the relatively stable trend in the output of refined edible oil and sugar in the PRC which relate to the Group's trading in refined edible oil and sugar, the Group is operating in relatively stable trading business. However, taking into consideration that (i) the uncertain recoverability of outstanding loan receivables in light of the (a) the incident of the default of certain loans and other receivables; and (b) increasing allowance for expected credit losses and the low reversal of allowance for expected credit losses; and (ii) the uncertain turnaround of the trading of CBD isolate segment, it is uncertain whether the profits expected to be generated from the Group's stable trading business as mentioned above will be sufficient to offset the potentially loss-making money lending and trading of CBD isolate segments of the Group.

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2. Information on the Offeror

As stated in the “Letter from CICC” contained in the Composite Document, the Offeror is a company incorporated in Hong Kong with limited liability, and which is principally engaged in investment holding. It is an indirect wholly-owned subsidiary of YNBY Group Co. The sole director of the Offeror is Li Yi.

YNBY Group Co. is the existing largest shareholder of the Company holding 29.59% of the issued Shares as at the Latest Practicable Date. “Yunnan Baiyao” (雲南白藥) is a China well-known trademark in China. YNBY Group Co. is amongst the first batch of State Innovative Enterprises, with its A shares being listed on Shenzhen Stock Exchange with stock code: 000538. The principal businesses of the YNBY Group Co. include pharmaceutical products, health products, Chinese medicine resources and pharmaceutical logistics.

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. Mr. Chen Fashu is currently the chairman and legal representative of New Huadu Industrial.

One of the principal parties acting in concert with the Offeror New Huadu HK is a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding. New Huadu HK is wholly-owned by New Huadu Industrial, a company established in the PRC with limited liability, which has a diversified business portfolio across various industries including industrial investment, provision of investment management and advisory services, wholesale of pre-packaged foods and bulk-purchase foods, tourism, mining, and real estate. New Huadu Industrial is in turn held as to approximately (a) 16.82% by Xiamen Huadu, which is wholly-owned by Mr. Chen Fashu; (b) 76.87% by Mr. Chen Fashu; and (c) 6.31% by other shareholders, such other shareholders being independent third parties. Mr. Chen Fashu is the ultimate controlling shareholder of New Huadu HK.

Mr. Chen Fashu, New Huadu HK, Xiamen Huadu, New Huadu Industrial and YNBY Group Co. directly or indirectly hold Shares, and are presumed to be parties acting in concert under the Takeovers Code. As such, immediately following the Acquisition, the Offeror, together with parties acting in concert with it, is interested in 1,964,025,360 Shares, representing approximately 30.46% of the total issued Shares as at the Latest Practicable Date.

The Offeror confirms that, as at the Latest Practicable Date, save for the 1,908,025,360 Shares and the Convertible Bonds held by YNBY Group Co. and the Acquisition Shares held by New Huadu HK, the Offeror and parties acting in concert with it do not hold, control or have direction over any Shares, convertible securities, warrants or options and do not have, control or have direction over any other interests in the issued Shares or voting rights of the Company.

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3. The Offeror's intentions regarding the Company

As stated in the "Letter from CICC" contained in the Composite Document, it is the intention of the Offeror, together with parties acting in concert with it, that the Group will continue to operate its business in substantially its current state. Other than a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate, the Offeror, together with parties acting in concert with it, has no intention to (i) discontinue the employment of the employees or (ii) dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror considers that completion of the Offer would reinforce the status of YNBY Group as the single largest shareholder and controlling shareholder of the Company and as such strengthen the strategic synergy between YNBY Group and the Group as well as strengthen the international profile of YNBY Group. Having regard to the Group's extensive experience in commodities trading and established sales channels, the Offeror believes that YNBY Group and the Group would be able to further pursue mutually beneficial business development opportunities through cooperation, while allowing YNBY Group to realise return from its investment in the Group.

We noted that the Offeror is an indirect wholly-owned subsidiary of YNBY Group Co. and YNBY Group Co. is the existing largest shareholder of the Company, and amongst the first batch of State Innovative Enterprises with its A shares being listed on Shenzhen Stock Exchange. Given that YNBY Group Co. and its subsidiaries remain to be the single largest shareholder of the Company before and after the Offer, we expect that there would not be a substantial change in the business and operation of the Group as a direct result of the Offer.

4. Maintaining the listing status of the Company

Pursuant to the Listing Rules, 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) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained. The Offeror considers that the appropriate actions to be taken after the close of the Offer shall include placing down of sufficient number of accepted Shares by the Offeror and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

The Offeror does not intend to privatize the Company by availing itself of any powers of compulsory acquisition of the remaining Shares not acquired under the Offer after the close of the Offer.

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5. Principal terms of the Offer

On 4 November 2021, the Offeror and the Company jointly announced that, among other things, on September 2021, New Huadu HK acquired 56,000,000 Shares 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 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. 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 date of the Joint Announcement, such that the Offeror was required to make the mandatory conditional general offer in cash for all the issued Shares held by the Independent Shareholders pursuant to Rule 26.1 of the Takeovers Code.

CICC is making the Offer for and on behalf of the Offeror on the terms set out in the Composite Document in compliance with 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 equivalent to the purchase price per Share paid by New Huadu HK under the Acquisition.

The Offeror will not increase the Offer Price as set out above.

The Offer Price of HK\$0.285 per Offer Share represents:

- (a) a discount of approximately 1.72% to the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on 9 September 2021, being the date of the Acquisition;
- (b) a premium of approximately 3.64% over the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 15.38% over the average closing price of approximately HK\$0.275 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 3.26% over the average closing price of approximately HK\$0.276 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day;

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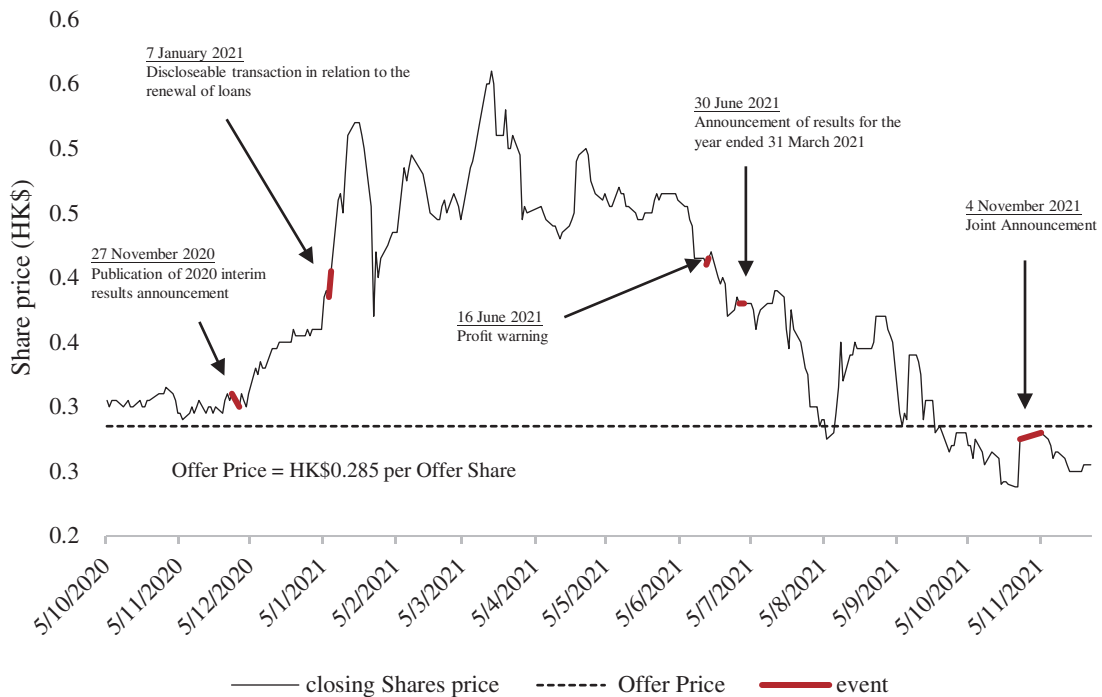
- (e) a discount of approximately 5.32% over the average closing price of approximately HK\$0.301 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Day;
- (f) a discount of approximately 12.58% over the average closing price of approximately HK\$0.326 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day;
- (g) a discount of approximately 20.17% over the average closing price of approximately HK\$0.357 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Day;
- (h) a discount of approximately 28.03% over the average closing price of approximately HK\$0.396 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Day;
- (i) a premium of approximately 115.91% over the audited consolidated net asset value (“NAV”) attributable to the Shareholders per Share of approximately HK\$0.132 as at 31 March 2021, based on a total of 6,448,152,160 Shares in issue as at the Latest Practicable Date and the audited consolidated net asset value attributable to owners of the Company of approximately HK\$851,155,911 as at 31 March 2021;
- (j) a premium of approximately 137.50% over the unaudited consolidated NAV attributable to the Shareholders per Share of approximately HK\$0.120 as at 30 September 2021, based on a total of 6,448,152,160 Shares in issue as at the Latest Practicable Date and the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$772,225,946 as at 30 September 2021; and
- (k) a premium of approximately 9.62% over the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As illustrated above, the Offer Price represents a premium to the closing prices of the Shares on the Stock Exchange shortly after the Last Trading Day and the latest audited consolidated NAV attributable to the Shareholders per Share.

