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

**ANNOUNCEMENT MADE PURSUANT TO RULE 13.09 OF
THE LISTING RULES AND THE INSIDE INFORMATION PROVISIONS UNDER PART
XIVA OF THE SECURITIES AND FUTURES ORDINANCE**

LITIGATIONS INVOLVING THE MINING ASSETS OF THE GROUP

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Ban Loong Holdings Limited (the “**Company**”, which together with its subsidiaries are collectively referred to as the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

FIRST CIVIL RULING

On 13 January 2017, the Company was informed by the management of its indirect subsidiary, 桐柏縣銀地礦業有限責任公司 (Tong Bai County Yin Di Mining Company Limited) (“**Yin Di Mining**”), that it has received a copy of a civil ruling numbered (2017) Yu 1330 Min Chu No. 92 and dated 9 January 2017 (the “**First Civil Ruling**”) issued by Tong Bai County People’s Court (“**Tong Bai Court**”) upon the asset-preserving application by Mr. Wang Huaqing (王華清) and Mr. Huang Suiyin (黃隨雲) on 9 January 2017 in respect of an alleged contractual dispute involving Yin Di Mining. Pursuant to the First Civil Ruling, it was ordered (inter alia) by Tong Bai Court that:

1. The entire equity holding of Yin Di Mining be frozen and all transfer procedures involving the entire equity holding of Yin Di Mining be suspended with effect from 9 January 2017 to 8 January 2018;

2. The mining license numbered C4100002014053220134362 (the “**Mining License**”) owned by Yin Di Mining be frozen and all transfer procedures involving the said Mining License be suspended with effect from 9 January 2017 to 8 January 2018; and
3. Yin Di Mining shall not sell, pledge, charge or create encumbrance of any nature over the said frozen assets.

Yin Di Mining is a limited liability company established in the People’s Republic of China (the “**PRC**”) and is 90% owned by 鄭州金富源礦業有限公司 (Zhengzhou Jinfuyuan Mining Company Limited) (“**Jinfuyuan Mining**”). Jinfuyuan Mining is a sino-foreign equity joint venture established in the PRC and is 90% and 10% owned by Xing Hua Yuan Investment Group Limited (興華源投資集團有限公司) (“**Xing Hua Yuan**”) and Yin Di Mining. Xing Hua Yuan is a company incorporated in Hong Kong with limited liability and is wholly-owned by Jun Qiao Limited (晉翹有限公司) (“**Jun Qiao**”, which together with its subsidiaries are collectively referred to as the “**Jun Qiao Group**”). Jun Qiao is a company incorporated in the British Virgin Islands with limited liability and is a 60%-owned subsidiary of the Company.

The Mining License is owned by Yin Di Mining and covers Yin Di Mining Area (銀地礦區) with an area of approximately 1.81 square kilometers situate at Tongbai County, Henan Province, the PRC. On a look-through basis, the Company has a 54% effective economic interest in the assets and operations of Yin Di Mining and the Mining License.

新疆鑫江源礦業有限公司 (Xinjiang Xin Jiang Yuan Mining Company Limited) (“**Xin Jiang Yuan Mining**”) is a limited liability company established in the PRC and is 95% owned by Yin Di Mining. Xin Jiang Yuan Mining owns an exploration license (the “**Exploration License**”) which covers Hu Lei Si De Mining Area (呼勒斯德礦區) with an area of approximately 29.12 square kilometers situate at Ji Tai County (奇台縣), Xinjiang Uygur Autonomous Region (新疆維吾爾自治區), the PRC. On a look-through basis, the Company has a 51.3% effective economic interest in the assets and operations (if any) of Xin Jiang Yuan Mining and the Exploration License.

