

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, 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 circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its 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 circular.

---



萬隆控股集團有限公司  
Ban Loong Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 30)**

**(1) CONNECTED TRANSACTION  
IN RELATION TO THE EXTENSION OF  
MATURITY DATE OF CONVERTIBLE BONDS  
(2) RE-ELECTION OF DIRECTORS  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

---

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 8 to 20 of this circular.

A notice convening the special general meeting (“SGM”) of Ban Loong Holdings Limited (the “Company”) to be held at Room 2709-10 China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong, on Wednesday, 1 February 2023 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 in this circular. A proxy form for use by the Shareholders at the SGM is enclosed with this circular. If you are not able to attend the SGM in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM. Completion and delivery of the proxy form will not preclude you from attending and voting in person at the SGM should you so wish.

12 January 2023

---

## CONTENTS

---

	<i>Page</i>
<b>PRECAUTIONARY MEASURES FOR THE SGM</b> .....	1
<b>DEFINITIONS</b> .....	2
<b>LETTER FROM THE BOARD</b> .....	8
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	21
<b>LETTER OF THE INDEPENDENT FINANCIAL ADVISER</b> .....	23
<b>APPENDIX I – GENERAL INFORMATION OF THE GROUP</b> .....	I-1
<b>APPENDIX II – BIOGRAPHICAL DETAILS OF THE PROPOSED DIRECTORS</b> .....	II-1
<b>NOTICE OF SPECIAL GENERAL MEETING</b> .....	SGM-1

---

## PRECAUTIONARY MEASURES FOR THE SGM

---

In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect the attending Shareholders, staffs, and other stakeholders from the risk of infection:

- (a) compulsory body temperature checks will be conducted on every Shareholder, proxy, and other attendees at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius will be denied entry into the SGM venue or will be required to leave the SGM venue;
- (b) every attendee is required to wear surgical face mask inside the SGM venue at all times, and to maintain a safe distance between seats;
- (c) seating at the SGM venue will be arranged so as to allow appropriate social distancing. As a result, there will be limited capacity for the Shareholders and participants to attend the SGM. The Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding; and
- (d) no refreshments or souvenirs will be served or distributed at the SGM.

To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

The Company hereby reminds the Shareholders not to attend the SGM if they have contracted or are suspected to have contracted COVID-19 or are subject to quarantine or self-quarantine in relation to COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

**In the interest of all stakeholders' health and safety and consistent with the recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person.**

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Announcements”	the announcements of the Company dated (i) 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 in relation to the Subscription; (ii) 31 October 2022 in relation to the Waiver Confirmation; and (iii) 29 December 2022 in relation to, among other things, the Second Waiver Confirmation and the extension of the fulfillment date of the Proposed Extension Conditions
“Appointment Announcements”	the announcements of the Company dated 17 January 2022, 11 February 2022, and 19 August 2022, in relation to, among others, the appointment of the Proposed Directors
“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
“Bye-laws”	the bye-laws of the Company currently in force
“Circular”	the circular of the Company dated 11 September 2020 in relation to the Subscription
“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)
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules

---

## DEFINITIONS

---

“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
“COVID-19”	the disease caused by the coronavirus known as SARS-COV-2
“Director(s)”	director(s) of the Company
“Expiry Date”	28 February 2023, being the expiry date of the Second Waiver Confirmation
“Extended Maturity Date”	30 October 2024, being the day falling on the fourth anniversary of the Issue Date
“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
“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 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

---

## DEFINITIONS

---

“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 on the ordinary resolutions numbered 1(a) to (c) as set out in the notice of SGM relating to the Proposed Extension 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
“Latest Practicable Date”	9 January 2023
“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
“Placing Agreement”	an subscription agreement entered into between the Company and Sunwah on 14 April 2022 (after trading hours), pursuant to which, Sunwah agreed to subscribe 351,762,000 Shares at an subscription price of HK\$0.285 per Share
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
“Proposed Directors”	Mr. Dong Ming, Mr. Tang Ming, Mr. Liu Zhouyang, Mr. Qian Yinghui, and Mr. Huang Bin
“Proposed Extension”	the extension of the maturity date of the Convertible Bonds from 31 October 2022 to 30 October 2024

---

## DEFINITIONS

---

“Proposed Extension Conditions”	the conditions precedent to the Proposed Extension being effective, as more particularly set out in the section headed “Letter from the Board – III. Proposed Amendments on the Terms of the Convertible Bonds – Extension Supplemental Agreement and Proposed Extension” in this circular
“Proposed Extension Specific Mandate”	the authority to be sought from the Independent Shareholders at the SGM to authorize the Directors to allot and issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds
“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s Share registrar in Hong Kong located at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Resumption Guidance”	the resumption guidance imposed by the Stock Exchange on 26 July 2022, details of which are set out in the Resumption Guidance Announcement
“Resumption Guidance Announcement”	the announcement of the Company dated 26 July 2022, in relation to, among others, the Resumption Guidance imposed by the Stock Exchange
“Second Waiver Confirmation”	the supplemental confirmation to the Waiver Confirmation issued by Yunnan Baiyao Group to the Company on 29 December 2022
“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 held at Room 2709-10 China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong, on Wednesday, 1 February 2023 at 10:00 a.m., a notice of which is set out on pages SGM-1 to SGM-3 of this circular, or any adjourned meeting thereof
“Shanghai Trust”	Shanghai International Trust Corp.,Ltd.*(上海國際信託有限公司), a company incorporated in the PRC. A trustee appointed by Yunnan Baiyao Group to subscribe and hold the Convertibles Bonds on behalf of Yunnan Baiyao Group
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company

---

## DEFINITIONS

---

“Shareholder(s)”	holder(s) of 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
“substantial shareholders”	having the meaning ascribed thereto under the Listing Rules
“Sunwah”	Sunwah GreatWall Group Limited, a limited liability company established in Hong Kong
“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)



---

## DEFINITIONS

---

“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
“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)
“Waiver Confirmation”	The letter of confirmation issued by Yunnan Baiyao Group to the Company on 31 October 2022
“%”	per cent

\* *for identification purpose only*

---

## 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. Dong Ming (*Chairman*)  
Mr. Tang Ming (*Chief Executive Officer*)  
Mr. Yin Pinyao  
Mr. Liu Zhouyang

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Directors:*

Mr. Qian Yinghui  
Mr. Huang Bin

*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:*

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

12 January 2023

*To the Shareholders,*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION  
EXTENSION OF MATURITY DATE OF  
CONVERTIBLE BONDS  
(2) RE-ELECTION OF DIRECTORS  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**I. INTRODUCTION**

References are made to the Announcements, the Circular and the Appointment Announcements.

---

## LETTER FROM THE BOARD

---

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Proposed Extension; (ii) the letter of recommendation from the Independent Board Committee to approve the Proposed Extension as contemplated under the Extension Supplemental Agreement; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders in relation to the Proposed Extension as contemplated under the Extension Supplemental Agreement; (iv) re-election of Proposed Directors; and (v) the notice of SGM.

### II. PROPOSED AMENDMENTS ON THE TERMS OF THE CONVERTIBLE BONDS

#### Background

References are made to the Announcements and the Circular in relation to, among other things, the issuance by the Company of the Convertible Bonds to Yunnan Baiyao Group. Pursuant to the Second Waiver Confirmation, the confirmation will be valid for a period of four (4) 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.

As at the Latest Practicable Date, the principal amount of the Convertible Bonds remains outstanding in full and Yunnan Baiyao Group has not exercised its conversion rights.

#### Extension Supplemental Agreement and Proposed Extension

On 5 December 2022 (after trading hours), the Company and Yunnan Baiyao Group entered into an Extension Supplemental Agreement, pursuant to which the Company and Yunnan Baiyao Group conditionally agreed to extend the Initial Maturity Date by two (2) years from 31 October 2022 to 30 October 2024 by way of entering into a supplemental agreement.

Save for the Proposed Extension, all other terms and conditions of the Convertible Bonds shall remain unchanged.

The Proposed Extension is subject to the fulfilment of the following Proposed Extension Conditions:

- (a) the Company has obtained all necessary consents and approvals for the Proposed Extension (including but not limited to obtaining the approval for the Proposed 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

---

## LETTER FROM THE BOARD

---

- (b) the Independent Shareholders have passed all necessary resolutions at the SGM to approve the Proposed 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 Proposed Extension Specific Mandate).

The Proposed Extension Conditions cannot be waived by either party. In the event that the Proposed Extension Conditions have not been satisfied in full on or before 31 December 2022 (which was further extended to 28 February 2023 by a side letter between the Company and Yunnan Baiyao Group dated 29 December 2022) (or such other date as the parties may agree in writing), the Extension Supplemental Agreement will lapse.

As at the Latest Practicable Date, the Proposed Extension Conditions have not yet been fulfilled.

### **Principal terms of the Convertible Bonds after the Proposed Extension**

- 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

---

## LETTER FROM THE BOARD

---

- 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 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;
  - (ii) represents a premium of approximately 3.61% to the average closing price of HK\$0.249 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the Suspension; and
  - (iii) represents a premium of approximately 3.04% to the average closing price of HK\$0.250 per Share as quoted on the Stock Exchange for the ten trading days immediately prior to the Suspension.

The 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.

---

## LETTER FROM THE BOARD

---

The conversion price was determined by Yunnan Baiyao Group and the Company's at an arm's length basis with reference to the historical price trend and trading volume of the Shares prior to the Suspension. Taking into account that (i) the trading of the Shares of the Company has been suspended since 21 June 2022, and the conversion price is higher than the average closing prices of the Shares prior to the last trading day before the suspension; and (ii) the extension of the Initial Maturity Date was made at the request of the Company, the Board considers that maintaining the conversion price at HK\$0.258 is to the Company's benefit, fair and reasonable, and is in the interests of the Company and Shareholders as a whole.