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6. Historical Share price performance

Set out below is a chart showing the daily closing prices of the Shares as quoted on the Stock Exchange during the period commencing from 1 October 2020 and up to and including the Latest Practicable Date (the “**Review Period**”), which we consider to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Share and the Offer:



Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

During the Review Period, the closing prices of the Shares ranged from HK\$0.238 as recorded on 25 October 2021 and 26 October 2021 to HK\$0.56 per Share as recorded on 17 March 2021, with an average closing Share price of approximately HK\$0.370 per Share. The Offer Price of HK\$0.285 represented (i) a premium of approximately 19.74% to the lowest closing price per Share; (ii) a discount of approximately 49.11% to the highest closing price of the Shares; and (iii) a discount of approximately 22.97% to the average closing price per Share during the Review Period.

It is noted from the graph above that the closing price of the Shares exhibited, in general, an upward trend from the commencement of the Review Period to 17 March 2021. The closing price of the Share increased from a low of HK\$0.29 per Share on 6 November 2020 to a high of HK\$0.52 per Share as at 18 January 2021. We have discussed with the Management regarding the upward trend of the Share price trend and were advised that save for the interim results announcement for the six months ended 30 September 2020 published on 27 November 2020 and the renewal of loans to a connected person due to the satisfactory payment records in the past and repayment ability of the connected person which stable interest income is expected to be

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generated from the renewal of the loans to the connected person, they are not aware of other particular reason that led to the increase in the price of the Shares.

The closing price of the Shares then exhibited, in general, a downward trend from 18 March 2021 to the Last Trading Day. The Share price decreased from HK\$0.52 per Share as at 18 January 2021 to HK\$0.37 per Share as at 26 January 2021. We have discussed with the Management regarding the downward trend of the Share price and were advised that save for the profit warning announcement on 16 June 2021 and the annual results announcement for the year ended 31 March 2021, they are not aware of other particular reason that led to the decline in the price of the Shares.

Based on the aforesaid, we consider that the Share Price has, in general, reflected the financial performance of the Group.

We consider that the recent trading price and volume of the Share are more relevant factors in accessing the fair and reasonableness of the Offer. Taking into account of the historical trading prices of the Share as listed above, we noted that the Offer Price represented (i) a premium of approximately 115.91% over the audited consolidated NAV attributable to the Shareholders per Share as at 31 March 2021; and (ii) a premium of approximately 137.50% over the unaudited consolidated NAV attributable to the Shareholders per Share as at 30 September 2021. Given over 95% of the total assets as at 31 March 2021 and 30 September 2021 were current assets which were mainly loan and interest receivables, other receivables, deposits and prepayments and bank balances and cash, which are readily realisable into cash, we consider that the NAV attributable to the Shareholders per Share may also represent a fair comparison to the cash value as represented by the Offer.

Although the Offer Price itself represents a discount of approximately 22.97% to the average closing price of approximately HK\$0.370 per Share during the Review Period, having considered that (i) the Offer Price represents a premium of approximately 115.91% over the audited NAV of approximately HK\$0.132 per Share as at 31 March 2021; (ii) the closing price of the Shares has indicated an overall downward trend before the publication of the Joint Announcement; and (iii) there is no guarantee that the trading price of the Shares will sustain at a level higher than the Offer Price during and after the Offer Period based on our view of uncertainty on the Group's future profitability as mentioned in the above section headed "1. Information of the Group and outlook of its principal businesses", we consider the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

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7. Liquidity of the Shares

The table below sets out the trading volume of the Shares during the Review Period:

Month	Total monthly trading volume of the Shares (Shares)	Number of trading days	Average daily trading volume of the Shares (Approximate Shares)	Percentage of average daily trading volume to total number of Shares in issue	Percentage of average daily trading volume to total number of Shares in issue held by the public (Note 2)
Review Period					
October 2020	44,287,000	18	2,460,389	0.04%	0.07%
November 2020	95,590,250	21	4,551,917	0.07%	0.12%
December 2020	349,808,000	22	15,900,364	0.25%	0.43%
January 2021	817,559,000	20	40,877,950	0.63%	1.11%
February 2021	393,465,000	18	21,859,167	0.34%	0.59%
March 2021	659,296,000	23	28,665,043	0.44%	0.78%
April 2021	395,877,050	19	20,835,634	0.32%	0.56%
May 2021	283,034,000	20	14,151,700	0.22%	0.38%
June 2021	328,300,000	21	15,633,333	0.24%	0.42%
July 2021	208,246,000	21	9,916,476	0.15%	0.27%
August 2021	234,852,045	22	10,675,093	0.17%	0.29%
September 2021	351,356,000	21	16,731,238	0.26%	0.45%
4 October 2021 to 27 October 2021 (Note 1)	170,144,000	16	10,634,000	0.16%	0.29%
5 November 2021 to 30 November 2021	191,114,000	18	10,617,444	0.16%	0.29%
1 December 2021 up to the Latest Practicable Date	30,122,000	8	3,765,250	0.06%	0.10%

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

- The trading of Shares was suspended from 28 October 2021 to 4 November 2021 prior to the release of the Joint Announcement.
- Shares held by the public are based on information set out in the section headed “Shareholding structure of the Company” in the Letter from the Board.

As illustrated in the table above, the average daily trading volume of the Shares during the Review Period ranged from approximately 2,460,389 Shares to approximately 40,877,950 Shares, representing approximately 0.04% to approximately 0.63% of the total number of the Shares in issue as at the Latest Practicable Date.

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The average daily trading volume of the Shares during the Review Period was relatively thin during the Review Period.

Given the thin historical average daily trading volume of the Shares, it is uncertain that the overall liquidity of the Shares could be enhanced and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without exerting a downward pressure on the Share price. We, therefore, consider that the Offer provides the Independent Shareholders with an assured exit if they wish to realise their investments in the Shares, particularly for those who hold a large volume of the Shares.

8. Comparable companies analysis

In assessing the fairness and reasonableness of the Offer Price, we have conducted a search of Hong Kong companies actively listed on the Main Board of the Stock Exchange which were principally engaged in trading of goods and commodities (mainly refined edible oil and sugar) for their latest financial year, given that we were unable to identify a company that is principally engaged in trading of goods and commodities (mainly refined edible oil and sugar), we therefore extend the scope to trading or manufacturing flavours or fragrances or food additives contributing revenue of more than 50% for their latest financial year (“**Selection Criteria A**”). We have identified five companies (“**Comparable Companies Group A**”) which are set out in the table below and they represent an exhaustive list of companies comparable to the Company based on the Selection Criteria A. With further reference to the 2021 Annual Report, we noted that (i) the money lending segment generated segment profit of approximately HK\$73.5 million as compared with segment profit of approximately HK\$7.6 million generated from the trading of goods and commodities; and (ii) the segment assets for money lending segment and trading of goods and commodities segment accounted for approximately HK\$614.2 million and HK\$652.9 million, respectively. As such, we extend our search criteria to include Hong Kong companies actively listed on the Main Board of the Stock Exchange which were principally engaged in money lending related business contributing revenue of more than 50% for their latest financial year (“**Selection Criteria B**”). We have identified eleven companies (“**Comparable Companies Group B**”) which are set out in the table below and they represent an exhaustive list of companies comparable to the Company based on the Selection Criteria B.

Nevertheless, it should be noted that the operations and prospects of the Comparable Companies Group A and Comparable Companies Group B are not the same as the Group and we have not conducted any investigation into the businesses, operations and prospects of the Comparable Companies Group A and Comparable Companies Group B. In addition, given that we were unable to identify comparable companies that is principally engaged in trading of goods and commodities (mainly refined edible oil and sugar), we consider that the Comparable Companies Group A and Comparable Companies Group B should not be considered as directly comparable companies to the Company. Accordingly, the Comparable Companies Group A and Comparable Companies Group B and our analysis therefrom serve as an additional reference when considering the Offer and are for illustrative purposes only. Set out below is the information of the Comparable Companies Group A and Comparable Companies Group B.