SECOND CIVIL JUDGMENT AND ENFORCEMENT ORDER

Upon searches of public records following the revelation of the First Civil Ruling on 13 January 2017, the Company was given to understand that another civil judgment numbered (2016) Yu 01 Min Chu No. 709 and dated 10 October 2016 (the “**Second Civil Judgment**”) was issued by Henan Province Zhengzhou City Intermediate People’s Court (“**Zhengzhou Court**”) in respect of the civil action filed by 河南省桂圓實業有限公司 (Henan Guiyuan Industry Co., Ltd.) (“**Henan Guiyuan**”) with Zhengzhou Court on 6 May 2016 relating to an alleged equity transfer dispute involving the equity of Yin Di Mining owned by Jinfuyuan Mining. As revealed in the Second Civil Judgment, it appeared that Henan Guiyuan might have made allegations to Zhengzhou Court during the course of the litigation that (inter alia):

*“On 28 February 2011, an equity transfer agreement (the “**Equity Transfer Agreement**”) was signed between Henan Guiyuan (as transferor) and Jinfuyuan Mining (as transferee) for the transfer of 95% equity of Yin Di Mining for the consideration of RMB 28,000,000 payable in cash, and Henan Guiyuan completed the transfer of the 95% equity of Yin Di Mining to Jinfuyuan in April 2011 in performance of the terms of the agreement. However, Jinfuyuan Mining only paid RMB 3,000,000 by way of deposit to Henan Guiyuan between March and November 2011. On 30 May 2011, Henan Guiyuan and Jinfuyuan Mining signed a supplemental agreement such that if Jinfuyuan Mining failed to pay the balance of RMB 25,000,000 within 60 days, then it shall (i) re-transfer the equity holding in Yin Di Mining to Henan Guiyuan unconditionally; (ii) allow the RMB 3,000,000 deposit be forfeited; and (iii) accept liability on breach of contract. Under Clause 8.1 of the Equity Transfer Agreement, the quantum of damages for breach of contract is RMB 5,000,000. Despite numerous repayment reminders, the remaining balance of the promised consideration was never paid save and except three small payments totaling RMB 50,000 made between January 2013 and November 2014. On 18 December 2015, Jinfuyuan Mining signed a declaration and gave it to Henan Guiyuan, confirming that it owed the outstanding consideration to Henan Guiyuan, voluntarily accepted all civil liabilities and consequence and agreed to re-transfer its equity holding in Yin Di Mining to Henan Guiyuan.”*

Based on the allegations of Henan Guiyuan (which the Company, Yin Di Mining and Jinfuyuan Mining intend to deny categorically), Henan Guiyuan requested Zhengzhou Court to order (inter alia) that: (a) the Equity Transfer Agreement be terminated and that all the equity holding in Yin Di Mining held by Jinfuyuan Mining be re-transferred to Henan Guiyuan; (b) loss and damages for breach of contract in the amount of RMB 5,000,000 be awarded; and (c) costs to be borne by Jinfuyuan Mining.

As revealed in the Second Civil Judgment, it appears to the Company that certain individuals might have falsely held themselves out to have authority from Jinfuyuan Mining and produced fraudulent documents to the Zhengzhou Court during the course of the litigation in an attempt to reverse the Equity Transfer Agreement and to cause the equity holding in Yin Di Mining to be transferred to Henan Guiyuan without the knowledge of the Company, Yin Di Mining and Jinfuyuan Mining.

Pursuant to the Second Civil Judgment, it was ordered (inter alia) by Zhengzhou Court that:

1. The Equity Transfer Agreement be terminated;
2. All equity holding of Yin Di Ming held by Jinfuyuan Mining be re-transferred to Henan Guiyuan;
3. Damages of RMB 500,000 be awarded to Henan Guiyuan; and
4. Costs of RMB 211,800 be borne by Jinfuyuan Mining.

Upon searches of public records conducted by the Group's legal advisers, the Company was given to understand that a ruling enforcement order numbered (2016) Yu 01 Zhi No. 1301-1 and dated 23 November 2016 (the “**Enforcement Order**”) was issued by the Zhengzhou Court ordering Jinfuyuan Mining to transfer the entire equity holding in Yin Di Ming to Henan Guiyuan.