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 : Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

---

## LETTER FROM THE BOARD

---

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.

### Use of net proceeds from the issuance of the Convertible Bonds

The table below sets out the planned applications of the net proceeds and the actual usage of the Proceeds as at the Latest Practicable Date:

	Planned allocation of the net proceeds from the issuance of Convertible Bonds <i>HK\$'million</i>	Utilised amount as at the Latest Practicable Date <i>HK\$'million</i>	Difference between the planned allocation of net proceeds and actual usage of the net proceeds <i>HK\$'million</i>	Unused balance from the net proceeds <i>HK\$'million</i>
Expansion of existing trading business in cosmetics and personal care products	100	100	N/A	–
Expansion of CBD-based cosmetics and personal care product trading business	90	58	(32) <i>(note 1)</i>	–
Purchase of CBD isolate inventory for trading purpose	20	15	N/A	5
Setting up of hemp cultivation and extraction facilities for vertical expansion of CBD trading business	70	–	N/A	70
Expansion of CBD-related target business	40	–	(13) <i>(note 1)</i>	27
Expansion of money lending business	50	43	(7) <i>(note 2)</i>	–
Repayment of bonds issued by the Company in 2014	70	70	N/A	–
Repayment of interests derived from the Convertible Bonds	–	28 <i>(note 1 &amp; 2)</i>	28	–
General working capital	58	82 <i>(note 1 &amp; 2)</i>	24	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total:	498	396	52	102

---

## LETTER FROM THE BOARD

---

*Note:*

1. In light of the recent changes in the government policies with respect to the ban of CBD products in Hong Kong and the overall market environment, the Company has reallocated its net proceeds from “expansion of CBD-based cosmetics and personal care product trading business” and “expansion of CBD-related target business” to “general working capital” and “Repayment of interests derived from the Convertible Bonds”. In particular, the Company allocated HKD 28 million of its net proceed to the repayment of interests derived from the Convertible Bonds and allocated HKD 24 million to its general working capital.
2. As disclosed in the Company’s announcement dated 20 September 2022, the Company ceased its money lending business in June 2022. To better facilitate the Company’s needs and expansion in other areas, the Company reallocated its net proceeds from “expansion of money lending business” to “general working capital” and “Repayment of interests derived from the Convertible Bonds”. In particular, the Company allocated HKD 28 million of its net proceed to the repayment of interests derived from the Convertible Bonds and allocated HKD 24 million to its general working capital.

### **Reasons for and Benefits of the Proposed 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. The Company has also considered other financing alternatives, such as placing of new Shares, subscription of new Shares, right issues, open offers (“**Equity Financing**”) and/or obtaining third party financing to repay the Convertible Bonds on or before the Expiry Date. However, (i) given the trading of the Shares has been suspended; (ii) the current market conditions; (iii) the number of Shares that have to be placed so as to raise the funds required to redeem the Convertible Bonds, the Board considers that Equity Financing will not be a viable alternative for the purposes of obtaining funds to redeem the Convertible Bonds on or before the Expiry Date.

In addition, 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 debt financing on more favorable terms to repay the Convertible Bonds on or before the Expiry Date as well.

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



---

## LETTER FROM THE BOARD

---

In light of the above, the Company approached Yunnan Baiyao Group and requested to extend the Initial 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 (including the independent non-executive Directors, whose view is set out in the letter from the Independent Board Committee, page 21 of this circular, after taking into account the advice of the Independent Financial Adviser) considers that the terms of the Extension Supplemental Agreement are on normal commercial terms and fair and reasonable. While the entering into the Extension Supplemental Agreement is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Independent Shareholders as a whole.

Should the resolutions in relation to the approval of the Proposed Extension and the execution of the Extension Supplement Agreement be voted down by the Independent Shareholders and the Expiry Date has passed and not further extended by Yunnan Baiyao Group, the outstanding principal amount of the Convertible Bonds will become due immediately. If the Company is unable to repay the outstanding amount in full, the Company cannot preclude the possibility that Yunnan Baiyao Group may commence legal actions against the Company to recover the principal amount of the Convertible Bonds and it may also trigger cross defaults of other outstanding liabilities of the Company. In the event that the Company is unable to repay the Convertible Bonds in full by the relevant date, the Company will use its best endeavours to reach an agreeable solution with Yunnan Baiyao Group in relation to the repayment schedule of the outstanding principal amount of the Convertible Bonds.

If the Proposed Extension and the execution of the Extension Supplement Agreement are approved by the Independent Shareholders, the Group will have an additional two years to develop its business to improve its financial position, aiming to repay the outstanding Convertible Bonds with cashflow generated from its operating activities. The Board will also continue to explore and evaluate new businesses and investment opportunities which could be of good potential and/or long-term benefit to the Group and the Shareholders. The Board will take a cautious and conservative approach in the evaluation of the potential projects, and will constantly review the Group's strategies and operations with a view to improve its business performance and Shareholders' returns.

### **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.

---

## LETTER FROM THE BOARD

---

### 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 Latest Practicable Date, (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.

### Effect on the shareholding structure of the Company

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the full conversion of the Convertible Bonds (assuming that the Convertible Bonds are converted at the initial conversion price being HK\$0.258 and there is no other change in the number of issued Shares from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds):

	As at the Latest Practicable Date		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 <sup>1</sup>	3,101,911,000	45.62%	3,101,911,000	35.50%
New Huadu Group (HK) Investment Limited <sup>2</sup>	56,000,000	0.82%	56,000,000	0.64%
Other Shareholders	1,733,977,800	25.50%	1,733,977,800	19.84%
<b>Total</b>	<b>6,799,914,160</b>	<b>100.00%</b>	<b>8,737,898,656</b>	<b>100.00%</b>

*Note 1:* As at the Latest Practicable Date, Yunbaiyao Hong Kong Co., Limited was an indirect wholly-owned subsidiary of Yunnan Baiyao Group.

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

---

## LETTER FROM THE BOARD

---

### **Implication under the Listing Rules**

Pursuant to Rule 28.05 of the Listing Rules, any alterations 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 approval of the Proposed Extension pursuant to Rule 28.05 of the Listing Rules.

As at the Latest Practicable Date, 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 Proposed 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. Yunnan Baiyao Group, Yunbaiyao Hong Kong Co., Limited, and New Huadu Group (HK) Investment Limited, holding approximately of 5,065,936,360 Shares, representing approximately 74.50% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, Yunnan Baiyao Group, Yunbaiyao Hong Kong Co., Limited, and New Huadu Group (HK) Investment Limited have a material interest in the Extension Supplemental Agreement and shall abstain from voting on the ordinary resolutions numbered 1(a) to (c) as set out in the notice of SGM in relation to the Proposed Extension at the SGM.

Further, given that Mr. Dong Ming, Mr. Yin Pinyao and Mr. Qian Yinghui have overlapping role(s) at Yunnan Baiyao Group, it is considered that they have a material interest in Proposed Extension and have therefore abstained from voting on the resolutions regarding the approval of the Extension Supplemental Agreement and the transactions contemplated thereunder at the relevant Board meeting. Save for the disclosed above, as at the date when the Board considered the abovementioned resolution, no other Directors have any material interest in the Proposed Extension and therefore no other Directors have abstained from voting on such resolution of the Board.

### **Independent Board Committee and Independent Financial Adviser**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Wong Chui San, Susan, Mr. Leung Ka Kui, Johnny, and Mr. Jiang Zhi, has been established to consider the terms of the Extension Supplemental Agreement and the Proposed Extension as contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Extension Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Extension as contemplated under the Extension Supplemental Agreement.

**WARNINGS: Shareholders and potential investors should note that completions of the Proposed Extension is conditional upon satisfaction of certain conditions precedent, including, among others, the Stock Exchange granting the listing of, and permission to deal in the Conversion Shares.**

**Accordingly, the Proposed Extension may or may not proceed. The Exchange is minded not to grant the listing approval of any issuance of new securities by the Company unless the Company can fulfill all Resumption Guidance and resume trading. The publication of this circular does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the resumption of trading in Shares given that the resumption in trading of the Shares. For the avoidance of doubt, the Exchange is not satisfied that the Company has fulfilled all Resumption Guidance.**

### III. RE-ELECTION OF DIRECTORS

References are made to the Appointment Announcements. In accordance with the Bye-laws and the Listing Rules, Mr. Dong Ming, being appointed as Director on 17 January 2022, Mr. Liu Zhouyang and Mr. Qian Yinghui, being appointed as Directors on 11 February 2022, Mr. Tang Ming and Mr. Huang Bin, being appointed as Directors, shall be eligible for re-election at the SGM.

Biographical information of the Proposed Directors are set out in Appendix II to this circular.

### IV. SGM

A notice convening the SGM with the resolutions is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the meeting or any adjourned meeting, you are requested to complete the accompanying form of proxy and return it to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time of the meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you wish to do so.

---

## LETTER FROM THE BOARD

---

Yunnan Baiyao Group, Yunbaiyao Hong Kong Co., Limited, and New Huadu Group (HK) Investment Limited, holding approximately of 5,065,936,360 Shares, representing approximately 74.50% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the ordinary resolutions numbered 1(a) to (c) as set out in the notice of SGM at the SGM to be convened to consider and, if thought fit, to approve the Proposed Extension as contemplated under the Extension Supplemental Agreement at the SGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, other than Yunnan Baiyao Group, Yunbaiyao Hong Kong Co., Limited, and New Huadu Group (HK) Investment Limited, no other Shareholder has a material interest in the Proposed Extension and has to abstain from voting on the ordinary resolutions numbered 1(a) to (c) as set out in the notice of SGM relating to the Proposed Extension at the SGM.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholder is required to abstain from voting at the SGM in respect of the resolutions numbered 2 to 6 as set out in the Notice of the SGM relating to the re-election of the Proposed Directors.

