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

**CONNECTED TRANSACTION
IN RELATION TO THE EXTENSION OF
MATURITY DATE OF CONVERTIBLE BONDS**

INTRODUCTION

Reference is made to the Waiver Confirmation Announcement, pursuant to the Waiver Confirmation, the confirmation will be valid for a period of two months from the Initial Maturity Date or until the Company has complied with all the relevant Listing Rules in relation to the proposed extension of Initial Maturity Date, whichever is earlier.

EXTENSION SUPPLEMENTAL AGREEMENT

On 5 December 2022, the Company and Yunnan Baiyao Group entered into the Extension Supplemental Agreement to extend the maturity date of the Convertible Bonds by two years (i.e. from 31 October 2022 to 30 October 2024), with all the terms and conditions of the outstanding Convertible Bonds unchanged. As at the date of this announcement, the principal amount of the Convertible Bonds remains outstanding in full and Yunnan Baiyao Group has not exercised its conversion rights.

LISTING RULES IMPLICATION

As at the date of this announcement, Yunnan Baiyao Group, together with Yunbaiyao Hong Kong Co., Limited, are the controlling shareholders of the Company holding 5,009,936,360 Shares, representing approximately 73.68% of the issued share capital of the Company. As Yunnan Baiyao Group is a connected person of our Company, the Extension constitutes a connected transaction of the Company and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for the approval of the Extension pursuant to Rule 28.05 of the Listing Rules.

The Company will seek the approval of the Independent Shareholders at the Extension SGM for the grant of the Extension Specific Mandate to the Directors for the allotment and issue of the Conversion Shares and will submit the relevant listing application to the Stock Exchange.

GENERAL

The Independent Board Committee has been established to give recommendations to the Independent Shareholders on the Extension. The Company will also appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Extension SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Extension.

Pursuant to Rule 14A.68(11) of the Listing Rules, a circular containing, inter alia, (i) a letter of advice from the Independent Financial Adviser in relation to the Extension; (ii) a recommendation from the Independent Board Committee in relation to the Extension; and (iii) a notice of the Extension SGM is expected to be despatched to the Shareholders on 13 December 2022.

INTRODUCTION

Reference is made to the Waiver Confirmation Announcement, pursuant to the Waiver Confirmation, the confirmation will be valid for a period of two months from the Initial Maturity Date or until the Company has complied with all the relevant Listing Rules in relation to the proposed extension of Initial Maturity Date, whichever is earlier.

The Company is pleased to announce that on 5 December 2022, the Company and Yunnan Baiyao Group entered into the Extension Supplemental Agreement to extend the Initial Maturity Date of the Convertible Bonds by two years (i.e. from 31 October 2022 to 30 October 2024), with all the terms and conditions of the outstanding Convertible Bonds unchanged. As at the date of this announcement, the principal amount of the Convertible Bonds remains outstanding in full and Yunnan Baiyao Group has not exercised its conversion rights.

Conditions Precedent

The Extension Supplemental Agreement will become effective upon the fulfillment of all of the following Extension Conditions on or before 31 December 2022 (or such other date as the parties may agree in writing):

- (a) the Company has obtained all necessary consents and approvals for the Extension (including but not limited to obtaining the approval for the Extension from the Stock Exchange in accordance with Rule 28.05 of the Listing Rules and the approval from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares (if necessary)); and
- (b) the Independent Shareholders have passed all necessary resolutions at the Extension SGM to approve the Extension, the execution of the Extension Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the issue of outstanding convertible shares under the Extension Specific Mandate).

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds after the Extension Supplemental Agreement has become effective are summarized below:

Issuer	: The Company
Principal Amount	: HK\$500,000,000
Interest	: Three per cent. (3%) per annum, payable on the anniversary of the date of issue.
Maturity Date	: 30 October 2024, being the day falling on the fourth anniversary of the Issue Date (or if such date is not a Business Day, the next Business Day).