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To assess the fairness and reasonableness of the Offer Price, we have considered the price-to-book ratio (“**P/B Ratio**”) and price-to-earnings ratio (“**P/E Ratio**”), which are the two most commonly adopted valuation benchmarks in comparing the valuation of a company’s shares, in evaluating the Shares, as implied by the Offer Price, against those of the Comparable Companies Group A and Comparable Companies Group B. In assessing the P/B Ratio of the Group under the Offer, we have taken into consideration the implied market capitalisation of the total value of the Group under the Offer of approximately HK\$1,837.7 million (the “**Implied Market Capitalisation**”), which is derived from multiplying the Offer Price of HK\$0.285 per Share by the total number of issued Shares of 6,448,152,160 as at the Latest Practicable Date. In determining the implied P/B Ratio under the Offer (the “**Implied P/B Ratio**”), we have divided the Implied Market Capitalisation by the audited total equity attributable to owners of the Company of approximately HK\$852.1 million as at 31 March 2021 and have obtained the Implied P/B Ratio of approximately 2.2 times. In determining the implied P/E Ratio under the Offer (the “**Implied P/E Ratio**”), we have divided the Implied Market Capitalisation by the audited profit for the year attributable to the owners of the Company of approximately HK\$13.2 million for the year ended 31 March 2021 and have obtained the Implied P/E Ratio of approximately 139.2 times. The following table sets out (i) the P/B Ratio and P/E Ratio of the Comparable Companies Group A and Comparable Companies Group B based on their closing share prices as at the Last Trading Day and their latest published financial information; and (ii) the Implied P/B Ratio of the Group calculated based on the Offer Price and its 2021 Annual Report.

Company name (Stock code)	Principal business(es)	Share price (Note 1) HK\$	Market capitalisation (Note 1) HK\$ million	P/B Ratio (Note 2) times	P/E Ratio (Note 3) times
Comparable Companies Group A					
Huabao International Holdings Limited (336)	The R&D, production, distribution and sales of flavours and fragrances, tobacco raw materials, aroma raw materials and condiment products in the PRC	15.04	46,741.9 (Note 6)	3.3 (Note 6)	94.1 (Note 6)
Lam Soon (Hong Kong) Limited (411)	The manufacturing, trading and processing of food and home care products in Hong Kong, the PRC and Macau	15.60	3,796.3	1.3	10.6
Fufeng Group Limited (546)	Manufacturing and sales of food additives products, animal nutrition products, high-end amino acid products, colloid products and other products	2.76	6,992.8 (Note 6)	0.5 (Note 6)	9.4 (Note 6)

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Company name (Stock code)	Principal business(es)	Share price <i>(Note 1)</i> HK\$	Market capitalisation <i>(Note 1)</i> HK\$ million	P/B Ratio <i>(Note 2)</i> times	P/E Ratio <i>(Note 3)</i> times
S&P International Holding Limited (1695)	Manufacturing and distribution of coconut based food and beverage products	0.073	78.8 <i>(Note 7)</i>	3.5 <i>(Note 7)</i>	N/A
Vedan International (Holdings) Limited (2317)	The production of fermentation-based amino acids, food additive products and cassava starch based industrial products.	0.79	1,203.0 <i>(Note 8)</i>	0.5 <i>(Note 8)</i>	9.3
			Average	1.8	30.9
			Minimum	0.5	9.3
			Maximum	3.5	94.1
Comparable Companies Group B					
Sun Hung Kai & Co. Limited (86)	Provision of consumer, SME and other financing, structured and specialty financing, mortgage loans financing and portfolio investments	4.04	7,983.9	0.3	3.1
Upbest Group Limited (335)	Securities broking, futures broking, securities margin financing, money lending, corporate finance advisory, assets management, precious metal trading and properties investment	0.89	2,387.3	0.9	51.7
Power Financial Group Limited (397)	Provision of financial services, provision of loan financing, trading of healthcare related products and assets investment	0.164	456.5	0.3	10.3
Greater China Financial Holdings Limited (431)	Securities brokerage, asset management, insurance brokerage, loan financing, industrial property development business and general trading	0.185	1,438.5	2.6	N/A

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Company name (Stock code)	Principal business(es)	Share price (Note 1) HK\$	Market capitalisation (Note 1) HK\$ million	P/B Ratio (Note 2) times	P/E Ratio (Note 3) times
China Properties Investment Holdings Limited (736)	The properties investment and money lending	0.475	63.5	0.1	1.2
Zhong Ji Longevity Science Group Limited (767)	The business of longevity science, money lending, securities investments and investment advisory	0.50	1,935.1	4.3	N/A
Lerado Financial Group Company Limited (1225)	Medical products and plastic toys business, garments trading and sourcing, securities brokerage business and asset management services, and money lending business and other financial services	0.035	80.6	0.1	N/A
Hong Kong Finance Group Limited (1273)	The money lending business specialising in providing property mortgage loans in Hong Kong	0.485	201.3	0.3	2.7
Quanzhou Huixin Micro-credit Company Limited (1577)	Loan business and finance lease business	1.18	590.0 (Note 6)	0.4 (Note 6)	12.1 (Note 6)
Global International Credit Group Limited (1669)	The money lending business focusing primarily on providing short-term and long-term property mortgage loans in Hong Kong	0.58	232.0	0.3	3.6

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Company name (Stock code)	Principal business(es)	Share price <i>(Note 1)</i> HK\$	Market capitalisation <i>(Note 1)</i> HK\$ million	P/B Ratio <i>(Note 2)</i> times	P/E Ratio <i>(Note 3)</i> times
Wealthy Way Group Limited (3848)	(i) Provision of financial leasing, factoring and financial advisory services in the PRC; (ii) provision of small loans and related loan facilitation services in the PRC; and (iii) provision of investment management and advisory services, securities dealing and broking services and other financial services in Hong Kong	6.50	1,017.8 <i>(Note 6)</i>	1.3 <i>(Note 6)</i>	N/A
			Average	1.0	12.1
			Minimum	0.1	1.2
			Maximum	4.3	51.7
The Offer		0.285 <i>(Note 4)</i>	1,837.7 <i>(Note 5)</i>	2.2	139.2

Source: the website of the Stock Exchange

Notes:

1. The closing share price and market capitalisation of the Comparable Companies Group A and Comparable Companies Group B as at the Last Trading Day are based on information extracted from the website of Stock Exchange. The market capitalisation of the Comparable Companies is calculated based on their respective closing share prices and number of issued shares as per the website of the Stock Exchange.
2. The P/B Ratios of the Comparable Companies Group A and Comparable Companies Group B are calculated based on their market capitalisation as at the Last Trading Day and their latest published consolidated net asset value attributable to equity holders.
3. The P/E Ratios of the Comparable Companies Group A and Comparable Companies Group B are calculated based on their market capitalisation as at the Last Trading Day and their latest published net profit attributable to equity holders for its completed financial year.
4. The Offer Price of HK\$0.285 per Share.
5. For the purpose of determining the implied market capitalisation of the Group, the Offer Price and the issued share capital of the Group of 6,448,152,160 Shares as at the Latest Practicable Date were applied.
6. An exchange rate of RMB1:HK\$1.1869 was adopted as the company's reporting currency was RMB.
7. An exchange rate of RM1:HK\$1.9276 was adopted as the company's reporting currency was RM.
8. An exchange rate of US\$1:HK\$7.7536 was adopted as the company's reporting currency was US\$.

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Given that the trading or manufacturing flavours or fragrances or food additives and money lending related business are in nature very different businesses, we have compared the P/B Ratios of these two types of business with the Implied P/B Ratio and Implied P/E Ratio separately.

As shown in the above table, the P/B Ratio of the Comparable Companies Group A ranged from approximately 0.5 times to 3.5 times, with an average of 1.8 times. The Implied P/B Ratio of approximately 2.2 times is therefore fall within the range among and higher than the average of the Comparable Companies Group A. Meanwhile, the P/B Ratio of the Comparable Companies Group B ranged from approximately 0.1 times to 4.3 times, with an average of 1.0 times. The Implied P/B Ratio of approximately 2.2 times is therefore fall within the range among and higher than the average of the Comparable Companies Group B.

As shown in the above table, the P/E Ratio of the Comparable Companies Group A ranged from approximately 9.3 times to 94.1 times, with an average of 30.9 times. The Implied P/E Ratio of approximately 139.2 times is therefore above the highest P/E Ratio among the Comparable Companies Group A. Meanwhile, the P/E Ratio of the Comparable Companies Group B ranged from approximately 1.2 times to 51.7 times, with an average of 12.1 times. The Implied P/E Ratio of approximately 139.2 times is therefore above the highest P/E Ratio among the Comparable Companies Group B, implying that the Offer Price is more favourable than the market prices of Comparable Companies Group A and Comparable Companies Group B.