For determining the eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 27 January 2023 to Wednesday, 1 February 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer of Shares, accompanied by the relevant Share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 26 January 2023.

### **V. RECOMMENDATION**

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation from the Independent Board Committee to the Independent Shareholders regarding the ordinary resolutions numbered 1(a) to (c) as set out in the notice of SGM to approve the Proposed Extension; and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Extension Supplemental Agreement and the transactions as contemplated thereunder.

The Board including the Independent Board Committee after having considered the advice of the Independent Financial Adviser considers that the terms of the Extension Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable. While the entering into the Extension Supplemental Agreement is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Independent Shareholders as a whole. The Board recommends that the Independent Shareholders vote in favour of the resolutions numbered 1(a) to (c) as set out in the notice of SGM relating to the Proposed Extension at the SGM.

---

## LETTER FROM THE BOARD

---

### VI. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any resolution put to the vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, each of the resolutions set out in the notice of SGM will be taken by way of poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote need not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

### VII. GENERAL

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

Yours faithfully,  
For and on behalf of  
The Board of Directors of  
**Ban Loong Holdings Limited**  
**Tang Ming**  
*Executive Director*  
&  
*Chief Executive Officer*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Extension Supplemental Agreement and all transactions as contemplated thereunder, for the purpose of inclusion in this circular.*



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

12 January 2023

*To the Independent Shareholder,*

Dear Sir or Madam,

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

We refer to the Announcements and Circular issued by the Company. Unless otherwise specified, terms defined in this circular shall have the same meanings in this letter.

We have been appointed by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of the terms of the Extension Supplemental Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in this circular.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Extension Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Details of the advice and the principal factors and reasons from the Independent Financial Adviser has taken into consideration in giving such advice, are set out in the “Letter from the Independent Financial Adviser” in this circular. Your attention is also drawn to the “Letter from the Board” in this circular and the additional information as set out in appendix I of this circular.

After taking the advice of the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in this circular, we consider that the terms of the Extension Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. While the entering into the Extension Supplemental Agreement is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Independent Shareholders as a whole.

We, therefore, recommend that you vote in favour of the resolutions numbered 1(a) to (c) as set out in the notice of SGM relating to the Proposed Extension at the SGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

**Ms. Wong Chui San, Susan**

*Independent non-executive*

*Director*

**Mr. Leung Ka Kui, Johnny**

*Independent non-executive*

*Director*

**Mr. Jiang Zhi**

*Independent non-executive*

*Director*



---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders regarding the connected transaction for inclusion in this circular.*



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

Room 310, 3/F.,  
China Insurance Group Building,  
141 Des Voeux Road Central,  
Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

12 January 2023

*To: The Independent Board Committee and the Independent Shareholders  
of Ban Loong Holdings Limited*

Dear Sir/Madam,

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

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Proposed Extension, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 12 January 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 5 December 2022 (the “**Announcement**”) in relation to the Proposed Extension of Initial Maturity Date, pursuant to which 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 Latest Practicable Date, the principal amount of the Convertible Bonds remains outstanding in full and Yunnan Baiyao Group has not exercised its conversion rights.

Pursuant to the Second Waiver Confirmation, the confirmation will be valid for a period of four (4) 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.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

As at the Latest Practicable Date, 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 Proposed Extension constitutes a connected transaction of the Company and is subject to, among other requirements, the approval from the Independent Shareholders under Chapter 14A of the Listing Rules at the SGM.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely, Ms. Wong Chui San, Susan, Mr. Leung Ka Kui, Johnny and Mr. Jiang Zhi, has been established to advise the Independent Shareholders as to whether the terms of the Extension Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders 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 and the Independent Shareholders as to whether or not (i) the Proposed Extension was entered into in the ordinary and usual course of business of the Company and on normal commercial terms; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Proposed Extension and the transactions contemplated thereunder at the SGM.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the Independent Financial Adviser to the independent board committee of the Company with regard to the mandatory conditional cash offer whose composite document (including our letter from the independent financial adviser) was published on 15 December 2021 and to the independent board committee and the independent shareholders of the Company with regard to the subscription of convertible bonds whose circular (including our letter from the independent financial adviser) was published on 11 September 2020. Apart from the abovementioned Independent Financial Adviser roles and acting as the Independent Financial Adviser in relation to the Proposed Extension and transactions contemplated thereunder, we have not acted in any other capacity for the Company in the past two years.

Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties 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.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular 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 Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

We consider 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, nor have we conducted any independent investigation into the business and affairs of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

---

# LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Extension and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

### 1. Principal business and financial information of the Group

#### a) Background information of the Group

The Company is an investment holding company. The Group is principally engaged in trading of goods and commodities and cannabidiol (CBD) isolate. The following table summarises the consolidated financial results of the Group (i) for the years ended 31 March 2020 and 2021, which are extracted from the Company's annual report for the year ended 31 March 2021 (the "2021 Annual Report"); and (ii) for the six months ended 30 September 2020 and 2021, which are extracted from the Company's interim report for the six months ended 30 September 2021 (the "2022 Interim Report"):

**Table 1: Consolidated financial result of the Group**

	For the six months ended		For the year ended	
	30 September		31 March	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	457,632,630	614,479,742	1,216,714,366	1,162,153,635
Gross profit	38,703,227	49,888,423	96,395,162	108,083,580
(Loss)/profit before tax	(91,561,085)	24,559,302	20,234,531	60,102,905
Net (loss)/profit	(83,424,900)	19,519,687	13,210,253	49,568,862

*Financial performance for the six months ended 30 September 2021 and the six months ended 30 September 2020*

As disclosed in the 2022 Interim Report, for the six months ended 30 September 2021, the Group's 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 (i) decrease in income from money lending segment due to maturity of certain loans and there was no new lending made during the six months ended 30 September 2021; and (ii) decrease in income from trading segment mainly due to the decrease in revenue from the trading of cosmetics and personal care products has attributed to lower sales volume.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

As set out in 2022 Interim Report, the Group recorded a turnaround in profit which the Group changed from net profit of approximately HK\$19.5 million for the six months ended 30 September 2020 to net loss of approximately HK\$83.4 million for the six months ended 30 September 2021. Such turnaround was mainly attributable to the increase in net allowance for expected credit losses of approximately HK\$90.3 million for loan and other receivables.

*Financial performance for the year ended 31 March 2021 and the year ended 31 March 2020*

According to the 2021 Annual Report, the Group's revenue increased by approximately HK\$54.5 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 mainly attributable to the increase in revenue from trading segment due to the increase in purchase orders placed by the Group's trading customers and partly offset by the decrease in revenue in money lending segment from approximately HK\$89.7 million for the year ended 31 March 2020 to approximately HK\$87.8 million for the year ended 31 March 2021.

According to the 2021 Annual Report, the Group's net profit decreased by approximately HK\$36.4 million or 73.4% 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. The decrease in net profit was principally due to the increase in selling and distribution expenses which intended to attract potential customers and the low margin of the trading of Cannabidiol (CBD) isolate at the initial stage.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

**Table 2: Consolidated financial position of the Group**

	As at <b>30 September</b>	As at 31 March	
	<b>2021</b>	<b>2021</b>	<b>2020</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(audited)	(audited)
Non-current assets	28,558,213	19,904,572	17,726,205
Current assets	1,344,491,026	1,422,699,746	949,272,146
<b>Total assets</b>	<b>1,373,049,239</b>	<b>1,442,604,318</b>	<b>969,998,351</b>
Non-current liabilities	(503,055,656)	(490,239,990)	(5,047,097)
Current liabilities	(96,844,653)	(100,285,189)	(161,222,273)
<b>Total liabilities</b>	<b>(599,900,309)</b>	<b>(590,525,179)</b>	<b>(166,269,370)</b>
<b>Net assets</b>	<b>773,148,930</b>	<b>852,079,139</b>	<b>800,728,981</b>
Equity attributable to			
owners of the Company	772,225,946	851,155,911	799,808,772
Non-controlling interests	922,984	923,228	920,209
 Bank balances and cash	 181,582,897	 251,236,954	 7,027,960

As disclosed in the 2022 Interim Report, as at 30 September 2021, the Group recorded bank balances and cash of approximately HK\$181.6 million, representing a decrease of approximately HK\$69.6 million as compared to approximately HK\$251.2 million recorded as at 31 March 2021.

The Group has yet to announce its audited results for the year ended 31 March 2022 but the Board has announced the operating statistics (the “**Operating Statistics**”) of the Group for the year ended 31 March 2022 and for the three months ended 30 June 2022 on 29 August 2022 and the details are set out as below:

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

**Table 3: Operating Statistics of the Group for the year ended 31 March 2022 and for the three months ended 30 June 2022**

	<b>For the three months ended 30 June 2022</b>	<b>For the year ended 31 March 2022</b>
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(unaudited)
<b>Revenue</b>	53,360,413	177,718,993
<b>Loss before tax</b>	(91,691,725)	(799,116,837)
<b>Loss for the period/year</b>	(91,148,362)	(805,028,943)
Non-current assets	7,940,886	10,111,571
Current assets	350,024,943	284,463,976
<b>Total assets</b>	357,965,829	294,575,547
Non-current liabilities	(497,351,954)	(491,269,282)
Current liabilities	(166,183,651)	(105,628,420)
<b>Total liabilities</b>	(663,535,605)	(596,897,702)
<b>Net liabilities</b>	(305,569,776)	(302,322,155)

We note that the Group recorded unaudited net liabilities of approximately HK\$305.6 million as at 30 June 2022. 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.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

### *b) Background information of 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 Latest Practicable Date, (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 the Latest Practicable Date.