ACTIONS TAKEN BY THE GROUP UPON KNOWING THE INCIDENTS

Upon the First Civil Ruling coming to its knowledge and attention, the Company has immediately instructed its PRC legal advisers to investigate into the factual circumstances, the claims of the plaintiff and the merits of the case. Subject to further legal advice to be obtained by the Group, the Group currently intends to commence legal actions in the PRC to defend the Group's position and to uphold the Group's legitimate interest and control over its 90% equity interest in Yin Di Mining and the Mining License. Pending further investigation into the factual circumstances and the merits of the case and the obtaining of further legal advice, the Company is currently not in the position to make any pre-mature assessment on the potential impact of the First Civil Ruling on the operations and financial position of the Group.

Upon the Second Civil Judgment coming to its knowledge and attention, the Company has immediately instructed its PRC legal advisers to investigate into the factual circumstances as to how the matter might have arisen in the first place and how the legal action could be commenced, tried, compromised and decided without the Group's knowledge whatsoever. Subject to the further legal advice to be obtained by the Group, the Group currently intends to commence legal actions in the PRC to defend the Group's position and to uphold the Group's legitimate interest and control over its 90% equity interest in Yin Di Mining and the Mining License. In addition, the Company may also consider filing criminal complaints with the relevant law enforcement authorities to investigate into any unlawful activities of the any persons and entities who might have given fraudulent evidence and documents to the Court during the course of the litigation. Pending further investigation into the factual circumstances and the obtaining of further legal advice, the Company is currently not in the position to make any final assessment on the impact of the Second Civil Judgment on the operations and financial position of the Group.

POSSIBLE IMPACT OF THE LITIGATIONS ON THE GROUP

As disclosed in the Company's Interim Report 2016/2017, Jun Qiao Group (60% owned by the Group) is the flagship entity of the Group's mining operations (the “**Mining Segment**”). Jun Qiao Group, through Yin Di Mining, currently holds (i) the Mining License in respect of Yin Di Mining Area; and (ii) 95% equity interest in Xin Jiang Yuan Mining, which in turn holds the Exploration License in respect of Hu Lei Si De Mining Area.

In March 2015, the Group entered into an operating lease (the “**Lease**”) with 河南恒宜礦業有限公司 (Henan Heng Yi Mining Company Limited) (the “**Lessee**”), a limited liability company

incorporated in the PRC, to let the Yin Di Mining Area and the Hu Lei Si De Mining Area (collectively, the “**Mining Areas**”) for one year running from 30 March 2015 to 29 March 2016 (subject to renewals of successive one-year periods) for up to a maximum of ten years. The annual rent for the Mining Areas under the Lease during the year running from 30 March 2016 to 29 March 2017 is RMB 5,200,000, which should be paid by 12 equal monthly installments.

The following table summarizes the ratio of the segmental financial information (excluding unallocated assets and liabilities and unallocated income and expenses) relating to the Mining Segment when compared to the entire Group:

Interim Report 2016/2017 (as at 30 September 2016)

	<u>Mining Segment</u>	<u>Entire Group</u>	<u>%</u>
Assets	HK\$365,306,336	HK\$609,644,488	59.92
Liabilities	HK\$90,404,461	HK\$171,899,041	52.59
Non-controlling interest	HK\$96,940,911	HK\$104,299,492	92.94
Net assets (after deducting non-controlling interest)	HK\$177,960,964	HK\$333,445,955	53.37

Interim Report 2016/2017 (for the six months ended 30 September 2016)