The Offer Price represents the Implied P/B Ratio of approximately 2.2 times and the Implied P/E Ratio of approximately 139.2 times. Based on the analysis as set out above, the P/B Ratio under the Offer is above the average of the Comparable Companies Group A and Comparable Companies Group B, and the P/E Ratio under the Offer is also above the maximum of the Comparable Companies Group A and Comparable Companies Group B, which we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons for the Offer, in particular that:

- (i) as disclosed in the paragraph headed “1.(b). Prospect and outlook of the Group’s principal activities” in this letter, although the Group is operating in relatively stable trading business. However, it is uncertain whether profits expected to be generated from the Group’s stable trading business will be sufficient to offset the potentially loss-making money lending and trading of CBD isolate segments of the Group;
- (ii) the Group recorded loss attributable to owners of the Company of approximately HK\$83.4 million for the six months ended 30 September 2021 as disclosed in the 2021 Interim Results;

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- (iii) the Offer Price represents (a) a premium of approximately 3.64% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day; (b) a premium of approximately 15.38% over the average closing price of approximately HK\$0.275 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day; and (c) a premium in general to the closing price of the Shares since the publication of the Joint Announcement. The Offer Price also falls within the range of the closing prices of the Shares during the Review Period, despite that the Offer Price represents a discount of approximately 22.97% to the average closing price per Share during the Review Period, we noted that the closing price of the Shares has indicated an overall downward trend before the publication of the Joint Announcement which was in line with the Company's recent financial performance;
- (iv) the Offer Price represents a premium of approximately 115.91 % over the audited consolidated NAV attributable to the Shareholders per Share of approximately HK\$0.132 as at 31 March 2021, based on a total of 6,448,152,160 Shares in issue as at the Latest Practicable Date and the audited consolidated net asset value attributable to owners of the Company of approximately HK\$851,155,911 as at 31 March 2021;
- (v) the Offer Price represents a premium of approximately 137.50% over the unaudited consolidated NAV attributable to the Shareholders per Share of approximately HK\$0.120 as at 30 September 2021, based on a total of 6,448,152,160 Shares in issue as at the Latest Practicable Date and the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$772,225,946 as at 30 September 2021; and
- (vi) the trading volume prior to and after the publication of Joint Announcement were relatively thin and Independent Shareholders may encounter difficulties in liquidating their Shares in the open market and that the Offer represents an opportunity for them to realise their investment. The Offer provides the Independent Shareholders with an assured exit if they wish to realise their investments in the Shares;

we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. Nonetheless, we would like to remind the Independent Shareholders who would like to realise part or all of their investments in the Shares to closely monitor the market price and liquidity of the Shares during the Offer Period and may, instead of accepting the Offer, consider selling their Shares in the open market should such sale proceeds, net of all transaction costs, exceed the amount receivable under the Offer.

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In view of the volatility of market conditions, those Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer.

In addition, the Independent Shareholders who wish to realise their investments in the Company in the open market should also consider and monitor the trading volume of the Shares during the Offer Period as, having taken into account the thin historical trading volume of the Shares on the Stock Exchange as discussed in the paragraph headed “Liquidity of the Shares” of this letter, they may experience difficulty in disposing of their Shares in the open market without creating downward pressure on the price of the Shares.

As each individual Independent Shareholder would have different investment objectives and/or circumstances, we would recommend the Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompany Forms of Acceptance.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance which form part of the terms of the Offer.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand to the Registrar at Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong marked “Ban Loong Holdings Limited – Offer” on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive.

- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver on the envelope marked “Ban Loong Holdings Limited – Offer” the Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver on the envelope marked “Ban Loong Holdings Limited – Offer” the Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.
- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it on the envelope marked "Ban Loong Holdings Limited – Offer" to the Registrar together with the transfer receipt(s) duly signed by yourself and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof). Such action will constitute an irrevocable authority to the Offeror or CICC or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the duly signed and completed Form of Acceptance.
- (d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be duly completed, signed and delivered on the envelope marked "Ban Loong Holdings Limited – Offer" to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share

certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (e) Acceptance of the Offer will be treated as effective and valid only if the duly completed and signed Form of Acceptance is received by the Registrar on or before the latest time for acceptance of the Offer and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (e)); or
 - (iii) insert the total number of Shares for which the Offer is accepted. If no number is inserted in the box title “Number of Shares to be transferred” or the number of Shares inserted in the Form of Acceptance is greater than the number of Shares held by you or inserted is greater or smaller than the represented by the certificate for Shares tendered for acceptance of the Offer, the Form of Acceptance will be returned to you for correction and resubmission. Any corrected and valid form must be resubmitted and received by the Registrar on or before the latest time for acceptance of the Offer in order for it to be counted towards fulfilling the acceptance condition; or
 - (iv) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (f) Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer and calculated at a rate of 0.13% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar), whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.
- (g) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (h) If the Offer does not become, or is not declared, unconditional in all respects on the Closing Date, the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the relevant Shareholders who have accepted the Offer by ordinary post at the relevant Shareholders' own risk as soon as possible but in any event within ten (10) days after the Offer has lapsed.

2. SETTLEMENT

The amount due to an accepting Shareholder (less seller's ad valorem stamp duty in respect of acceptances of the Offer) will be despatched, by a cheque or a banker's cashier order, to the relevant Shareholder by ordinary post at his/her/its own risks as soon as possible, but in any event within seven (7) Business Days following the later of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid, or the date on which the Offer becomes or is declared unconditional in all respects. No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent. Settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty of the Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder. Shareholders are recommended to consult their professional advisers if they are in doubt as to the above procedures.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) Pursuant to Rule 15.1 of the Takeovers Code, the Offer will remain open acceptance for at least 21 days following the date on which this Composite Document is posted. Unless the Offer has previously been revised or extended with the consent of the Executive, to be valid, the Form(s) of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) If the Offer is extended or revised, the announcement of such extension or revision will state the next Closing Date or, if the Offer has become unconditional, a statement that the Offer will remain open until further notice. In the latter case, pursuant to Rule 15.3 of the Takeovers Code, the Offer will remain open for acceptance for not less than 14 days thereafter. If, in the course of the Offer, the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Closing Date.
- (c) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date.

4. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of their decision in relation to the expiry, revision and extension of the Offer. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised, extended or expired. The announcement will state the following:
 - (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
 - (ii) the total number of Shares and rights over Shares held, controlled, or directed by the Offeror and parties acting in concert with it before the end of the Offer Period; and
 - (iii) the total number of Shares and rights over Shares acquired/cancelled (as the case may be) or agreed to be acquired/cancelled (as the case may be) during the Offer Period by the Offeror and parties acting in concert with it.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror and the parties acting in concert with it have borrowed or lent, save for any borrowed securities which have been either on-lent or sold, and specify the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Shares, whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

6. RIGHT OF WITHDRAWAL

- (a) The Offer is conditional upon fulfilment of the Condition set out in the “Letter from CICC” in this Composite Document. Acceptance of the Offer tendered by Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/their acceptance after 21 days from the First Closing Date (being 5 January 2022) and if the Offer has not by then become unconditional in all respects. An acceptor of the Offer may withdraw his/her acceptance by lodging a notice in writing signed by the acceptor (or his/her/their agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar.
- (b) Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer set out in section 4 of this Appendix I, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

7. WARRANTY

Acceptance of the Offer by a Shareholder will be deemed to constitute a warranty by such person(s) to the Offeror that such Shares acquired from such Shareholder under the Offer are sold or tendered by that Shareholder free from all third party rights and together with all rights accruing and attached to them on the date of this Composite Document or subsequently becoming attached to it, including the rights to receive all dividends and distributions declared, made or paid, on or after the date of this Composite Document. In the event that the Company decides to declare, pay, make or agree to pay or make any dividends on or after the date of the Joint Announcement and up to closing of the Offer, the Offeror intends to reduce the Offer Price by the amount of such dividends. The Company does not intend to declare, pay, make or agree to pay or make any dividends on or after the date of this Composite Document and up to closing of the Offer.

8. OVERSEAS SHAREHOLDERS

- (a) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes) due by the accepting Shareholders.
- (b) Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a warranty by such person that such person is permitted under applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

9. TAX IMPLICATIONS

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, CICC, the Company, Red Sun Capital, their respective ultimate beneficial owners and parties acting in concert, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Independent Shareholders on their individual tax implications, nor do they

accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

10. GENERAL

- (a) All communications, notices, Form of Acceptance, certificate(s), Share certificate(s), transfer receipt(s), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offer will be delivered by or sent to or from the Independent Shareholders or their designated agents, by ordinary post at their own risk, and none of the Offeror, CICC, the Registrar, or other parties involved in the Offer or any of their respective directors, officers, advisers, associates, agents accepts any liability for any loss or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of the Form of Acceptance by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.
- (e) Due execution of the Form of Acceptance in accordance with Note 1 to Rule 30.2 of the Takeovers Code will constitute an authority to the Offeror, CICC, or such person or persons as the Offeror or CICC may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (g) If no number is inserted or a number inserted is greater than your registered holding of Share(s) or those physical Share(s) tendered for acceptance of the Offer and you have signed this form, this form will be returned to you for correction and resubmission. Any corrected form must be resubmitted and received by the Registrar on or before 4:00 p.m. on the Closing Date.