### **2. Reasons for and benefits of the Proposed 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. The Company has also considered other financing alternatives, such as placing of new Shares, subscription of new Shares, right issues, open offers (“**Equity Financing**”) and/or obtaining third party financing to repay the Convertible Bonds on or before the Expiry Date. However, (i) given the trading of the Shares has been suspended; (ii) the current market conditions; and (iii) the number of Shares that have to be placed so has to raise the funds required to redeem the Convertible Bonds, the Board considers that Equity Financing will not be a viable alternative for the purposes of obtaining funds to redeem the Convertible Bonds on or before the Expiry Date.

In addition, 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 debt financing on more favorable terms to repay the Convertible Bonds on or before the Expiry Date as well.



---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

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

In light of the above, the Company approached Yunnan Baiyao Group and requested to extend the Initial 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 considers that while the entering into the Extension Supplemental Agreement is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Independent Shareholders as a whole.

Should the resolutions in relation to the approval of the Proposed Extension and the execution of the Extension Supplement Agreement be voted down by the Independent Shareholders and the Expiry Date has passed and not further extended by Yunnan Baiyao Group, the outstanding principal amount of the Convertible Bonds will become due immediately. If the Company is unable to repay the outstanding amount in full, the Company cannot preclude the possibility that Yunnan Baiyao Group may commence legal actions against the Company to recover the principal amount of the Convertible Bonds and it may also trigger cross defaults of other outstanding liabilities of the Company. In the event that the Company is unable to repay the Convertible Bonds in full by the relevant date, the Company will use its best endeavours to reach an agreeable solution with Yunnan Baiyao Group in relation to the repayment schedule of the outstanding principal amount of the Convertible Bonds.

If the Proposed Extension and the execution of the Extension Supplement Agreement are approved by the Independent Shareholders, the Group will have an additional two years to develop its business to improve its financial position, aiming to repay the outstanding Convertible Bonds with cashflow generated from its operating activities. The Board will also continue to explore and evaluate new businesses and investment opportunities which could be of good potential and/or long-term benefit to the Group and the Shareholders. The Board will take a cautious and conservative approach in the evaluation of the potential projects, and will constantly review the Group’s strategies and operations with a view to improve its business performance and Shareholders’ returns.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

We have held discussion with the Company and we have been given the understanding that the Directors have considered other fund raising methods under the prevailing market conditions to redeem the Convertible Bonds in full on or before the Expiry Date, and considered that the Proposed Extension is the most appropriate method. In respect of equity financing, the Company considered a wide range of potentially available options such as placing of new shares, subscription of new shares, rights issue and open offer. However, given that trading in the Shares has been suspended since 9:00 a.m. on 21 June 2022 and the Company is still in the course of handling the resumption guidance issued by the Stock Exchange, it is difficult for the Company to complete the equity fund raising before the expiry of the Convertible Bonds. For debt financing, as the Group would not be able to provide any real property collateral for the loan and trading in the Shares has been suspended, all the banks approached by the Group had turned down the loan application enquiries. We have further discussed with the Company if the resolutions in relation to the approval of the Proposed Extension and the execution of the Extension Supplement Agreement be voted down by the Independent Shareholders and the Expiry Date has passed and not further extended by Yunnan Baiyao Group and the Company is unable to repay the Convertible Bonds in full by the relevant date, the Company will use its best endeavours to reach an agreeable solution with Yunnan Baiyao Group in relation to the repayment schedule of the outstanding principal amount of the Convertible Bonds. However, there is no assurance that Yunnan Baiyao Group will agree with such repayment arrangement. We consider that the Company cannot preclude the possibility that Yunnan Baiyao Group may commence legal actions against the Company to recover the amount of the Convertible Bonds in the event that the resolutions are voted down by the Independent Shareholders. We would like to bring to the attention of the Independent Shareholders that the relevant legal actions taken by Yunnan Baiyao Group may result in the liquidation of the Company and the Shareholders may therefore suffer losses from the liquidation of the Company given the Company is in net liabilities position.

Having considered the above, we are of the view and concur with the Directors that the Proposed Extension is the most appropriate means of satisfying the capital requirement upon the expiry of the Convertible Bonds since (i) the Group was unable to procure debt financing from banks and financial institutions; (ii) the Group is unable to complete equity fund raising before the expiry of the Convertible Bonds; (iii) Yunnan Baiyao Group does not intend to convert the Convertible Bonds during the suspension of the trading of the Shares; and (iv) the Proposed Extension would not have any immediate dilution impact to the Group's existing shareholding structure.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

### 3. Principal terms of the Convertible Bonds after the Proposed Extension

The principal terms of the Convertible Bonds after the Proposed Extension 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.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

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 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;
- (ii) represents a premium of approximately 3.61% to the average closing price of HK\$0.249 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the Suspension; and
- (iii) represents a premium of approximately 3.04% to the average closing price of HK\$0.250 per Share as quoted on the Stock Exchange for the ten trading days immediately prior to the Suspension.

The 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.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

The conversion price was determined by Yunnan Baiyao Group and the Company at an arm's length basis with reference to the historical price trend and trading volume of the Shares prior to the Suspension. Taking into account that (i) the trading of the Shares of the Company has been suspended since 21 June 2022, and the conversion price is higher than the average closing prices of the Shares prior to the last trading day before the suspension; and (ii) the extension of the Initial Maturity Date was made at the request of the Company, the Board considers that maintaining the conversion price at HK\$0.258 is to the Company's benefit, fair and reasonable, and is in the interests of the Company and Shareholders as a whole.

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.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

- Listing : Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in, the Conversion Shares that may be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds.
- 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.

#### 4. Evaluation of the Conversion Price

##### a) *Review on Share price performance*

We note that the Conversion Price of HK\$0.258 per Conversion Share:

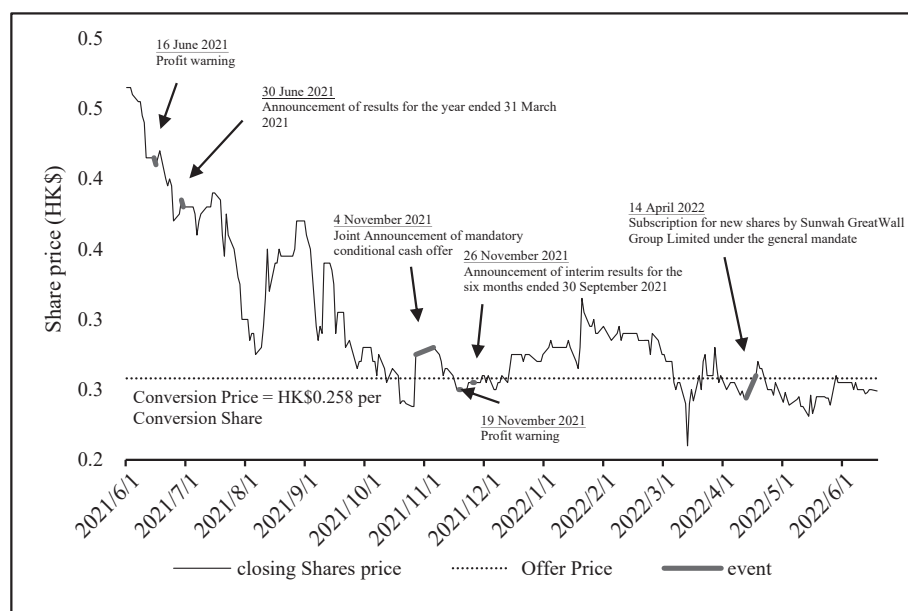
- (i) represents a premium of approximately 3.61% to the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on 20 June 2022, being the last trading day (the “**Last Trading Day**”) prior to the suspension of trading of the Shares since 9:00 a.m. on 21 June 2022;
- (ii) represents a premium of approximately 3.61% to the average closing price of approximately HK\$0.249 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the suspension of trading of the Shares since 9:00 a.m. on 21 June 2022;
- (iii) represents a premium of approximately 3.04% to the average closing price of HK\$0.250 per Share as quoted on the Stock Exchange for the ten trading days immediately prior to the suspension of trading of the Shares since 9:00 a.m. on 21 June 2022;
- (iv) represents a premium of approximately 106.4% over the audited equity value attributable to owners of the Company as at 31 March 2021 of approximately HK\$0.125 per Share;
- (v) represents a premium of approximately 143.40% over the unaudited equity value attributable to owners of the Company as at 30 September 2021 of approximately HK\$0.106 per Share;
- (vi) represents a premium of approximately HK\$0.302 over the unaudited consolidated net liabilities of the Company as at 31 March 2022 of approximately HK\$0.044 per Share; and
- (vii) represents a premium of approximately HK\$0.303 over the unaudited consolidated net liabilities of the Company as at 30 June 2022 of approximately HK\$0.045 per Share.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

With a view to assess whether the Conversion Price is fair and reasonable, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the twelve-month period from 1 June 2021 up to 20 June 2022 (the “**Review Period**”), which is determined with reference to the Last Trading Day. Set out below is the share price of the Group from 1 June 2021 up to the Latest Practicable Date:



Source: The website of the Stock Exchange ([www.hkex.com](http://www.hkex.com)).

From mid-June 2021 to August 2021, the Share closing price of the Company was generally on a declining trend after the publication of the announcement dated 16 June 2021 in relation to the profit warning. After the publication of the announcement dated 4 November 2021 in relation to the mandatory conditional cash offer, the Shares closing price was generally on an increasing trend, reaching the peak in 2022 during the Review Period at HK\$0.300 on 26 January 2022. Thereafter, the Share closing price was generally on a declining trend.

