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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)

CONTINUING CONNECTED TRANSACTIONS THE FRAMEWORK AGREEMENT

THE FRAMEWORK AGREEMENT

On 13 December 2022, the Company and Yunnan Baiyao Group entered into a Framework Agreement, pursuant to which, (i) Yunnan Baiyao Group agreed to purchase (a) Product Registration and Promotion Services, (b) Global Supply Chain Integration Services, and (c) Professional Supporting Services from the Group, and (ii) the Parties agreed to cooperate in the sales and distribution of the Products, in which the Group will distribute YNBY Products overseas and Yunnan Baiyao Group will distribute the Group Products in the PRC.

LISTING RULES IMPLICATION

As at the date of this announcement, Yunnan Baiyao Group, together with Yunbaiyao Hong Kong, 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 the Company, the implementation of the transactions contemplated under the Framework Agreement constitutes a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps under the Framework Agreement exceeds 5%, the implementation of the transactions contemplated under the Framework Agreement are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The execution of the Framework Agreement and the transactions contemplated thereunder are therefore subject to the approval by the Independent Shareholders at the SGM.

GENERAL

The Independent Board Committee has been established to give recommendations to the Independent Shareholders regarding the terms of the Framework Agreement. The Company has appointed an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the execution of the Framework Agreement and the transactions contemplated thereunder.

A circular containing, inter alia, (i) a letter of advice from the Independent Financial Adviser in relation to the terms and conditions of the Framework Agreement; (ii) a recommendation from the Independent Board Committee in relation to the terms and conditions of the Framework Agreement; and (iii) a notice of the SGM is expected to be despatched to the Shareholders within 15 Business Days after the publication of this announcement, that is, on or before 6 January 2023. However, the Company may not be able to despatch the circular within such period as additional time is required to finalize the circular. The Company will issue further announcement regarding the expected despatch date of the circular in due course.

THE FRAMEWORK AGREEMENT

In order to facilitate Yunnan Baiyao Group to pursue its globalization strategy, the Board is pleased to announce that on 13 December 2022, the Company and Yunnan Baiyao Group entered into a Framework Agreement, pursuant to which (i) Yunnan Baiyao Group agreed to purchase (a) Product Registration and Promotion Services, (b) Global Supply Chain Integration Services, and (c) Professional Supporting Services from the Group, and (ii) the Parties agreed to cooperate in the sales and distribution of the Products, in which the Group will distribute YNBY Products overseas and Yunnan Baiyao Group will distribute the Group Products in the PRC. The principal terms of the Framework Agreement are summarised below.

- Date** : 13 December 2022
- Parties** : (i) The Company; and
(ii) Yunnan Baiyao Group.
- Term** : Subject to the fulfilment of the condition precedent as stated below, the term of the Framework Agreement shall be for a period of three years commencing on the Effective Date and ending on third anniversary of the Effective Date.
- Subject matter** : Pursuant to the Framework Agreement, (i) Yunnan Baiyao Group agreed to purchase (a) Product Registration and Promotion Services, (b) Global Supply Chain Integration Services, and (c) Professional Supporting Services from the Group; and (ii) the Parties agreed to cooperate in the sales and distribution of the Products, in which the Group will distribute YNBY Products overseas and Yunnan Baiyao Group will distribute the Group Products in the PRC.

Product Registration and Promotion Services

The Group will (i) assist Yunnan Baiyao Group on the registration of YNBY Products pursuant to the relevant overseas regulatory and registration requirements; (ii) assist Yunnan Baiyao Group on intellectual property registration of YNBY Products; (iii) provide overseas marketing services for YNBY Products; and (iv) provide overseas market expansion services to Yunnan Baiyao Group.

Global Supply Chain Integration Services

The Group will provide Global Supply Chain Integration Services to Yunnan Baiyao Group, in which the Group will assist Yunnan Baiyao Group to source and integrate raw materials worldwide, including but not limited to, overseas plantation and breeding resources (海外種植養殖資源), medical herbs and plant extracts, medical intermediates, cosmeceuticals products, food ingredients, biologics and packaging materials.

Professional Supporting Services

The Group will identify suitable healthcare products resources for Yunnan Baiyao Group to expand its big health product line (醫藥大健康產品), source suitable ODM and/or OEM for Yunnan Baiyao Group to produce quality healthcare products and provide support to the global marketing of those products under Yunnan Baiyao Group's name. The Group will also source suitable CRO and/or CDMO to engage in the research and development of quality healthcare products on behalf of Yunnan Baiyao Group.

Sales and Distribution Services

On the one hand, the Group will serve as a distributor of Yunnan Baiyao Group and will purchase and distribute YNBY Products to the overseas markets. On the other hand, Yunnan Baiyao Group will serve as a distributor of the Company and will purchase and distribute the Group Products to the PRC through online sales platforms and physical distribution channels.