- (h) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (i) In making their decisions, Shareholders must rely on his/her/its/their own examination of the Offeror and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendations contained therein, and the Form of Acceptance are not to be construed as legal or business advice. Shareholder(s) could consult with his/her/its/their own professional advisers for professional advice.
- (j) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

I. SUMMARY OF FINANCIAL RESULTS OF THE GROUP

The following is a summary of the audited consolidated financial information of the Group for the years ended 31 March 2019, 2020 and 2021, as extracted from the annual reports of the Company for the years ended 31 March 2020 and 31 March 2021 and the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2021 as extracted from the interim results announcement of the Company for the six months ended 30 September 2021.

	Six months ended			
	30 September 2021	Year ended 31 March		
	2021	2021	2020	2019
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(audited)	(audited)	(audited)
Revenue	457,632,630	1,216,714,366	1,162,153,635	910,081,910
Cost of sales	(418,929,403)	(1,120,319,204)	(1,054,070,055)	(823,076,956)
Gross profit	38,703,227	96,395,162	108,083,580	87,004,954
Other income and gain	127,347	1,713,658	61,638	5,844,032
Net allowance for expected credit losses	(90,251,650)	(11,375,238)	(721,519)	2,569,442
Share of result of an associate	–	(13,961)	(149,827)	(146,086)
Selling and distribution expenses	(2,066,046)	(2,418,259)	(898,957)	(984,355)
Impairment on investment in an associate	–	(214,289)	–	–
General and administrative expenses	(21,435,149)	(45,828,578)	(41,287,842)	(37,721,658)
Finance costs	(16,638,814)	(18,023,964)	(4,984,168)	(4,650,000)
(Loss)/Profit before tax	(91,561,085)	20,234,531	60,102,905	51,916,329
Income tax credit/(expenses)	8,136,185	(7,024,278)	(10,534,043)	(7,648,435)
(Loss)/Profit for the period/year	(83,424,900)	13,210,253	49,568,862	44,267,894
(Loss)/Profit for the period/year attributable to:				
Owners of the Company	(83,424,656)	13,207,234	49,573,533	44,271,814
Non-controlling interests	(244)	3,019	(4,671)	(3,920)
Total comprehensive (expenses)/income for the period/year attributable to:				
Owners of the Company	(78,929,965)	29,255,663	35,779,002	32,011,590
Non-controlling interests	(244)	3,019	(4,671)	(3,920)
Dividend	–	–	–	–
(Loss)/Earnings per Share				
– Basic and diluted (<i>HK cents</i>)	(1.29)	0.20	0.77	0.76
– Dividend per Share (<i>HK cents</i>)	–	–	–	–

Qualified Opinion of Auditors for the financial year ended 31 March 2019

For the financial year ended 31 March 2019, the Group's auditor, HLB Hodgson Impey Cheng Limited, issued a qualified opinion, an extract of which is as follows:

Qualified Opinion

We have audited the consolidated financial statements of Ban Loong Holding Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 45 to 127, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of the Qualified Opinion***(a) De-consolidation of subsidiaries***

As disclosed in note 3 to the consolidated financial statements, the management of the Company became aware during the financial year ended 31 March 2017 of a civil ruling dated 9 January 2017 (the “**First Civil Ruling**”) and a civil judgement dated 10 October 2016 (the “**Second Civil Judgement**”). The First Civil Ruling ordered, inter alia, the freezing of the entire equity holding of Tong Bai County Yin Di Mining Company Limited (“**Yin Di Mining**”), an indirect subsidiary of the Company, and the mining license owned by Yin Di Mining. The Second Civil Judgement ordered, inter alia, that the equity transfer agreement dated 28 February 2011 signed between Zhengzhou Jinfuyuan Mining Company Limited (“**Jinfuyuan Mining**”), an indirect subsidiary of the Company, and Henan Guiyuan Industry Co. Ltd (“**Henan Guiyuan**”) for the transfer of equity of Yin Di Mining for the consideration of RMB28,000,000 payable in cash (the “**Equity Transfer Agreement**”) be terminated and all equity holding of Yin Di Mining be re-transferred to Henan Guiyuan.

Also, upon searches of public records conducted by the Group's legal advisers, the management of the Company became aware of a ruling enforcement order dated 23 November 2016 (the "**Enforcement Order**") issued by Henan Province Zhengzhou City Intermediate People's Court ("**Zhengzhou Court**") ordering Jinfuyuan Mining to transfer the entire equity holding in Yin Di Mining to Henan Guiyuan. Subsequently, according to the public record searches, the 90% equity interest in Yin Di Mining held by Jinfuyuan Mining was purportedly transferred to Henan Guiyuan on 17 January 2017.

As revealed in the Second Civil Judgement, Henan Guiyuan alleged that Jinfuyuan Mining only paid RMB3,000,000 by way of deposit to Henan Guiyuan between March and November 2011 even though Henan Guiyuan had completed the transfer of the 95% equity of Yin Di Mining to Jinfuyuan Mining in April 2011 in performance of the terms of the Equity Transfer Agreement and that on 30 May 2011, both parties signed a supplemental agreement such that if Jinfuyuan Mining failed to pay the balance of RMB25,000,000 within 60 days, then it shall, inter alia, retransfer the equity holding in Yin Di Mining to Henan Guiyuan unconditionally and allow the RMB3,000,000 deposit to be forfeited. Henan Guiyuan further alleged that on 18 December 2015, Jinfuyuan Mining signed a declaration and gave it to Henan Guiyuan, confirming that it owed the outstanding consideration to Henan Guiyuan and agreed to re-transfer its equity holding in Yin Di Mining to Henan Guiyuan.

Given the above circumstances, the Group faced obstructions in exercising control over, and gathering information and documents regarding, Yin Di Mining and its subsidiary (collectively, the "**De-consolidated Subsidiaries**"). The Group regards that it has lost control over the entire operations of the De-consolidated Subsidiaries and the directors of the Company have determined to exclude the financial position, results and cash flows of the Deconsolidated Subsidiaries from the Group's consolidated financial statements. Hence the De-consolidated Subsidiaries have been deconsolidated with effect from 1 April 2016 in the 2017 Consolidated Financial statements. The resulting loss arising from the deconsolidation of HK\$115,847,836 has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017. As disclosed in note 31 to the consolidated financial statements, the Group had disposed of the entire issued share capital of Jun Qiao Limited (the "**Disposal**") and the Group ceased its control of Jun Qiao Limited and its subsidiaries (the "**Disposal Group**") upon completion of the Disposal on 25 February 2019 (the "**Disposal Date**"). Jun Qiao Limited is an investment holding company whose principal assets are its investments in the De-consolidated Subsidiaries. The Group recognized gain on disposal of the Disposal Group of approximately HK\$5,735,111, which is presented as other income in the Group's consolidated statement of profit or loss and other comprehensive income.

Under Hong Kong Financial Reporting Standard 10 “Consolidated Financial Statements”, the carrying amounts of assets and liabilities of, and non-controlling interests in, the De-consolidated Subsidiaries should be derecognised from the consolidated financial statements of the Group at the date when control over the De-consolidated Subsidiaries was lost. As at the date of completion of disposal of the Disposal Group, the investigations by the PRC legal advisers into, inter alia, the factual circumstances and the claims and allegations of Henan Guiyuan, as instructed by the Company, was still in progress and the Company was not yet in a position to assess the impact of the First Civil Ruling and Second Civil Judgement on the operations and financial position of the Group. Further, we were unable to gain access to the books and records and management personnel of the Deconsolidated Subsidiaries. Consequently, we were unable to obtain sufficient appropriate audit evidence and explanation to assess the appropriateness of the accounting treatment adopted by the Group of treating the Deconsolidated Subsidiaries as subsidiaries of the Group from 2011 onwards and until 1 April 2016, the date of their deconsolidation. We were also unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the date when the Group lost control over the De-consolidated Subsidiaries. Consequently, we were unable to determine whether any adjustments were necessary to the amounts of the assets and liabilities of the Group as at 31 March 2018, the loss (including the gain recognised on disposed of the Disposal Group) and cash flows of the Group for the years ended 31 March 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

(b) Amounts due from the De-consolidated Subsidiaries

During the year ended 31 March 2017, the Group recorded an impairment of amounts due from the Deconsolidated Subsidiaries of HK\$71,145,551 due to the circumstances described in (a) above. We were unable to obtain sufficient appropriate audit evidence regarding the validity, existence and impairment assessment of the amounts due from the De-consolidated Subsidiaries as at 31 March 2018 because: (i) there was inadequate documentary evidence available for us to verify the validity, existence and nature of the amounts due from the Deconsolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the amounts due from the De-consolidated Subsidiaries for the purpose of our audit; and (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amounts due from the De-consolidated Subsidiaries were properly assessed in accordance with the requirements of applicable HKFRSs. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts due from the De-consolidated Subsidiaries as at 31 March 2018 were free from material misstatement. In addition, the scope limitation explained in (a) above as to the date when the Group lost control over the De-consolidated Subsidiaries would also affect the appropriate accounting period in which the impairment loss should be recognised. Any adjustments that might have been found necessary may have a significant consequential effect on the carrying amount of, and impairment loss on, the amounts

due from the De-consolidated Subsidiaries and hence on the net assets of the Group as at 31 March 2018 and the loss and cash flows of the Group for the years ended 31 March 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