During the Review Period, the closing prices of the Shares ranged from HK\$0.210 per Share to HK\$0.465 per Share. The Conversion Price is within such range of the closing prices of the Shares during the Review Period, and is also close to the prevailing market price of the Shares immediately before entering into the Extension Supplemental Agreement. We consider that the comparison of the Conversion Price with the more recent Share price is a more relevant analysis than the comparison with historical Share prices over the past six to twelve months when determining the fairness and reasonableness of the unchanged Conversion Price in the Extension Supplemental Agreement as the market price of the Shares immediately before entering into the Extension Supplemental Agreement can directly reflect the value of Shares in the then prevailing market conditions and financial situation of the Group. In light of the foregoing and the results of market comparable analysis set out in section (c) as below, we are of the view that the unchanged Conversion Price is fair and reasonable.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

**b) Trading liquidity of Shares**

We have reviewed the trading volume data in respect of the Shares during the Review Period as illustrated in the table below:

	<b>Total trading volume for the month/period</b> <i>Number of Shares</i>	<b>Number of trading days in the month</b> <i>Days</i>	<b>Average daily trading volume for the relevant month/period</b> <i>Number of Shares</i>	<b>Percentage of average daily trading volume to number of Shares in issue as at the end of the relevant month/period</b> <i>Approximately percentage</i>
<b>2021</b>				
June	328,300,000	21	15,633,333	0.1807%
July	208,246,000	21	9,916,476	0.1538%
August	234,852,045	22	10,675,093	0.1656%
September	351,356,000	21	16,731,238	0.2595%
October	170,144,000	16	10,634,000	0.1649%
November	191,114,000	18	10,617,444	0.1647%
December	159,312,018	22	7,241,455	0.1123%
<b>2022</b>				
January	141,144,000	21	6,721,143	0.1042%
February	13,288,000	17	781,647	0.0121%
March	39,146,800	23	1,702,035	0.0264%
April	26,350,000	18	1,463,889	0.0227%
May	28,366,000	20	1,418,300	0.0220%
June (Up to 20 June 2022)	7,104,000	13	546,462	0.0080%
			<b>Maximum</b>	0.2595%
			<b>Minimum</b>	0.0080%
			<b>Average</b>	0.1122%

*Source: the Stock Exchange*

As illustrated in the table above, we consider the average daily trading volume of the Shares during the Review Period was thin which may be due to the lack of public interests.



---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

*c) Market comparable analysis*

For comparison purpose, we have, on a best effort basis, reviewed announcement of all recent issues of convertible bonds/notes under specific mandate to connected persons by companies listed on the Stock Exchange in Hong Kong for the period of twelve-month period prior to the date of Extension Supplemental Agreement (the “**Comparable Issues**”) by searching through published information on the website of Stock Exchange. Based on such criteria, we have identified 12 Comparable Issues, which to the best of our knowledge, efforts and endeavours, is an exhaustive list.

In order to determine whether the Conversion Price is reasonable, we have compared the respective premium/discount of the conversion price to (i) the closing price of the shares of such companies on the on the last trading day prior to/on the date of the relevant announcement or subscription agreement (the “**Last Trading Day Premium/Discount**”); and (ii) the average closing price of the last five consecutive trading days immediately prior to and/or including the last trading day prior to/on the date of the relevant announcement or subscription agreement (the “**Five Days Premium/Discount**”). In addition, we have also reviewed and compared the maturity period and the interest rates of the Convertible Bonds with that of the Comparable Issues.

Taking into account that valid comparables have to be under similar and recent market conditions and fulfil the criteria of being connected transactions listed by companies listed on the Stock Exchange in Hong Kong as set out above to ensure they provide a fair and reasonable comparison, we consider that the 12 Comparable Issues found are sufficient to reflect the prevailing market conditions for comparison. Shareholders should note that the business, operations and prospects of the Group are not the same as the Comparable Issues and the Comparable Issues are only used to provide a general reference for the recent general market practice on the issue of the new convertible bonds.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

To the best of our knowledge, effort and endeavour and based on our search conducted according to the aforesaid criteria, the Comparable Issues is an exhaustive list of issue of convertible bond(s) and convertible note(s) meeting the aforesaid criteria. Shareholders should note that the size, principal business, scale of the market capitalization, profitability and financial positions of the Group may not be the same as the Comparable Issues and we have not conducted any in-depth investigation into the size, principal business, scale of the market capitalization, profitability and financial positions of the Comparable Issues. This analysis is aiming in providing a general reference for the recent market practice in relation to the key terms of the Comparable Issues under similar type of transactions, we consider that our comparable analysis on the terms of the convertible bonds without limiting to companies that are with similar size, principal business, scale of the market capitalization, profitability and financial positions as that of the Group is fair and reasonable and useful for Independent Shareholders' reference.

As the conversion price of the convertible bonds is usually determined with reference to the prevailing market conditions, we consider that the selected time frame (i.e. the twelve-month period prior to the date of Extension Supplemental Agreement) is appropriate for the purposes of comparison as it can generate sufficient number of comparables which can satisfy the abovementioned selection criteria, as well as an insight on the conversion price of the convertible bonds recently issued by other listed companies on the Stock Exchange under similar market conditions and sentiments. Although a longer time frame may yield more comparables, the market conditions out of the selected time frame may be substantially different and may not yield an accurate result for comparison. In order to strike a balance between accuracy and number of comparables, we are of the view that the 12 Comparables Issues observed from the selected time frame can reflect the recent trend of conversion price of new issuance of convertible bonds/notes in the market.

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

We set out our findings in the table below:

Company name	Stock code	Date of announcement	Interest rate per annum (%)	Maturity (year)	Premium/ (discount) of conversion price over/ to the average closing price of five trading days prior to and including the last trading day prior to/ on the date of the respective announcement/ agreement (%)	Premium/ (discount) of conversion price over/ to the average closing price of five trading days prior to and including the last trading day prior to/ on the date of the respective announcement/ agreement (%)
Huscoke Holdings Limited	704	19 September 2022	8	2	(30.50) <i>(Note 1)</i>	(31.40) <i>(Note 1)</i>
South China Holdings Company Limited and South China Financial Holdings Limited <i>(Note 2)</i>	413 and 619 <i>(Note 2)</i>	13 September 2022	1	3	0.00 <i>(Note 3)</i>	0.63
Grand Field Group Holdings Limited	115	5 September 2022	6	1.5	15.20	15.20
Anchorage Holdings Limited	1592	10 June 2022	2	1	(10.91)	N/A <i>(Note 4)</i>
SJM Holdings Limited	880	26 May 2022	2	5	35.70	32.60
South China Financial Holdings Limited	619	16 May 2022	0.0	6	5.17 <i>(Note 5)</i>	(7.56) <i>(Note 5)</i>
Huazhang Technology Holding Limited	1673	13 May 2022	12	2	0.00 <i>(Note 6)</i>	(2.80)
Capital Finance Holdings Limited	8239	4 April 2022	0.0	1.42 <i>(Note 7)</i>	61.29	60.26
Capital Finance Holdings Limited	8239	4 April 2022	0.0	2.04 <i>(Note 8)</i>	61.29	60.26
China Rui Feng Renewable Energy Holdings Limited	527	28 January 2022	10	3	9.09	7.14
Rare Earth Magnesium Technology Group Holdings Limited	601	18 January 2022	0.0	5	0.00 <i>(Note 9)</i>	1.69
Bingo Group Holdings Limited	8220	7 December 2021	0.0	3.75 <i>(Note 10)</i>	14.58	(22.32)
		<b>Maximum</b>	12.00	6.00	61.29	60.26
		<b>Minimum</b>	0.00	1.00	(30.50)	(31.40)
		<b>Average (as applicable)</b>	3.42	2.98	12.55	10.34
		<b>Average (excluded outliers)</b>	3.88	3.66	8.68	3.07
		<b>Median (as applicable)</b>	1.50	2.52	4.55	1.69
		<b>Median (excluded outliers)</b>	1.50	3.38	4.55	1.16
<b>The Company</b>	<b>30</b>		3	4	3.61	3.61

Source: The website of the Stock Exchange and relevant announcements published by the Company on the website of the Stock Exchange

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

*Note:*

1. As disclosed in the circular dated 14 October 2022, for a company with a prolonged period of suspension of trading in its shares and net liabilities position, it is reasonable for it to set a subscription price at a relatively large discount to its closing price before suspension in order to attract its shareholders to participate in an open offer.
2. Joint Announcement.
3. As disclosed in the announcement dated 13 September 2022, the initial conversion price of HK\$0.32 per Conversion Share represents the closing price of HK\$0.32 per share of South China Financial Holdings Limited quoted on the Stock Exchange on 13 September 2022, being the date of the Sale and Purchase Agreement.
4. The announcement dated 10 June 2022 did not disclose the premium/(discount) of conversion price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement/agreement.
5. The relevant average closing price was not disclosed in the announcement dated 16 May 2022, relevant average closing price was further referenced from the circular dated 2 June 2022 for illustration purpose.
6. As disclosed in the announcement dated 13 May 2022, the initial conversion price of HK\$0.55 per conversion share represents the closing price of HK\$0.55 per share as quoted on the Stock Exchange on the last trading day.
7. The maturity date of the convertible bonds issued by Capital Finance Holdings Limited is 24 December 2023. The completion of issuing convertible bonds took place on 21 July 2022 as disclosed in the announcement dated 21 July 2022.
8. The maturity date of the convertible bonds issued by Capital Finance Holdings Limited is 5 August 2024. The completion of issuing convertible bonds took place on 21 July 2022 as disclosed in the announcement dated 21 July 2022.
9. As disclosed in the announcement dated 18 January 2022, the issue price of the scheme shares is HK\$1.20 per new share which equals to the theoretical average closing price of HK\$1.20 per new share as quoted on the Stock Exchange on the last trading day and adjusted for the effect of capital reorganisation.
10. The maturity date of the convertible bonds issued by Bingo Group Holdings Limited is 31 December 2025. The completion of issuing convertible bonds took place on 17 March 2022 as disclosed in the announcement dated 17 March 2022.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

As illustrated in the table above, we note that (i) the Last Trading Day Discount represented by the Conversion Price of approximately 3.61% falls within the range of the Last Trading Day Premium/Discount of the Comparable Issue ranged from a discount of approximately 30.50% to a premium of approximately 61.29%, with an average of a premium of approximately 12.55%; and (ii) the Conversion Price is equivalent to the average closing price for the five trading days immediately prior to the date of signing of the Subscription Agreement, which falls within the range of the Five Days Premium/Discount of Comparable Issues ranged from a discount of approximately 31.40% to a premium of approximately 60.26%, with an average premium of approximately 10.34%.