- Conversion Period : The period commencing on the date of issue and ending on the Extended Maturity Date.
- Conversions Rights : The holders of the Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at the initial conversion price of HK\$0.258 per Conversion Share at any time during the Conversion Period. Unless the Convertible Bonds are previously redeemed or converted pursuant to their terms, all outstanding principal of the Convertible Bonds are automatically converted into Conversion Shares on the Extended Maturity Date.
- Conversion Restrictions : If the conversion by the holders of the Convertible Bonds would trigger any mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the exercising bond holders or parties acting in concert with them, or reduce the public float of the Company to less than 25% as prescribed by Rule 8.08(1)(a) of the Listing Rules, then the conversion by the relevant bond holders shall be restricted until and unless the regulatory requirements under the Takeovers Code and the Listing Rules are fully complied with.
- Conversion Shares : Based on the initial conversion price of HK\$0.258 per Conversion Share and assuming there is no other change in the issued share capital of the Company between now 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: (a) approximately 28.50% of the existing issued share capital of the Company; and (b) approximately 22.18% of the issued share capital of the Company as enlarged by the issue of the 1,937,984,496 Conversion Shares. The aggregate nominal value of the 1,937,984,496 Conversion Shares is HK\$19,379,844.96.
- Conversion Price : The initial conversion price of HK\$0.258: (i) represents a premium of approximately 3.61% to the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on the last trading date before the Suspension; and (ii) represents a premium of approximately 3.61% to the closing price of HK\$0.249 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the Suspension. The initial conversion price is subject to adjustments upon occurrence of share consolidation or subdivision, share issuance through the capitalization of profits or reserves or capital distribution.

- Redemption : The Convertible Bonds may not be redeemed by the bond holder before the Extended Maturity Date, but may be redeemed in whole or part by the Company before the Extended Maturity Date at the redemption price which is equivalent to the principal amount of the Convertible Bonds to be redeemed, plus interest of 3% per annum calculated from the date of issue up to and including the date of redemption.
- Transferability : The Convertible Bonds are freely transferable, but prior written consent from the Company will be required unless the Convertible Bonds are transferred to any wholly-owned subsidiary of the holder of the Convertible Bonds.
- For any proposed transfer of the Convertible Bonds, the transferor or its authorised representative would be required to sign a transfer form, containing details such as the amount of transfer and the identity of the transferee. The Company would ascertain the background of the proposed transferee to ascertain whether such transferee would be a connected person, and the Group would also request the transferor to provide further details such as shareholding structure and board composition in order to be ascertained whether the proposed transferee is a connected person.
- Voting : The Convertible Bonds shall not confer on the bond holders the right to vote at any general meetings of the Company.
- Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.
- Ranking of Conversion Shares : The Conversion Shares will, when issued and allotted, rank *pari passu* in all respects among themselves and with all other fully paid Shares in issue.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after and assuming full conversion of the Convertible Bonds (assuming that there is no other change in the existing shareholding structure of the Company):

	As at the date of this announcement		Immediately after the full conversion of the Convertible Bonds	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Shareholders				
Yunnan Baiyao Group	1,908,025,360	28.06%	3,846,009,856	44.02%
Yunbaiyao Hong Kong Co., Limited ¹	3,101,911,000	45.62%	3,101,911,000	35.50%
New Huadu Group (HK) Investment Limited ²	56,000,000	0.82%	56,000,000	0.64%
Other Shareholders	1,733,977,800	25.50%	1,733,977,800	19.84%
Total	<u>6,799,914,160</u>	<u>100.00%</u>	<u>8,737,898,656</u>	<u>100.00%</u>

Note 1: Yunbaiyao Hong Kong Co., Limited is an indirect wholly-owned subsidiary of Yunnan Baiyao Group.

Note 2: New Huadu Group (HK) Investment Limited is wholly-owned by New Huadu Industrial Group Co., Ltd* (新華都實業集團股份有限公司), which is held directly and indirectly as to approximately 93.69% by Mr. Chen Fashu. Mr. Chen Fashu is a director and the co-chairman of Yunnan Baiyao Group and together with parties acting in concert with him, holds approximately 25.04% of Yunnan Baiyao Group.

REASONS FOR AND BENEFITS OF THE EXTENSION

As set out in the operational update announcement of the Company dated 29 August 2022, as at 30 June 2022, the Group had current assets of approximately HK\$350,024,943, total assets of approximately of HK\$357,965,829, and total net liabilities of approximately HK\$305,569,776. Accordingly, it is expected that the Company will not have sufficient cash in hand to redeem the Convertible Bonds in full on or before the Expiry Date.

Considering (a) the relatively low interest rate of the Convertible Bonds (being 3% per annum); (b) no security was provided by the Company to secure the loan; and (c) the trading of the Shares is currently suspended, it is highly unlikely that the Company will be able to obtain third party financing on more favourable terms to repay the Convertible Bonds on or before the Expiry Date.

In addition, as set out in the paragraphs headed “Conversion Rights” and “Conversion Restrictions” under the section headed “Principal terms of the Convertible Bonds” above, the redemption of the Convertible Bond through the Automatic Conversion is also not possible.