(c) Contingent liabilities and commitments

Due to circumstances described in (a) above, we have not been able to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group as disclosed in note 3 were properly recorded and accounted for in accordance with the requirements of applicable HKFRSs, including Hong Kong Accounting Standard 37 “Provisions, Contingent Liabilities and Contingent Assets”. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments of the Group were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the net assets of the Group as at 31 March 2018 and the loss and cash flows of the Group for the year ended 31 March 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

(d) Related party transactions

The scope limitation explained in (a) above as to the date when the Group lost control over the De-consolidated Subsidiaries would affect the disclosures of related party transactions in the consolidated financial statements in the event that the date of loss of control is actually after 1 April 2016. Accordingly, we have not been able to obtain sufficient appropriate audit evidence as to whether the related party transactions disclosures set out in note 29 to the consolidated financial statements were complete and in compliance with the requirements of applicable HKFRSs, including Hong Kong Accounting Standard 24 “Related Party Disclosures”. There were no practical alternative procedures that we could perform about the related party transactions which occurred during the year ended 31 March 2019 and 2018.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Qualified Opinion of Auditors for the financial year ended 31 March 2020

For the financial year ended 31 March 2020, the Group's auditor, HLB Hodgson Impey Cheng Limited, issued a qualified opinion, an extract of which is as follows:

Qualified Opinion

We have audited the consolidated financial statements of Ban Loong Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 43 to 117, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the corresponding figures of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

*Basis of the Qualified Opinion Comparative Figures**(a) De-consolidation of subsidiaries*

As disclosed in note 3 to the consolidated financial statements, the management of the Company became aware during the financial year ended 31 March 2017 of a civil ruling dated 9 January 2017 (the “**First Civil Ruling**”) and a civil judgement dated 10 October 2016 (the “**Second Civil Judgement**”). The First Civil Ruling ordered, inter alia, the freezing of the entire equity holding of Tong Bai County Yin Di Mining Company Limited (“**Yin Di Mining**”), an indirect subsidiary of the Company, and the mining license owned by Yin Di Mining. The Second Civil Judgement ordered, inter alia, that the equity transfer agreement dated 28 February 2011 signed between Zhengzhou Jinfuyuan Mining Company Limited (“**Jinfuyuan Mining**”), an indirect subsidiary of the Company, and Henan Guiyuan Industry Co. Ltd (“**Henan Guiyuan**”) for the transfer of equity of Yin Di Mining for the consideration of RMB28,000,000 payable in cash (the “**Equity Transfer Agreement**”) be terminated and all equity holding of Yin Di Mining be re-transferred to Henan Guiyuan.

Also, upon searches of public records conducted by the Group's legal advisers, the management of the Company became aware of a ruling enforcement order dated 23 November 2016 (the "**Enforcement Order**") issued by Henan Province Zhengzhou City Intermediate People's Court ("**Zhengzhou Court**") ordering Jinfuyuan Mining to transfer the entire equity holding in Yin Di Mining to Henan Guiyuan. Subsequently, according to the public record searches, the 90% equity interest in Yin Di Mining held by Jinfuyuan Mining was purportedly transferred to Henan Guiyuan on 17 January 2017.

As revealed in the Second Civil Judgement, Henan Guiyuan alleged that Jinfuyuan Mining only paid RMB3,000,000 by way of deposit to Henan Guiyuan between March and November 2011 even though Henan Guiyuan had completed the transfer of the 95% equity of Yin Di Mining to Jinfuyuan Mining in April 2011 in performance of the terms of the Equity Transfer Agreement and that on 30 May 2011, both parties signed a supplemental agreement such that if Jinfuyuan Mining failed to pay the balance of RMB25,000,000 within 60 days, then it shall, inter alia, retransfer the equity holding in Yin Di Mining to Henan Guiyuan unconditionally and allow the RMB3,000,000 deposit to be forfeited. Henan Guiyuan further alleged that on 18 December 2015, Jinfuyuan Mining signed a declaration and gave it to Henan Guiyuan, confirming that it owed the outstanding consideration to Henan Guiyuan and agreed to re-transfer its equity holding in Yin Di Mining to Henan Guiyuan.

Given the above circumstances, the Group faced obstructions in exercising control over, and gathering information and documents regarding, Yin Di Mining and its subsidiary (collectively, the "**De-consolidated Subsidiaries**"). The Group regarded that it had lost control over the entire operations of the De-consolidated Subsidiaries and the directors of the Company had determined to exclude the financial position, results and cash flows of the Deconsolidated Subsidiaries from the Group's consolidated financial statements. Hence the De-consolidated Subsidiaries had been deconsolidated with effect from 1 April 2016 in the 2017 Consolidated Financial statements. The resulting loss arising from the deconsolidation of HK\$115,847,836 had been recognised in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2017. As disclosed in note 33 to the consolidated financial statements, the Group had disposed of the entire issued share capital of Jun Qiao Limited (the "**Disposal**") and the Group ceased its control of Jun Qiao Limited and its subsidiaries (the "**Disposal Group**") upon completion of the Disposal on 25 February 2019 (the "**Disposal Date**"). Jun Qiao Limited was an investment holding company whose principal assets were its investments in the Deconsolidated Subsidiaries. The Group recognised gain on disposal of the Disposal Group of approximately HK\$5,735,111 in the financial year ended 31 March 2019, which was presented as other income in the Group's consolidated statement of profit or loss and other comprehensive income.

Under Hong Kong Financial Reporting Standard 10 “Consolidated Financial Statements”, the carrying amounts of assets and liabilities of, and non-controlling interests in, the De-consolidated Subsidiaries should be derecognised from the consolidated financial statements of the Group at the date when control over the De-consolidated Subsidiaries was lost. As at the date of completion of disposal of the Disposal Group, the investigations by the PRC legal advisers into, inter alia, the factual circumstances and the claims and allegations of Henan Guiyuan, as instructed by the Company, was still in progress and the Company was not yet in a position to assess the impact of the First Civil Ruling and Second Civil Judgement on the operations and financial position of the Group. Further, we were unable to gain access to the books and records and management personnel of the Deconsolidated Subsidiaries. Consequently, we were unable to obtain sufficient appropriate audit evidence and explanation to assess the appropriateness of the accounting treatment adopted by the Group of treating the Deconsolidated Subsidiaries as subsidiaries of the Group from 2011 onwards and until 1 April 2016, the date of their deconsolidation. We were also unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the date when the Group lost control over the De-consolidated Subsidiaries. Consequently, we were unable to determine whether any adjustments were necessary to the opening balances of the assets and liabilities of the Group as at 1 April 2018, the loss (including the gain recognised on disposed of the Disposal Group) and cash flows of the Group for the year ended 31 March 2019, and the related disclosures thereof in the consolidated financial statements.

(b) Amounts due from the De-consolidated Subsidiaries

During the year ended 31 March 2017, the Group recorded an impairment loss to fully write down the amounts due from the Deconsolidated Subsidiaries of HK\$71,145,551 due to the circumstances described in (a) above. We were unable to obtain sufficient appropriate audit evidence regarding the validity, existence and impairment assessment of the amounts due from the De-consolidated Subsidiaries as at 1 April 2018 because: (i) there was inadequate documentary evidence available for us to verify the validity, existence and nature of the amounts due from the De-consolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the amounts due from the De-consolidated Subsidiaries for the purpose of our audit; and (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amounts due from the De-consolidated Subsidiaries were properly assessed in accordance with the requirements of applicable HKFRSs. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the opening balances of the amounts due from the De-consolidated Subsidiaries as at 1 April 2018 were free from material misstatement. In addition, the scope limitation explained in (a) above as to the date when the Group lost control over the De-consolidated Subsidiaries would also affect the appropriate accounting period in which the impairment loss should be recognised. Any adjustments that might have been found necessary may have a significant consequential effect on the carrying

amount of, and impairment loss on, the amounts due from the De-consolidated Subsidiaries and hence on the opening balances of net assets of the Group as at 1 April 2018 and the loss and cash flows of the Group for the year ended 31 March 2019, and the related disclosures thereof in the consolidated financial statements.

(c) Contingent liabilities and commitments

Due to circumstances described in (a) above, we have not been able to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group as at 1 April 2018 were properly recorded and accounted for and in compliance with the requirements of applicable HKFRSs, including Hong Kong Accounting Standard 37 “Provisions, Contingent Liabilities and Contingent Assets”. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments as at 1 April 2018 were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the opening balances of net assets of the Group as at 1 April 2018 and the loss and cash flows of the Group for the year ended 31 March 2019, and the related disclosures thereof in the consolidated financial statements.