We further noted that (i) the Last Trading Day Premium/Discount and Five Days Premium/Discount of Huscoke Holdings Limited amounted to discount of approximately 30.50% and 31.40%, which was mainly due to its prolonged period of suspension of trading and its net liabilities position; (ii) the Last Trading Day Premium/Discount of Anchorstone Holdings Limited amounted to discount of approximately 10.91%; (iii) the Last Trading Day Premium/Discount and Five Days Premium/Discount of Capital Finance Holdings Limited amounted to premium of approximately 61.29% and 60.26%, which was mainly due to the downward trend of its share price during the relevant period. As such, the conversion prices of respective transactions demonstrated a deviation from the average Last Trading Day Premium/Discount and Five Days Premium/Discount of the Comparable Issues and hence they might be the potential outliers which may distort our analysis. To better reflect the overall market practice, we have also provided the scenario with excluded the above-mentioned transactions as further illustrative purpose. We note that (i) the Last Trading Day Discount represented by the Conversion Price of approximately 3.61% falls within the range of the Last Trading Day Premium/Discount of the Comparable Issues (excluded outliers) ranged from a discount of approximately 5.17% to a premium of approximately 35.7%, with an average of a premium of approximately 8.68%; and (ii) the Conversion Price is equivalent to the average closing price for the five trading days immediately prior to the date of signing of the Subscription Agreement, which falls within the range of the Five Days Premium/Discount of Comparable Issues (excluded outliers) ranged from a discount of approximately 22.32% to a premium of approximately 32.60%, with an average premium of approximately 3.07%.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

As a result, despite the Conversion Price are below the averages of Last Trading Day Premium/Discount, having considered, in particular,

- (i) the Proposed Extension is the most appropriate means of satisfying the capital requirement upon the expiry of the Convertible Bonds;
- (ii) the Share closing price of the Company was generally on a declining trend and the low liquidity in the trading of the Shares during the Review Period;
- (iii) the Last Trading Day Discount and Five Days Premium/Discount represented by the Conversion Price falls within the range of the Premium/Discount and Five Days Premium/Discount of the Comparable Issues respectively;
- (iv) the Last Trading Day Discount and Five Days Premium/Discount represented by the Conversion Price falls within the range of the Premium/Discount (excluded outliers) and Five Days Premium/Discount (excluded outliers) of the Comparable Issues, and slightly higher than the average of Five Days Premium/Discount, respectively;
- (v) the trading of the Shares is currently suspended, it is highly unlikely that the Company will be able to obtain third party debt financing and the Convertible Bonds provide an interest rate of 3.0% which falls within range of the Comparable Issues and only slightly lower than the average of 3.42%; and
- (vi) the net liabilities position of the Company and if the conversion rights be exercised by the Yunnan Baiyao Group, the net liabilities position of the Company would be improved as the Conversion would increase the share capital of the Company.

We are of the view that the unchanged Conversion Price is acceptable and justifiable so far as the Independent Shareholders are concerned.

In addition, considered that (i) the interest rates of the Convertible Bonds of 3.0% falls within range of the interests rates of the Comparable Issues ranged from 0.0% to 12.0% and is lower than the average of the Comparable Issues of approximately 3.42%, which is in the interest of the Shareholders; and (ii) the maturity period of the Convertible Bonds of 4 years falls within the range of the maturity periods of the Comparable Issues ranged from 1 years to 6 years, which is in the interest of the Shareholders, we are of the view that the interests rates and maturity period of the Convertible Bonds are fair and reasonable.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

### 5. Financial effects of the Proposed Extension

#### *a) Effect on shareholders' equity/net liabilities*

According to the announcement of the Company dated 29 August 2022, the unaudited consolidated net liabilities of the Company were approximately HK\$305.6 million or HK\$0.045 per Share as at 30 June 2022 and HK\$302.3 million or HK\$0.044 per Share as at 31 March 2022. The number of Shares as at 30 June 2022 and 31 March 2022 were 6,799,914,160 Shares.

It is expected that the Proposed Extension would not lead to any material and immediate change to the shareholder's equity of the Company. However, if the Convertible Bonds are fully converted into 1,937,984,496 Shares at or before maturity and assuming no other changes in the issued share capital and shareholders' equity, the net liabilities of the Company is expected to be improved and the non-current liabilities is expected to be decreased by approximately HK\$500 million.

#### *b) Effect on working capital*

As confirmed by the Directors, it is expected that there will not be any material impact to working capital of the Group after the Proposed Extension.

#### *c) Effect on gearing ratio*

Based on the 2021 Annual Report, the gearing ratio of the Group, calculated based on the total liabilities divided by total assets, was approximately 40.9% as at 31 March 2021. According to the 2022 Interim Report, gearing ratio of the Group was approximately 43.7% as at 30 September 2021. According to the Operating Statistics, gearing ratio of the Group was approximately 185% as at 30 June 2022 and 203% as at 31 March 2022 respectively.

It is expected that the gearing ratio of the Group will decrease if the Convertible Bonds are fully or partly converted at or before Maturity, as the outstanding liability component of the Convertible Bonds will be contributed to total equity and total debt of the Group will decrease.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

Having considered that, upon the completion of the Proposed Extension, the working capital position of the Group will not be worsen off, while upon the exercise of the Convertible Bonds, the net asset value of the Group will be increased and the gearing ratio will be improved. Besides, considering Yunnan Baiyao Group might not be able to exercise in full with the conversion rights attaching to the Convertible Bonds given the Conversion Restrictions thereof, until and unless the regulatory requirements under the Takeovers Code and the Listing Rules are fully complied with or Yunnan Baiyao Group need to assist the Company to restore the public float by disposing some of its existing Shares if the conversion rights would be exercised in full until the public float of the Company to be restored due to the conversion. In the case that the relevant requirements are fully complied with and the Convertible Bonds are fully converted, the Convertible Bonds will no longer be recognised as non-current liabilities of the Group which will reduce the net liabilities of the Group by approximately HK\$500 million, we are of the view that the Proposed Extension is beneficial to the Group from the financial point of the view.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon the Completion of the Proposed Extension.

### 6. Potential dilution to the Independent Shareholders' interests

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the full conversion of the Convertible Bonds (assuming that the Convertible Bonds are converted at the initial conversion price being HK\$0.258 and there is no other change in the number of issued Shares from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds):

	As at the Latest Practicable Date		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>
<b>Shareholders</b>				
Yunnan Baiyao Group	1,908,025,360	28.06%	3,846,009,856	44.02%
Yunbaiyao Hong Kong Co., Limited <sup>1</sup>	3,101,911,000	45.62%	3,101,911,000	35.50%
New Huadu Group (HK) Investment Limited <sup>2</sup>	56,000,000	0.82%	56,000,000	0.64%
Other Shareholders	1,733,977,800	25.50%	1,733,977,800	19.84%
<b>Total</b>	<b>6,799,914,160</b>	<b>100.00%</b>	<b>8,737,898,656</b>	<b>100.00%</b>



---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

*Note 1:* As at the Latest Practicable Date, Yunbaiyao Hong Kong Co., Limited is an indirect wholly-owned subsidiary of Yunnan Baiyao Group.

*Note 2:* As at the Latest Practicable Date, 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.

Upon full conversion of the Convertible Bonds, 1,937,984,496 Conversion Shares will be allotted and issued by the Company to Yunnan Baiyao Group, representing: (a) approximately 28.50% of the existing issued share capital of the Company; and (b) approximately 22.18% of the enlarged share capital of the Company as enlarged by the issue of the 1,937,984,496 Conversion Shares. Accordingly, upon the full conversion of the Convertible Bonds but assuming no other changes in the issued share capital between now and the full conversion of the Convertible Bonds, the shareholding of Yunnan Baiyao Group, together with its concert parties, will increase from approximately 74.50% to approximately 80.16%, and the public shareholding will decrease from approximately 25.50% to approximately 19.84%.

It is worth noting that under the terms of the Convertible Bonds, 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 the relevant shareholding percentage as prescribed by 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. Therefore, given that public float requirement may be triggered upon full conversion of the Convertible Bonds as illustrated above, Yunnan Baiyao Group might not be able to exercise in full with the conversion rights attaching to the Convertible Bonds given the Conversion Restrictions thereof, until and unless the regulatory requirements under the Takeovers Code and the Listing Rules are fully complied with.

Taking in to account (i) the reasons for and benefits of the Proposed Extension as set out in the section headed “2. Reasons for and benefits of the Proposed Extension”; (ii) the fact that the terms of the Extension Supplemental Agreement and the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the fact that the conversion of the Convertible Bonds are subject to the Conversion Restrictions, and would only further enhance the equity attributable to owners of the Company if they are being converted, we are of the view that the potential dilution impact and the aforementioned level of dilution to the shareholding interests of the existing public Shareholders are acceptable.

---

## LETTER OF THE INDEPENDENT FINANCIAL ADVISER

---

### RECOMMENDATION

Having taken into consideration the factors and reasons stated above including the Shares have been suspended 21 June 2022, in particular,

- (i) The reasons for the Proposed Extension as discussed in the section headed “2. Reasons for and benefits of the Proposed Extension” above; in particular its net liabilities position and inability to repay the Convertible Bonds;
- (ii) the interest rate, term of maturity, Conversion Price of the Convertible Bonds fall within the range of the Comparable Issues and are generally in line with market;
- (iii) the conversion of the Convertible Bonds is subject to the Conversion Restrictions; and
- (iv) the potential dilution effect to the shareholding interest of the public Shareholders arising from the conversion of the Convertible Bonds is acceptable,

we are of the opinion that (i) although the entering into of the Extension Supplemental Agreement is not in the ordinary and usual course of business of the Group, it is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole; and (ii) the terms of the Proposed Extension (which all principal terms remain unchanged) are fair and reasonable, in particular, the interest rate of the Convertible Bonds is lower than the average of the Comparable Issues, which is in the interests of the Group and the Independent Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Proposed Extension together with the transactions contemplated thereunder.