Pricing policy : Pursuant to the Framework Agreement, the Group will charge Yunnan Baiyao Group service fees for providing the Product Registration and Promotion Services, Global Supply Chain Integration Services and Professional Supporting Services. The service fees shall be determined i) based on the prevailing market price of similar services at the time of the relevant transaction; and ii) with reference to two or more quotations or tenders received from Independent Third Parties for Services of the same kind. The service fees shall be no less favorable than the service fees offered to/from other Independent Third Parties under the same terms and conditions and in compliance with the relevant laws and regulations in the PRC and Hong Kong.

Under the Sales and Distribution Services arrangement, the Group will purchase YNBY Products from Yunnan Baiyao Group and Yunnan Baiyao Group will purchase the Group Products from the Group, respectively. The pricing of YNBY Products and the Group Products is (i) based on the prevailing market price of products of the same kind at the time of the relevant transaction; and (ii) with reference to two or more quotations or tenders received from Independent Third Parties for products of the same kind. The price of such products shall be no less favorable than the price offered to/from other Independent Third Parties under the same terms and conditions and in compliance with the relevant laws and regulations in the PRC and Hong Kong.

Payment terms : For each transaction contemplated under the Framework Agreement, the Parties will enter into a separate agreement to set out the payment terms for the relevant transaction by reference to the terms of the Framework Agreement.

Condition precedent : The Framework Agreement will only be effective upon the passing of the necessary resolutions at the SGM to approve the execution of the Framework Agreement and the transactions contemplated thereunder.

Proposed annual cap and the basis of the annual caps

The following table sets out the proposed annual caps under the Framework Agreement respectively:

	Proposed annual caps			
	From the Effective Date to 31 March 2023 (RMB)	For the year ending 31 March 2024 (RMB)	For the year ending 31 March 2025 (RMB)	From 1 April 2025 to the third anniversary of the Effective Date (RMB)
<i>Services/products to be purchased by Yunnan Baiyao Group</i>				
Product Registration and Promotion Services	6.25 million	25 million	25 million	18.75 million
Global Supply Chain Integration Services	75 million	300 million	300 million	225 million
Professional Supporting Services	6.25 million	25 million	25 million	18.75 million
Purchase and distribute the Group Products to the PRC	12.5 million	50 million	50 million	37.5 million
Total	100 million	400 million	400 million	300 million

As there were no historical transactions between the Parties in respect of the Services to be purchased by Yunnan Baiyao Group, the proposed annual caps for such Services are determined after taking into consideration of, among others, the following:

- (i) the number of products that share similarities with the Group Products being sold or exported to the PRC in the past;
- (ii) the volume of Services which Yunnan Baiyao Group is expected to procure based on its business plan for the expansion of market shares in the overseas markets; and
- (iii) the market trend and demand for health care and food products in general and Group Products for the upcoming three years.

	Proposed annual caps			
	From the Effective Date to 31 March 2023 (RMB)	For the year ending 31 March 2024 (RMB)	For the year ending 31 March 2025 (RMB)	From 1 April 2025 to the third anniversary of the Effective Date (RMB)
<i>Service/products to be purchased by the Group</i>				
Purchase and distribute YNBY Products to the overseas markets	50 million	200 million	200 million	150 million
Total	50 million	200 million	200 million	150 million

As there were no historical transactions between the Parties in respect of the Sales and Distribution Services to be purchased by the Group, the proposed annual caps for such services are determined after taking into consideration of, among others, the following:

- (i) the number of products that share similarities with YNBY Products that was being sold or exported to the overseas markets in the past;
- (ii) the volume of sales of YNBY Products which the Group is expected to procure based on Yunnan Baiyao Group's business plan for the expansion of market shares in the overseas markets; and
- (iii) the market trend and demand for products that share similarities with YNBY Products for the upcoming three years.

Reasons for and benefits of entering into the Framework Agreement

Yunnan Baiyao Group is an established pharmaceutical company specialized in, among others, Chinese medicine, health products and herbal medicine. Yunnan Baiyao Group's operations also cover the entire supply chain ranging from the research and development, cultivation, extraction, laboratory testing, sourcing, distribution, logistics, import and export. Leveraging on Yunnan Baiyao Group's expertise and reputation in the PRC, the Company is of the view that, by strategically cooperating with Yunnan Baiyao Group in the sales and distribution of each other's products, it will enhance the Group's influence and brand recognition in the PRC, which is essential to the future expansion of the Group's business. In addition, the Group will be able to generate new revenue stream through providing the Services to Yunnan Baiyao Group pursuant to the Framework Agreement. On the other hand, the implementation of the Framework Agreement is in line with Yunnan Baiyao Group's globalization strategies. Yunnan Baiyao Group shall benefit from the Group's international trading expertise and be able to expand its market share in the overseas markets, which in turn will enhance Yunnan Baiyao Group's reputation overseas.