(d) Related party transactions

The scope limitation explained in (a) above as to the date when the Group lost control over the De-consolidated Subsidiaries would affect the disclosures of related party transactions in the consolidated financial statements in the event that the date of loss of control is actually after 1 April 2016. Accordingly, we have not been able to obtain sufficient appropriate audit evidence as to whether the related party transactions disclosures in respect of the financial year ended 31 March 2019 were properly recorded and accounted for and in compliance with the requirements of applicable HKFRSs including Hong Kong Accounting Standard 24 “Related Party Disclosures”. There were no practical alternative procedures that we could perform over the related party transactions which might have occurred during the year ended 31 March 2019.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

The auditors of the Company, HLB Hodgson Impey Cheng Limited, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the financial statement of the Group for the year ended 31 March 2021, and the Company had no items which are exceptional or extraordinary because of size, nature or incidence for the financial years ended 31 March 2019, 2020 and 2021.

II. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the “**2018/19 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the “**2019/20 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for the year ended 31 March 2021 (the “**2020/21 Financial Statements**”); (iv) the unaudited condensed consolidated financial results of the Group for the six months ended 30 September 2021 (the “**2021/22 Interim Results**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2018/19 Financial Statements are set out from pages 45 to 127 in the annual report of the Company for the year ended 31 March 2019, which was published on 24 July 2019. The annual report of the Company for the year ended 31 March 2019 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.0030hk.com>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0724/ltm20190724283.pdf>

The 2019/20 Financial Statements are set out from pages 43 to 117 in the annual report of the Company for the year ended 31 March 2020, which was published on 30 July 2020. The annual report of the Company for the year ended 31 March 2020 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.0030hk.com>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0730/2020073000108.pdf>

The 2020/21 Financial Statements are set out from pages 41 to 105 in the annual report of the Company for the year ended 31 March 2021, which was published on 29 July 2021. The annual report of the Company for the year ended 31 March 2021 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.0030hk.com>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0729/2021072900912.pdf>

The 2018/19 Financial Statements, the 2019/20 Financial Statements and the 2020/21 Financial Statements (but not any other part of the annual report of the Company for the year ended 31 March 2019, the annual report of the Company for the year ended 31 March 2020 and the annual report of the Company for the year ended 31 March 2021 in which they appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

The 2021/22 Interim Results are set out on pages 1 to 19 of the interim results announcement of the Company for the six months ended 30 September 2021, which was published on 26 November 2021. The interim results announcement of the Company for the six months ended 30 September 2021 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.0030hk.com>). Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1126/2021112601536.pdf>

III. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, the indebtedness of the Group are as follows:

Lease liabilities

As at 31 October 2021, the Group had outstanding lease liabilities amounting to HK\$12.0 million which were unsecured and unguaranteed.

Convertible bond

As at 31 October 2021, the Group had outstanding convertible bond amounting to HK\$497.2 million which issued to Shanghai International Trust Corp., Ltd., which subscribes and holds the convertible bond on behalf of and as a trustee of Yunnan Baiyao Group.

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any other loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts, or other similar indebtedness, financial lease or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities as at the close of business on 31 October 2021.

IV. MATERIAL CHANGES

As disclosed in the 2021/22 Interim Results, which was published on 26 November 2021, the Group recorded loss attributable to owners of the Company of approximately HK\$83.4 million for the six months ended 30 September 2021 as compared to profit attributable to owners of the Company of approximately HK\$19.5 million for the six months ended 30 September 2020. The loss of the Group's result was due to the increase in net allowance for expected credit losses of approximately HK\$90.3 million for certain loans and other receivables.

Save for the above, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up and up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information relating to the Group and the Directors contained in this Composite Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital and issued share capital of the Company were as follows:

<i>Authorised</i>		<i>HK\$</i>
20,000,000,000	Shares of HK\$0.01 each	200,000,000.00
<i>Issued and fully paid:</i>		
6,448,152,160	Shares of HK\$0.01 each	64,481,521.60

All the Shares in issue rank pari passu in all respects with each other, including as to rights in respect of capital and dividends and voting.

The Company has not issued any Shares since 31 March 2021, being the date to which the latest audited financial statements of the Company were made up.

As at the Latest Practicable Date, there were 6,448,152,160 Shares in issue, of which the Offeror and its associates and parties acting in concert with them held 1,964,025,360 Shares, representing approximately 30.46% of the issued share capital of the Company.

Other than the Shares in issue as disclosed above and the Convertible Bonds, the Company had no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue as at the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price HK\$
31 May 2021	0.465
30 June 2021	0.380
30 July 2021	0.300
31 August 2021	0.370
30 September 2021	0.280
27 October 2021	0.275
29 October 2021	0.275
30 November 2021	0.260
Latest Practicable Date	0.260

During the Relevant Period, the highest and lowest daily closing prices of the Shares as quoted on the Stock Exchange was HK\$0.470 per Share on 10 May 2021 and HK\$0.238 per Share on 25 October 2021 and 26 October 2021, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors and the chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company including their respective associates in the equity or equity securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers had been notified to the Company and the Stock Exchange; or (iv) to be disclosed pursuant to the Takeovers Code were as follows:

Name	Capacity	Number of Shares	Approximate percentage of interest in the issued Shares
Chow Wang	Beneficial owner	495,404,000	7.68%
Fong For	Beneficial owner	349,068,000	5.41%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company including their respective associates had 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) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (iv) to be disclosed pursuant to the Takeovers Code.

(b) Substantial shareholders and other persons' interests and short positions in shares, underlying shares and securities of the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities (other than the Directors or chief executive of the Company) who had an interest or a short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows:

Name	Capacity	Number of Shares	Approximate percentage of interest in the issued Shares
YNBY Group Co.	Beneficial owner	1,908,025,360	29.59%
Shanghai International Trust Corp., Ltd. ("Shanghai Trust")	Trustee	1,937,984,496 <i>(Note)</i>	30.05%

Note: The Company entered into the subscription agreement with YNBY Group Co. on 14 October 2019. Pursuant to the subscription agreement and the supplemental subscription agreements (collectively, the "**Subscription Agreements**"), the Company has conditionally agreed to issue, and YNBY Group Co. has conditionally agreed to subscribe for, through its trustee, Shanghai Trust, the Convertible Bonds (the "**Subscription**"). The completion of the Subscription took place on 30 October 2020 in accordance with the terms and conditions of the Subscription agreements. The principal amount was HK\$500 million with coupon rate of 3% per-annum for 2 years. Under the Subscription, the Convertible Bonds have been issued to Shanghai Trust, which subscribes and holds the Convertible Bonds on behalf of and as a trustee of YNBY Group Co. YNBY Group Co. remains as the beneficial owner of the Convertible Bonds. Based on the initial conversion price of HK\$0.258 per conversion share and the full conversion of the Convertible Bonds, 1,937,984,496 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing approximately 30.05% of the existing issued share capital of the Company. As at the Latest Practicable Date, there has not been any exercise of any Convertible Bonds. For further details of the Subscription, please refer to the announcements of the Company dated 14 October 2019, 4 November 2019, 18 November 2019, 2 December 2019, 16 December

2019, 31 December 2019, 31 January 2020, 14 February 2020, 28 February 2020, 31 March 2020, 3 May 2020, 31 July 2020, 31 August 2020, 10 September 2020, 29 October 2020 and the circular of the Company dated 11 September 2020 respectively.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person (other than the Directors or chief executive of the Company) had an interest or a short position in the shares or the underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group, or any options in respect of such share capital.

5. INTERESTS IN THE COMPANY AND ARRANGEMENTS IN CONNECTION WITH THE OFFER

The Directors confirm that, during the Relevant Period and up to (and including) the Latest Practicable Date, save as disclosed in this Composite Document:

- (i) save as provided in paragraph 4 to this Appendix, none of the Directors was interested in or owned or controlled any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;
- (ii) none of the subsidiaries of the Company, pension fund of the Group or of its subsidiaries, or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (other than exempt principal traders and exempt fund managers) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (iii) there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code, and any other person;
- (iv) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;

- (v) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (vi) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Company or the Directors had borrowed or lent;
- (vii) no arrangement was in place for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (viii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (ix) there was no material contract entered into by the Offeror in which any Director had a material personal interest;
- (x) Mr. Chow Wang, an executive Director, has indicated that he intends to accept the Offer and Mr. Fong For, a non-executive Director, has indicated that he intends to accept the Offer. Save as disclosed above, none of the Directors had any beneficial shareholdings in the Company and thus they were not entitled to participate in the Offer; and
- (xi) none of the Company or the Directors had owned or controlled any shares or any securities, convertible securities, warrants, options or derivatives in respect of the shares or securities of the Offeror.