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

*Note: Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 24 years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS

### Directors' and chief executives' interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company and their respective associates in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 the Director or chief executive of the Company was taken or is deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Nature of interest (Note 1)	Number of Shares	Approximate percentage of interest in the issued Shares
Huang Bin	Interest of a controlled corporation (Note 2)	351,762,000	5.17%

*Notes:*

- All interests stated are long position.
- These 351,762,000 shares were held by Sunwah. Sunwah is indirectly owned by Huang Bin and Huang Bin shall be deemed to be interested in the shares held by Sunwah.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive had any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise 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 taken or deemed to have under provisions of the SFO) or the Model Code.

**3. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, save for the Subscription Agreement, Supplemental Subscription Agreement, Extension Supplemental Agreement, the Placing Agreement, the Waiver Confirmation, and the Second Waiver Confirmation, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group. As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2021, being the date to which the latest published audited financial statements of the Company were made up.

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor any of their close associates had interest in any business apart from the Group's business which competed or would likely to compete, either directly or indirectly, with the businesses of the Group.

**5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the any member of the Group which was not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

**6. MATERIAL CONTRACTS**

The following contracts, not being contract entered into in the ordinary course of business, had been entered into by members of the Group after the date falling two years prior to the issue of this circular and up to the Latest Practicable Date and which are or may be material:

- (i) the Placing Agreement; and
- (ii) the Extension Supplemental Agreement.

**7. MATERIAL ADVERSE CHANGE**

As disclosed in:

- (i) the announcement of the Company dated 19 November 2021 and the interim result announcement of the Company for the six months ended 30 September 2021 dated 26 November 2021, the Group recorded a net loss attributable to owners of the Company of HK\$83.4 million due to the increase in net allowance for expected credit losses of approximately HK\$90.3 million for loan and interest receivables and trade and other receivables for the six months ended 30 September 2021. The Board considered that the expected consolidated loss is mainly attributable to default of certain loans and other receivables by the Group's customers during the six months ended 30 September 2021;
- (ii) the announcement of the Company dated 21 January 2022, the Group recorded net allowance for expected credit losses of approximately HK\$90.3 million (the "**Impairment Loss**") in respect of financial assets, which mainly consists of approximately HK\$71.9 million for loan and interest receivables and approximately HK\$17.9 million for other receivables, deposits and prepayments for the six month ended 30 September 2021. The recognition of the Impairment Loss was mainly due to the defaults (the "**Defaults**") of the loans (the "**Loans**") made to ten loan borrowers (the "**Borrowers**") and advances (the "**Advances**") made to an entity (the "**Entity**", together with the Borrowers as the "**Customers**") who are independent third parties during the Period. The reason for the Defaults is that the Customers have failed and/or refused to repay the respective Loans and Advances during the Period;
- (iii) the announcement of the Company dated 21 June 2022, the trading in the Shares of the Company was suspended at 9:00 a.m. on 21 June 2022; and
- (iv) the announcement of the Company dated 29 August 2022, the Company disclosed certain operating statistics of the Group for the year ended 31 March 2022 and the three months ended 30 June 2022.

Saved as disclosed above, as at the Latest Practicable Date, the Directors confirmed there has not been any material adverse change in the financial or trading position of the Group since 31 March 2021 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

**8. QUALIFICATION AND CONSENT OF EXPERT**

- (a) The following sets out the qualifications of the expert who has given its opinions or advice or statements as contained in this circular:

<b>Name</b>	<b>Qualification</b>
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

- (b) As at the Latest Practicable Date, the above expert had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.
- (c) As at the Latest Practicable Date, the above expert had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased to any member of the Group.
- (d) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, reports or its name in the form and context in which they respectively appear.

**9. MISCELLANEOUS**

In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE ON DISPLAY**

A copy of the Extension Supplemental Agreement, the Waiver Confirmation, the Second Waiver Confirmation and the side letter dated 29 December 2022 to extend the Proposed Extension Conditions fulfillment date to 28 February 2023 (or such other date as the parties may agree in writing) will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and on the website of the Company (<https://www.0030hk.com>) for not less than 14 days before the date of the SGM and a copy of the Extension Supplemental Agreement is available for inspection at the SGM.

*The biographical details of the Proposed Directors proposed to be re-elected at the SGM are provided below:*

**Mr. Dong Ming (“Mr. Dong”)**

Mr. Dong, aged 46, is the executive Director of the Company and the chairman of the Board. Mr. Dong has been the chief executive officer of Yunnan Baiyao Group since 4 March 2021. Mr. Dong obtained a bachelor degree in industrial automation from Northeastern University\* (東北大學) in the PRC in July 1999. Before joining Yunnan Baiyao Group, Mr. Dong engaged in various positions at Huawei Technologies Co., Ltd.\* (華為技術有限公司) (“**Huawei Technologies**”) during 1999 to 2021, including technical engineer, department heads of various departments, including the landline network marketing department of Xi’an representative office, landline network product marketing department of the eastern Europe region, VIP system department and the mobile system department, vice president of the Region of Commonwealth of Independent State and Huawei Technologies as well as the general manager of the Beijing Branch.

Mr. Dong has not entered into any service contract with the Company. Mr. Dong is not appointed for a fixed term of service, and his directorship is subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Bye-laws of the Company. Mr. Dong’s remuneration as an executive Director with the Company will be determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience, the overall performance of the Company and the prevailing economic situation and market practice.

As advised by Mr. Dong, save as disclosed above, Mr. Dong confirms that as at the Latest Practicable Date: (i) he did not hold any other positions with the Company or other members of the Group; (ii) he did not hold any directorships in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas, nor held any other major appointment or professional qualification; (iii) he did not have any interests in the Shares or securities of the Company within the meaning of Part XV of SFO; (iv) he was not connected and has no relationship with any Directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; (v) no other information that relates to Mr. Dong was required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules; and (vi) there are no other matters relating to Mr. Dong that need to be brought to the attention of the Shareholders.

**Mr. Tang Ming (“Mr. Tang”)**

Mr. Tang, aged 48, is the chief executive officer and executive Director of the Company. Mr. Tang obtained a bachelor’s degree in electronic engineering from Tianjin University of Technology and a master’s degree in business administration from Cornell University in the USA. Prior to joining the Company, he worked as a vice president of intelligent automotive solution business unit Europe region, head of consulting services of enterprise business group Europe region, at Huawei Technologies Co., Ltd\* (華為技術有限公司) from July 2016 to January 2022.

Mr. Tang is not appointed for a fixed term of service, and his directorship is subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Bye-laws of the Company. Mr. Tang had entered into a service contract with the Company and is entitled to a salary of HK\$2.0 million per annum which is determined by the Board upon the recommendation of the remuneration committee.

As advised by Mr. Tang, save as disclosed above, Mr. Tang confirms that as at the Latest Practicable Date: (i) he did not hold any other positions with the Company or other members of the group; (ii) he did not hold any directorships in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas, nor held any other major appointment or professional qualification; (iii) he did not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iv) he was not connected and have no relationship with any directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; no other information that relates to Mr. Tang was required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules; and (iv) there were no other matters relating to Mr. Tang that need to be brought to the attention of the Shareholders.

**Mr. Liu Zhouyang (“Mr. Liu”)**

Mr. Liu, aged 36, is the executive Director and deputy chief executive officer of the Company and the general manager of Hainan Yunfan Private Equity Fund Management Co., Ltd.\* (海南雲帆私募基金管理有限公司). Mr. Liu obtained a bachelor’s degree in e-commerce from Hunan Agricultural University\* (湖南農業大學) in 2009 and a master’s degree in national economics in Kunming University of Science and Technology\* (昆明理工大學) in the PRC in 2012. Mr. Liu engaged in various positions at Yunnan Baiyao Group since 2013, including project manager of the centre of operation management, the project manager of the general office of the strategic committee, the investment relations specialist of securities department, the head of the general office of the general manager and the assistant of general manager of the investment department.

Mr. Liu has not entered into any service contract with the Company. Mr. Liu is not appointed for a fixed term of service, and his directorship is subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Bye-laws of the Company. Mr. Liu’s remuneration as an executive Director with the Company will be determined by the Board upon the recommendation of the remuneration committee of the Company by reference to his experience, the overall performance of the Company and the prevailing economic situation and market practice.



As advised by Mr. Liu, save as disclosed above, Mr. Liu confirmed that as at the Latest Practicable Date: (i) he did not hold any other positions with the Company or other members of the Group; (ii) he did not hold any directorships in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas, nor held any other major appointments or professional qualifications; (iii) he did not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iv) he had no relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company; (v) there was no other information that was required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules; and (vi) there were no other matters that need to be brought to the attention of the Shareholders.

**Mr. Qian Yinghui (“Mr. Qian”)**

Mr. Qian, aged 39, is the non-executive Director of the Company. Mr. Qian is also the director of office of the chairman of Yunnan Baiyao Group since April 2021, and the board secretary of Yunnan Baiyao Group since January 2022. Mr. Qian obtained a bachelor’s degree in law from China Youth University of Political Studies\* (中國青年政治學院) in the PRC in 2006, and a master’s degree in international trade and commercial law from the University of Durham in the United Kingdom in 2008. Mr. Qian served as the project manager of the general office of the strategic committee of Yunnan Baiyao Group and the project director of the centre of strategic development of Yunnan Baiyao Group.