In light of the above, 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 of the Framework Agreement 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 was 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, Yunnan Baiyao Group, together with Yunbaiyao Hong Kong, 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.

LISTING RULES IMPLICATION

As at the date of this announcement, Yunnan Baiyao Group, together with Yunbaiyao Hong Kong, 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 the Company, the implementation of the transactions contemplated under the Framework Agreement constitutes a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

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The entering into the Framework Agreement and the transactions contemplated thereunder are therefore subject to the approval by the Independent Shareholders at the SGM.

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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
“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
“CDMO”	contract development and manufacturing organization which serves pharmaceutical companies on a contract basis to provide comprehensive services from drug development to drug manufacturing
“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
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules

“CRO”	contract research organization which provides support to the pharmaceutical companies in the form of research services outsourced on a contract basis
“Director(s)”	the director(s) of the Company
“Effective Date”	the date of the SGM which the Framework Agreement became effective
“Framework Agreement”	the framework agreement entered into between Yunnan Baiyao Group and the Company on 13 December 2022, pursuant to which (i) Yunnan Baiyao Group agreed to purchase (a) Product Registration and Promotion Services, (b) Global Supply Chain Integration Services, and (c) Professional Supporting Services from the Group; and (ii) the Parties agreed to cooperate in the sales and distribution of the Products
“Global Supply Chain Integration Services”	the provision of services by the Group to Yunnan Baiyao Group to source and integrate raw materials worldwide, including but not limited to, overseas plantation and breeding resources, medical herbs and plant extracts, medical intermediates, cosmeceuticals products, food ingredients, biologics and packaging materials
“Group”	collectively, the Company and its subsidiaries
“Group Products”	health care and food products manufactured by the Group
“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, Ms. Wong Chui San, Susan, Mr. Leung Ka Kui, Johnny and Mr. Jiang Zhi which was established to make a recommendation regarding the terms of the Framework Agreement
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Framework Agreement

“Independent Shareholders”	the Shareholders other than (a) Yunnan Baiyao Group, Yunbaiyao Hong Kong, New Huadu HK 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 execution of the Framework Agreement and the transactions contemplated thereunder
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Huadu HK”	New Huadu Group (HK) Investment Limited, a company incorporated in Hong Kong with limited liability and an wholly-owned subsidiary of 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
“ODM”	original design manufacturer which manufactures pre-designed products that are sold under the brand name of the purchasing company
“OEM”	original equipment manufacturer which manufactures and builds products based on specifications tailored for the purchasing company
“Party(ies)”	Yunnan Baiyao Group and the Company, each a “Party”
“PRC” or “China”	The People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
“Products”	Group Products and YNBY Products

“Product Registration and Promotion Services”	(i) overseas registration of YNBY Products pursuant to the relevant overseas regulatory and registration requirements; (ii) intellectual property registration of YNBY Products; (iii) overseas marketing services for YNBY Products; and (iv) overseas market expansion services provided to Yunnan Baiyao Group
“Professional Supporting Services”	(i) identification of suitable healthcare products resources for Yunnan Baiyao Group to expand its big health product line (醫藥大健康產品), (ii) sourcing of suitable ODM and/or OEM for Yunnan Baiyao Group to produce quality healthcare products and provide support to the global marketing of those products under Yunnan Baiyao Group’s name and (iii) sourcing of suitable CRO and/or CDMO to engage in the research and development of quality healthcare products on behalf of Yunnan Baiyao Group
“Sales and Distribution Services”	On the one hand, the Group will serve as a distributor of Yunnan Baiyao Group and will purchase and distribute YNBY Products to the overseas markets. On the other hand, Yunnan Baiyao Group will serve as a distributor of the Company and will purchase and distribute the Group Products to the PRC
“Services”	Product Registration and Promotion Services, Global Supply Chain Integration Services, Professional Supporting Services, and Sales and Distribution Services
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“SGM”	the special general meeting of the Company to be convened for the purpose of approving, amongst other things, the execution of the Framework Agreement and the transactions contemplated thereunder
“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
“substantial shareholders”	having the meaning ascribed thereto under the Listing Rules

“YNBY Products”	including but not limited to medical products, medical machineries, chemical products, and industrial products manufactured by Yunnan Baiyao Group
“Yunbaiyao Hong Kong”	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 Yunnan Baiyao Group
“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 (shares of which are listed on the Shenzhen Stock Exchange with stock code 000538)
“%”	per cent

* for identification purpose only

Since the execution of the Framework Agreement is subject to Independent Shareholders’ approval at the SGM, the transactions contemplated thereunder may or may not proceed. 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, 13 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.