In light of the above, the Company requested to extend the maturity date of the Convertible Bonds from 31 October 2022 to 30 October 2024 with all the terms and conditions of the Convertible Bonds remain unchanged. The Board (excluding the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser to the Independent Board Committee) considers that the terms and conditions of the Extension are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company. The Group is principally engaged in trading of goods and commodities and cannabidiol (CBD) isolate.

Yunnan Baiyao Group

Yunnan Baiyao Group is a joint-stock company established in the PRC. The A-shares of Yunnan Baiyao Group are listed on Shenzhen Stock Exchange with stock code: 000538. The principal businesses of Yunnan Baiyao Group include pharmaceutical products, health products, Chinese medicine resources and pharmaceutical logistics. As at the date of this announcement, (a) Yunnan Baiyao Group, together with Yunbaiyao Hong Kong Co., Limited, are the controlling shareholders of the Company holding 5,009,936,360 Shares, representing approximately 73.68% of the issued share capital of the Company and (b) Yunnan Baiyao Group, together with Yunbaiyao Hong Kong Co., Limited and New Huadu Group (HK) Investment Limited, hold an aggregate of 5,065,936,360 Shares, representing approximately 74.50% of the issued share capital of the Company as at the date of this announcement.

LISTING RULES IMPLICATION

As at the date of this announcement, Yunnan Baiyao Group, together with Yunbaiyao Hong Kong Co., Limited, are the controlling shareholders of the Company holding 5,009,936,360 Shares, representing approximately 73.68% of the issued share capital of the Company. As Yunnan Baiyao Group is a connected person of our Company, the Extension constitutes a connected transaction of the Company and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for the approval of the Extension pursuant to Rule 28.05 of the Listing Rules.

The Company will seek the approval of the Independent Shareholders at the Extension SGM for the grant of the Extension Specific Mandate to the Directors for the allotment and issue of the Conversion Shares and will submit the relevant listing application to the Stock Exchange.

GENERAL

The Independent Board Committee has been established to give recommendations to the Independent Shareholders on the Extension. The Company will also appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Extension SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Extension.

Pursuant to Rule 14A.68(11) of the Listing Rules, a circular containing, inter alia, (i) a letter of advice from the Independent Financial Adviser in relation to the Extension; (ii) a recommendation from the Independent Board Committee in relation to the Extension; and (iii) a notice of the Extension SGM is expected to be despatched to the Shareholders on 13 December 2022.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as respectively ascribed below:

“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Automatic Conversion”	Unless the Convertible Bonds are previously redeemed or converted pursuant to their terms, all outstanding principal of the Convertible Bonds shall be automatically converted into Conversion Shares
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“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 with stock code: 30
“Completion”	the completion of the Subscription
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“Conversion Period”	the period commencing on the Issue Date and ending on the Extended Maturity Date
“Conversion Shares”	the Shares to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds issued by the Company to Yunnan Baiyao Group in the aggregate principal amount of HK\$500,000,000 pursuant to the Subscription
“Director(s)”	the director(s) of the Company
“Expiry Date”	31 December 2022, being the expiry date of the Waiver Confirmation
“Extended Maturity Date”	30 October 2024, being the day falling on the fourth anniversary of the Issue Date
“Extension”	the extension of the maturity date of the Convertible Bonds from 31 October 2022 to 30 October 2024

“Extension Conditions”	the conditions precedent to the Extension being effective, as more particularly set out in the paragraph headed “Conditions Precedent” of this announcement
“Extension SGM”	the special general meeting of the Company to be convened for the purpose of approving, amongst other things, the Extension, the execution of the Extension Supplemental Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Conversion Shares under the Extension Specific Mandate
“Extension Specific Mandate”	the authority to be sought from the Independent Shareholders at the Extension SGM to authorize the Directors to allot and issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds
“Extension Supplemental Agreement”	the supplemental agreement to the Subscription Agreement and the Supplemental Subscription Agreements entered into on 5 December 2022 (after trading hours) between the Company and Yunnan Baiyao Group in relation to the Subscription, pursuant to which the Initial Maturity Date was extended to Extended Maturity Date
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely, Mr. Jiang Zhi, Mr. Leung Ka Kui, Johnny and Ms. Wong Chui San, Susan which was established to make a recommendation regarding the terms of the Extension Supplemental Agreement
“Independent Financial Adviser”	Red Sun Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Extension Supplemental Agreement