Mr. Qian has not entered into any service contract with the Company. Mr. Qian is not appointed for a fixed term of service, and his directorship is subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Bye-laws of the Company. Mr. Qian’s remuneration as a non-executive Director with the Company will be determined by the Board upon the recommendation of the remuneration committee of the Company by reference to his experience, the overall performance of the Company and the prevailing economic situation and market practice.

As advised by Mr. Qian, save as disclosed above, Mr. Qian confirmed that as at the Latest Practicable Date: (i) he did not hold any other positions with the Company or other members of the Group; (ii) he did not hold any directorships in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas, nor held any other major appointments or professional qualifications; (iii) he did not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iv) he had no relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company; (v) there was no other information that was required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules; and (vi) there were no other matters that need to be brought to the attention of the Shareholders.

**Mr. Huang Bin (“Mr. Huang”)**

Mr. Huang, aged 57, obtained a bachelor’s degree in engineering from Harbin Engineering University and had subsequently attended visiting scholar program from European Economic Community and business management courses from Northwestern University in the United States. Mr. Huang is the non-executive Director of the Company and a director of CITIC International Assets Management Limited (中信國際資產管理有限公司) and its subsidiaries such as Radiant International and Goldstone International, respectively. In January 2022, Mr. Huang was appointed as a non-executive director and co-chairman of the board of China New Economy Fund Limited (中國新經濟投資有限公司), a company listed on the Stock Exchange (stock code: 80). In February 2022, Mr. Huang was appointed as a non-executive director and the chairman of the board of China United Venture Investment Limited (previously known as Glory Mark Hi-Tech (Holdings) Limited), a company listed on the Stock Exchange (stock code: 8159).

Prior to his appointments as stated above, from March 2020 to December 2021, Mr. Huang was a non-executive director and the chairman of Lamtex Holdings Limited (林達控股有限公司) (“**Lamtex**”), a Bermuda company previously listed on the Stock Exchange (stock code: 1041) and was principally engaged in securities trading and investment business, securities brokerage and provision of securities margin finance business, hotel operation business and trading, and manufacturing of electronic products business. Pursuant to the announcement of Lamtex dated 17 March 2021 (the “**Lamtex Announcement**”), a winding-up petition against Lamtex was filed to the High Court of The Hong Kong Special Administrative Region (the “**High Court**”) on 20 August 2020 on the grounds that the Lamtex is insolvent and unable to settle the debt in sum of HK\$10,200,000.00, being the principal sum and accrued interests due and owing as at 2 July 2020 in relation to the bond issued by Lamtex on 30 May 2019 for a term of 1 year due repayable on 28 May 2020. On 11 March 2021, Lamtex was ordered to be wound up by High Court. For further details, please refer to the Lamtex Announcement. Pursuant to filing records at the Hong Kong Companies Registry, a liquidator of Lamtex was appointed on 12 May 2021.

From September 2019 to October 2020, Mr. Huang was also an executive director of GTI Holdings Limited (共享集團有限公司) (in liquidation), a Cayman Islands company listed on the Stock Exchange (stock code: 3344) and was principally engaged in sales and trading of textile products, trading of petroleum and chemical products, RMB banknotes clearing up services and others. Pursuant to announcement of GTI dated 23 November 2021 (the “**GTI Announcement**”), a winding-up petition against GTI was filed to the High Court by one of the bondholders of GTI on 19 March 2020 on the grounds that GTI failed to pay such individual the outstanding principal amount and accrued interest of the bonds in an aggregate amount of HK\$3,843,876.38 as at 21 April 2020. On 22 November 2021, GTI was ordered to be wound up by High Court. For further details, please refer to the GTI Announcement. Pursuant to filing records at the Hong Kong Companies Registry, a liquidator of GTI was appointed on 22 February 2022.

Mr. Huang initiated the formation of Guangdong-Hongkong-Macao Bay Area Entrepreneurs Union (粵港澳大灣區企業家聯盟) (the “**Union**”). Mr. Huang is the executive vice chairman of the Union and is in charge of technology and financial sector. Mr. Huang has extensive professional experience in fund and asset management as well as investment banking and direct investments. Mr. Huang is dedicated to serve in the PRC, throughout the years, he contributed, including but not limited to, developments in cross-border energy, resource mergers and acquisitions, and promoting energy output and international engineering. Mr. Huang previously worked with CITIC Securities to establish CITIC Merchant Enterprise Management Limited (中信國通企業管理公司), which is driven by specific businesses such as disposal of non-performing assets and mergers and acquisitions and supported by market-oriented operation to identify a unique business model that integrates investment businesses with comprehensive financing services, thereby providing international corporate clients with comprehensive solutions.

As at the Latest Practicable Date, Mr. Huang was deemed to be interested in 351,762,000 shares in the Company held by Sunwah. Save as disclosed above, he did not have any other interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Huang is not appointed for a fixed term of service, and his directorship is subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Bye-laws of the Company. Mr. Huang had entered into a service contract with the Company and is entitled to a director’s fee of HK\$20,000 per month, which is determined by the Board upon the recommendation of the remuneration committee by reference to his experience, the overall performance of the Company and the prevailing economic situation and market practice.

As advised by Mr. Huang, save as disclosed above, Mr. Huang confirms that as at the Latest Practicable Date: (i) he did not hold any other positions with the Company or other members of the group; (ii) he did not hold any directorships in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas, nor held any other major appointment or professional qualification; (iii) he was not connected and have no relationship with any directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; (iv) no other information that relates to Mr. Huang was required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules; and (v) there were no other matters relating to Mr. Huang that need to be brought to the attention of the Shareholders.

---

## NOTICE OF SPECIAL GENERAL MEETING

---



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

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (“**SGM**”) of Ban Loong Holdings Limited (the “**Company**”) will be convened and held at Room 2709-10 China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong on 1 February 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment(s) the following resolutions of the Company:

#### ORDINARY RESOLUTIONS

**“THAT**

1. (a) the entering into of the extension supplemental agreement (“**Extension Supplemental Agreement**”) dated 5 December 2022 between the Company and Yunnan Baiyao Group Co., Ltd. (“**Yunnan Baiyao Group**”) in relation to, among others, the proposed extension of the maturity date, from 31 October 2022 to 30 October 2024, of the convertible bonds issued by the Company to Shanghai International Trust Corp., Ltd.\* (上海國際信託有限公司), on behalf of Yunnan Baiyao Group, on 30 October 2020 in the aggregated principal amount of HK\$500,000,000 (the “**Convertible Bonds**”) (a copy of which has been produced to this meeting marked “**A**” and signed by the chairman of this meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved confirmed and ratified;
- (b) the directors (the “**Director(s)**”) of the Company (the “**Board**”) be and is hereby granted a specific mandate to allot and issue the conversion shares which may fall to be issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the terms and conditions of the Conversion Bond as amended by the Extension Supplemental Agreement; and

---

## NOTICE OF SPECIAL GENERAL MEETING

---

- (c) any one or more directors of the Company be and is/are hereby authorised for and on behalf of the Company to execute all such documents, agreements and do all such acts and things, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of in connection with the implementation of or giving effect to the Proposed Extension, the Extension Supplemental Agreement and all matters incidental thereto or in connection therewith;
2. Mr. Dong Ming be re-elected as Director of the Company with immediate effect upon passing of this resolution;
  3. Mr. Tang Ming be re-elected as Director of the Company with immediate effect upon passing of this resolution;
  4. Mr. Liu Zhouyang be re-elected as Director of the Company with immediate effect upon passing of this resolution;
  5. Mr. Qian Yinghui be re-elected as Director of the Company with immediate effect upon passing of this resolution; and
  6. Mr. Huang Bin be re-elected as Director of the Company with immediate effect upon passing of this resolution.”

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

Hong Kong, 12 January 2023

\* for identification purpose only

*As at the date of this notice, 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.*

---

## NOTICE OF SPECIAL GENERAL MEETING

---

*Notes:*

- (i) any shareholder of the Company (“**Shareholder(s)**”) entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A Shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his/her behalf. A proxy need not be a Shareholder. The Company strongly recommends you to closely monitor the development of the situation with the COVID-19 pandemic and to assess, based on the social distancing policies, the necessity for attending the above meeting in person, and the board of directors of the Company respectfully requests that, or the same reason, the Shareholders to appoint the chairman of the above meeting as their proxy rather than a third party to attend and vote on their behalf at the above meeting (or any adjournment thereof).
- (ii) In the case of joint holders of any Share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto. However, if more than one of such joint holders be present at the above SGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) In order to be valid, a form of proxy must be completed, signed and returned to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion and return of the form of proxy shall not preclude the Shareholders from attending and voting in person at the SGM (or any adjourned meeting thereof) if they so wish.
- (iv) For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 27 January 2023 to Wednesday, 1 February 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 26 January 2023.
- (v) In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect the attending Shareholders, staffs, and other stakeholders from the risk of infection:
  - a) compulsory body temperature checks will be conducted on every Shareholder, proxy, and other attendees at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius will be denied entry into the SGM venue or will be required to leave the SGM venue;
  - b) every attendee is required to wear surgical face mask inside the SGM venue at all times, and to maintain a safe distance between seats;
  - c) seating at the SGM venue will be arranged so as to allow appropriate social distancing. As a result, there will be limited capacity for the Shareholders and participants to attend the SGM. The Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding; and
  - d) no refreshments or souvenirs will be served or distributed at the SGM.
- (vi) If typhoon signal No. 8 or above, or “extreme conditions” caused by super typhoons, or a “black” rainstorm warning is in effect any time and remains in force 2 hours before the time of the SGM, the meeting will be postponed. The Company will post an announcement on the websites of Company at [www.0030hk.com](http://www.0030hk.com) and on The Stock Exchange of Hong Kong Limited’s website at [www.hkexnews.hk](http://www.hkexnews.hk) to notify Shareholders of the date, time, and place of the rescheduled meeting.