6. DEALING IN SECURITIES AND OTHER ARRANGEMENTS

During the Relevant Period:

- (i) none of the Directors had dealt for value in any Shares, options, derivatives, warrants or other securities convertible into the Shares or other types of equity interest in the Company;
- (ii) none of the Company or the Directors had dealt for value in any shares, options, derivatives, warrants or other securities convertible into the shares or other types of equity interest in the Offeror;

- (iii) none of the subsidiaries of the Company or any pension funds of the Group or of its subsidiaries, or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (other than exempt principal traders and exempt fund managers) had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (iv) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (v) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

7. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which:

- (i) have been entered into or amended (including both continuous and fixed term contracts) within six months prior to the commencement of the Offer Period;
- (ii) are continuous contracts with a notice period of twelve months or more; or
- (iii) are fixed term contracts with more than twelve months to run irrespective of the notice period.

None of the Directors will be or has been given any benefits (save for any statutory compensation required under appropriate laws) as compensation for loss of office or otherwise in connection with the Offer.

8. QUALIFICATIONS AND CONSENT OF EXPERT

In addition to the Offeror's expert listed in paragraph 4 of Appendix IV to this Composite Document, the following is the qualification of the expert who has given opinions or advice which is contained or referred to in this Composite Document:

Name	Qualification
Red Sun Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion, and/or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any direct or indirect interest in any assets which had been, since 31 March 2021, being the date of the latest published audited consolidated financial statements 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.

9. LITIGATION

As at the Latest Practicable Date, the Group is engaged in the following litigation:

- (a) The Company has previously engaged, Messrs. Lawrence Chan & Co. (the "**Plaintiff**"), being a law firm, for the provision of various professional services. On 7 January 2021, the Plaintiff issued legal proceedings against the Company by way of indorsement of claim to claim for payment of alleged outstanding legal fees in the total sum of HK\$7,596,252. As at the Latest Practicable Date, the case is still ongoing and the Company had made the provision for the litigation in the amount of HK\$7,596,252.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

10. MATERIAL CONTRACTS

The following contract (not being contracts in the ordinary course of business) had been entered into by members of our Group after the date falling two years before the commencement of the Offer Period up to and including the Latest Practicable Date, which may be material:

- (a) the conditional subscription agreement entered into on 14 October 2019 between the Company and YNBY Group Co. (as amended and supplemented by the supplemental subscription agreements dated 31 December 2019, 28 February 2020, 30 April 2020, 31 July 2020 and 10 September 2020) in relation to the subscription for the convertible bonds of the Company in the aggregate principal amount of HK\$500,000,000 as set out in the announcements of the Company dated 14 October 2019, 4 November 2019, 18 November 2019, 2 December 2019, 16 December 2019, 31 December 2019, 31 January 2020, 14 February 2020, 28 February 2020, 31 March 2020, 3 May 2020, 31 July 2020, 31 August 2020, 10 September 2020, 29 October 2020 and 30 October 2020.

11. GENERAL

- (i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (ii) The headquarters, head office and principal place of business of the Company in Hong Kong is situated at Room 2709–10, 27/F, China Resources Building No. 26 Harbour Road, Wanchai, Hong Kong.
- (iii) The address of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, is situated at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (iv) The English texts of this Composite Document and the Form of Acceptance shall prevail over the Chinese texts, in the case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (a) the website of the SFC (<http://www.sfc.hk>); (b) the website of the Company at <http://www.0030hk.com> during the period from the date of this Composite Document; and (c) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Room 2709–10, 27/F, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong up to and including the Closing Date:

- (i) the amended and restated memorandum of association and bye-laws of the Company;

- (ii) the annual reports of the Company for the three years ended 31 March 2019, 2020 and 2021, respectively and the interim results announcement of the Company for the six months ended 30 September 2021;
- (iii) the letter from the Board, the text of which is set out in this Composite Document;
- (iv) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (v) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (vi) the written consent referred to under the paragraph headed “8. Qualifications and Consent of Expert” in this Appendix;
- (vii) the material contract referred to under the paragraph headed “10. Material Contracts” in this Appendix; and
- (viii) this Composite Document and the accompanying Form of Acceptance.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with respect to the Offeror, the Group and the Offer.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Directors and the Group) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

The directors of YNBY Group Co. jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Directors and the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS

Interests of the Offeror and parties acting in concert with it in the Shares

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it were as follows:

Shareholders	<i>Number of Shares</i>	<i>%</i>
Offeror	0	–
YNBY Group Co.	1,908,025,360	29.59
New Huadu HK	<u>56,000,000</u>	<u>0.87</u>
Aggregate number of Shares held by the Offeror and parties acting in concert with it ^{Note 1}	<u><u>1,964,025,360</u></u>	<u><u>30.46</u></u>

Notes:

1. 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.
2. All percentages in the above table are approximations and rounded to two decimal places.

3. OFFEROR'S INTERESTS IN THE SECURITIES OF THE COMPANY

The Offeror confirms that, save as disclosed in this Composite Document, as at the Latest Practicable Date:

- (i) save for the Acquisition, none of the Offeror, its sole director or parties acting in concert with them had dealt for value in any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (ii) save for the Loan Facility and the security arrangements in connection thereto, including the Share Charges, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Offeror or any person acting in concert with the Offeror and any other person;
- (iii) there is no agreement or arrangement to which the Offeror or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (iv) none of the Offeror and parties acting in concert with it has received any irrevocable commitment to accept the Offer nor any irrevocable undertaking not to accept the Offer;
- (v) save for the 1,908,025,360 Shares and Convertible Bonds held by YNBY Group Co. and the Acquisition Shares held by New Huadu HK, none of the Offeror, the sole director of the Offeror and the parties acting in concert with the Offeror owns or has control or direction over any voting rights of the Company or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares;
- (vi) none of the Offeror and/or parties acting in concert with it has entered into any arrangement or contract in relation to any outstanding derivative in respect of securities in the Company;

- (vii) none of the Offeror and/or parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (viii) apart from the consideration paid by New Huadu HK for the Acquisition Shares acquired by it under the Acquisition, no other consideration, compensation or benefit in whatever form was paid by New Huadu HK or the Offeror or parties acting in concert with the Offeror to the vendor(s) of the Acquisition Shares in connection with the sale and purchase of such Acquisition Shares;
- (ix) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any party acting in concert with it on the one hand, and the Company and any party acting in concert with them on the other hand. The Acquisition Shares were acquired by New Huadu HK on the secondary market and the identity of the beneficial owner(s) of the vendor(s) of such Acquisition Shares are accordingly unknown to New Huadu HK and the Offeror;
- (x) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder (other than the Offeror and parties acting in concert with it); and (2)(a) the Offeror and parties acting in concert with it, or (b) the Company, its subsidiaries or associated companies;
- (xi) save for the Loan Facility and the security arrangements in connection thereto, including the Share Charges, there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons; and
- (xii) there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any of the Directors, recent directors of the Company, the Shareholders or recent shareholders of the Company having any connection with or dependence upon the Offer.

4. QUALIFICATIONS AND CONSENT OF EXPERT

In addition to those listed in paragraph 8 of Appendix III, the following is the qualification of the experts who have given opinions or advice which is contained or referred to in this Composite Document:

Name	Qualification
CICC	a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO

CICC has given and has not withdrawn its written consent to the issue of this Composite Document with a copy of its letter and the references to its name included herein in the form and context in which it appears.

5. MISCELLANEOUS

- (a) The principal members of the Offeror's concert party group are the Offeror, YNBY Group Co., New Huadu HK and Mr. Chen Fashu. The sole director of the Offeror is Li Yi. The directors of YNBY Group Co. are Wang Minghui (chairman of the board), Chen Fashu (co-chairman of the board), Yang Changhong, Chen Yanhui, Dai Yang, Zhang Yongliang, Yin Xiaobing, Li Shuangyou and Liu Guoen. The sole director of New Huadu HK is Mr. Chen Fashu.
- (b) The registered office of the Offeror is situated at Room 803, Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The correspondence address of the Offeror is situated at No. 3686, Yunnan Baiyao Street, Chenggong District, Kunming City, Yunnan Province, the PRC.
- (c) The registered office and correspondence address of YNBY Group Co. is situated at No. 3686, Yunnan Baiyao Street, Chenggong District, Kunming City, Yunnan Province, the PRC.
- (d) The registered office of New Huadu HK is situated at Room B1, 10th Floor, Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong. The correspondence address of New Huadu HK is situated at Xinhua Building, 162 Wusi Road, Fuzhou City, the PRC.
- (e) The correspondence address of Mr. Chen Fashu is situated at Xinhua Building, 162 Wusi Road, Fuzhou City, the PRC.
- (f) The principal place of business of CICC is situated at 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

- (g) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

6. DOCUMENTS AVAILABLE FOR INSPECTION

In addition to the documents set forth in paragraph 12 of Appendix III to this Composite Document, copies of the following documents are available for inspection on (a) the website of the SFC (<http://www.sfc.hk>); (b) the website of the Company (<http://www.0030hk.com>) during the period from the date of this Composite Document; and (c) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Room 2709–10, 27/F, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter dated 15 December 2021 from CICC as set out on pages 7 to 17 of this Composite Document; and
- (c) the written consent referred to under the paragraph headed “4. Qualifications and Consent of Expert” in this Appendix IV.