“Independent Shareholders”	the Shareholders other than (a) Yunnan Baiyao Group, Yunbaiyao Hong Kong Co., Limited, New Huadu Group (HK) Investment Limited and their respective associates, and (b) any other Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolution(s) relating to the Extension Supplemental Agreement and the Extension Specific Mandate at the SGM
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Initial Maturity Date”	31 October 2022, being the initial maturity date of the Convertible Bonds pursuant to the Subscription Agreement and the Supplemental Subscription Agreements
“Issue Date”	30 October 2020, being the date of the issuance of the Convertible Bonds by the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the long stop date for the fulfillment of the conditions precedent to Completion
“PRC” or “China”	The People’s Republic of China
“Shanghai Trust”	Shanghai International Trust Corp., Ltd.* (上海國際信託有限公司)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Convertible Bonds by Yunnan Baiyao Group
“Subscription Agreement”	the subscription agreement entered into on 14 October 2019 (after trading hours) between the Company and Yunnan Baiyao Group, in relation to the Subscription

“Subscription Price”	HK\$500,000,000, being the subscription price for the Convertible Bonds
“Supplemental Subscription Agreement I”	the supplemental agreement to the Subscription Agreement entered into on 31 December 2019 (after trading hours) between the Company and Yunnan Baiyao Group in relation to the Subscription, pursuant to which the Long Stop Date was extended to 28 February 2020 (or such later date as the Company and Yunnan Baiyao Group may agree)
“Supplemental Subscription Agreement II”	the supplemental agreement to the Subscription Agreement entered into on 28 February 2020 (after trading hours) between the Company and Yunnan Baiyao Group in relation to the Subscription, pursuant to which the Long Stop Date was extended to 30 April 2020 (or such later date as the Company and Yunnan Baiyao Group may agree)
“Supplemental Subscription Agreement III”	the supplemental agreement to the Subscription Agreement entered into on 30 April 2020 (after trading hours) between the Company and Yunnan Baiyao Group in relation to the Subscription, pursuant to which the Long Stop Date was extended to 31 July 2020 (or such later date as the Company and Yunnan Baiyao Group may agree)
“Supplemental Subscription Agreement IV”	the supplemental agreement to the Subscription Agreement entered into on 31 July 2020 (after trading hours) between the Company and Yunnan Baiyao Group in relation to the Subscription, pursuant to which the Long Stop Date was extended to 31 October 2020 (or such later date as the Company and Yunnan Baiyao Group may agree)
“Supplemental Subscription Agreement V”	the supplemental agreement to the Subscription Agreement entered into on 10 September 2020 (after trading hours) between the Company and Yunnan Baiyao Group in relation to the Subscription, pursuant to which, among others, the aggregate principal amount and the Subscription Price was lowered from HK\$730,000,000 to HK\$500,000,000
“Supplemental Subscription Agreement VI”	the supplemental agreement to the Subscription Agreement entered into on 28 October 2020 (after trading hours) between the Company and Yunnan Baiyao Group in relation to the Subscription, pursuant to which, among others, the appointment of Shanghai Trust as trustee of Yunnan Baiyao Group to subscribe and hold the Convertibles Bonds on behalf of Yunnan Baiyao Group

“Supplemental Subscription Agreements”	Supplemental Subscription Agreement I, Supplemental Subscription Agreement II, Supplemental Subscription Agreement III, Supplemental Subscription Agreement IV, Supplemental Subscription Agreement V and Supplemental Subscription Agreement VI
“Suspension”	the suspension of the trading in the Company’s shares on the Stock Exchange since 9:00 a.m. on 21 June 2022
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Waiver Confirmation”	The letter of confirmation issued by Yunnan Baiyao Group to the Company on 31 October 2022
“Waiver Confirmation Announcement”	the announcement of the Company dated 31 October 2022 in relation to the Waiver Confirmation
“Yunnan Baiyao Group”	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 and the subscriber under the Subscription
“%”	per cent

* *for identification purpose only*

Since the Extension is subject to the fulfillment of the Extension Conditions as set out in the paragraph headed “Conditions Precedent” above, the Extension may or may not become effective. In addition, at the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 21 June 2022 and will remain suspended. The Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.

By Order of the Board
Ban Loong Holdings Limited
Tang Ming
Executive Director
 &
Chief Executive Officer

Hong Kong, 5 December 2022

As at the date of this announcement, the executive Directors are Mr. Dong Ming (Chairman), Mr. Tang Ming (chief executive officer), Mr. Yin Pinyao and Mr. Liu Zhouyang; the non-executive Directors are Mr. Qian Yinghui and Mr. Huang Bin; and the independent non-executive Directors are Ms. Wong Chui San, Susan, Mr. Leung Ka Kui, Johnny and Mr. Jiang Zhi.