	<u>Mining Segment</u>	<u>Entire Group</u>	<u>%</u>
Revenue	HK\$3,056,300	HK\$120,811,696	2.53
Gross Profit	HK\$3,056,300	HK\$20,757,228	14.72
Profit/(loss) before tax	HK\$1,990,290	HK\$(2,815,080)	N/A
Profit/(loss) after tax	HK\$1,492,717	HK\$(4,630,279)	N/A
Non-controlling interest	HK\$686,650	HK\$(51,539)	N/A
Profit/(loss) (after deducting non-controlling interest)	HK\$806,067	HK\$(4,578,740)	N/A

Annual Report 2015/2016 (as at 31 March 2016)

	<u>Mining Segment</u>	<u>Entire Group</u>	<u>%</u>
Assets	HK\$376,017,582	HK\$603,904,116	62.26
Liabilities	HK\$90,902,830	HK\$169,956,875	53.49
Non-controlling interest	HK\$99,678,934	HK\$107,781,128	92.48
Net assets (after deducting non-controlling interest)	HK\$185,435,818	HK\$326,166,113	56.85

Annual Report 2015/2016 (for the twelve months ended 31 March 2016)

	<u>Mining Segment</u>	<u>Entire Group</u>	<u>%</u>
Revenue	HK\$6,775,040	HK\$146,491,215	4.62
Gross Profit	HK\$6,775,040	HK\$26,249,220	25.81
Profit/(loss) before tax	HK\$(2,305,536)	HK\$(41,426,990)	5.57
Profit/(loss) after tax	HK\$(2,379,533)	HK\$(42,366,934)	5.62
Non-controlling interest	HK\$(1,062,695)	HK\$(8,829,327)	12.04
Profit/(loss) (after deducting non-controlling interest)	HK\$(1,316,838)	HK\$(33,537,607)	3.93

In the worst-case scenario that the execution of the Enforcement Order cannot be stayed and that the 90% equity in Yin Di Mining owned by Jinfuyuan Mining were to be transferred to Henan Guiyuan, the Group were to lose control over all assets and operations of the entire Mining Segment, comprising essentially all the assets and operations attributable to the Mining Areas (the “**Mining Assets**”). Based on the preliminary legal advice currently obtained by the Company (which is still subject to further findings of factual circumstances and further legal advice), the Group should have sufficient evidential bases to commence legal actions in an attempt to recover the Mining Assets even if control over the Mining Assets is temporarily lost. However, in the event that the Group does not manage to recover the Mining Assets eventually, the Group may suffer a significant loss in its investment in the Mining Assets, while the level of impact of the loss of Mining Assets on the Group’s revenue and gross is expected to be small to moderate in comparison.

As disclosed in the Company's Interim Report 2016/2017, as at 30 September 2016, the Group had outstanding unsecured 5.5% per-annum 7-years (i.e. due between January and July 2021) corporate bonds (the “**Bonds**”) with aggregate principal sum of HK\$70,000,000. The repayment obligations of the Company under the instruments of the Bonds is guaranteed by Jun Qiao. Under the terms of the subscription agreements in relation to the Bonds, to the extent which is legally permissible, the Company and Jun Qiao undertook to continue to maintain its interests in the Mining Assets and not to dispose of, transfer or sell any of the Mining Assets until the maturity of the Bonds, unless the consent of the majority of the bondholders is obtained. The Company is seeking legal advice as to how the incidents arising from the First Civil Ruling, the Second Civil Judgment and the Enforcement Order might impact on the repayment obligations of the Company on the Bonds.

Further announcement(s) will be made by the Company if more factual information is obtained by the Company during the investigation process or if there are any major developments on the incidents arising from the First Civil Ruling, the Second Civil Judgment and the Enforcement Order. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Ban Loong Holdings Limited
Chow Wang
Chairman and Executive Director

Hong Kong, 15 January 2017

As at the date of this announcement, the Board of the Company comprises:

Executive Directors:

Mr. Chow Wang (Chairman)

Mr. Cheung Wai Shing

Non-executive Director:

Mr. Fong For

Independent Non-executive Directors:

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

Ms. Wong Chui San, Susan