
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.

LETTER FROM CICC

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.

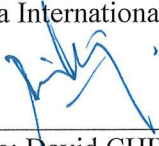
LETTER FROM CICC

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

A handwritten signature in blue ink, appearing to be 'David Ching', written over a horizontal line.

Name: David CHING
Title: Executive Director