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

**CONNECTED TRANSACTION
IN RELATION TO
THE SHARE SUBSCRIPTION BY
YUNNAN BAIYAO HOLDINGS CO., LTD.
UNDER SPECIFIC MANDATE**

THE SUBSCRIPTION

The Board is pleased to announce that on 20 August 2018 (after trading hours), the Company entered into the Subscription Agreement with Yunnan Baiyao Holdings, pursuant to which the Company has conditionally agreed to allot and issue, and Yunnan Baiyao Holdings has conditionally agreed to subscribe for, 1,000,000,000 Subscription Shares at the Subscription Price of HK\$0.180 per Subscription Share.

The 1,000,000,000 Subscription Shares represent (i) approximately 18.35% of the issued share capital of the Company as at the date of the Subscription Agreement; and (ii) approximately 15.51% of the issued share capital of the Company as enlarged by the Subscription Shares immediately after Completion, assuming that there is no other change in the issued share capital of the Company from the date of the Subscription Agreement up to Completion.

The Subscription Price of HK\$0.180 per Subscription Share: (i) is equivalent to the closing price of HK\$0.180 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and (ii) represents a discount of approximately 1.207% to the average closing price of HK\$0.1822 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Subscription Agreement.

The gross proceeds and net proceeds from the Subscription amount to approximately HK\$180 million and HK\$178.8 million, respectively. The Company intends to apply the net proceeds from the Subscription (a) as to approximately HK\$30 million for the business development and expansion of the Group's trading business; (b) as to approximately HK\$120 million for the business development and expansion of the Group's money lending business; and (c) as to the remaining HK\$28.8 million for the Group's general working capital.

IMPLICATIONS UNDER THE LISTING RULES

Yunnan Baiyao Holdings is a substantial shareholder holding 908,025,360 Shares, representing approximately 16.67% of the issued share capital of the Company. As Yunnan Baiyao Holdings is a connected person of the Company, the entering into of the Subscription Agreement constitutes a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Subscription Shares will be issued under the Specific Mandate which is subject to Independent Shareholders' approval at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Jiang Zhi, Mr. Leung Ka Kui Johnny and Ms. Wong Chui San Susan, has been established to advise the Independent Shareholders regarding the terms of the Subscription Agreement. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

THE SGM

The SGM will be convened and held for the purposes of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Subscription Shares under the Specific Mandate. In accordance with the Listing Rules, Yunnan Baiyao Holdings and its associates will be required to abstain from voting on the resolution(s) in respect of the Subscription at the SGM.

A circular containing, among other matters, (i) further information on the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Subscription Shares under the Specific Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the terms of the Subscription Agreement; (iii) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription Agreement; and (iv) the notice of the SGM, is expected to be dispatched to the Shareholders on or before 10 September 2018.

WARNING OF RISKS OF DEALING IN SHARES

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD NOTE THAT COMPLETION OF THE SUBSCRIPTION AGREEMENT IS CONDITIONAL UPON THE SATISFACTION OF CERTAIN CONDITIONS PRECEDENT AND THEREFORE MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD THEREFORE EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

The Board is pleased to announce that on 20 August 2018 (after trading hours), the Company entered into the Subscription Agreement with Yunnan Baiyao Holdings, pursuant to which the Company has conditionally agreed to allot and issue, and Yunnan Baiyao Holdings has conditionally agreed to subscribe for, 1,000,000,000 Subscription Shares at the Subscription Price of HK\$0.180 per Subscription Share.

The principal terms of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date

20 August 2018 (after trading hours)

Parties

1. The Company (as the issuer)
2. Yunnan Baiyao Holdings (as the subscriber)

Number of Subscription Shares

The 1,000,000,000 Subscription Shares represent (i) approximately 18.35% of the issued share capital of the Company as at the date of the Subscription Agreement; and (ii) approximately 15.51% of the issued share capital of the Company as enlarged by the Subscription Shares immediately after Completion, assuming that there is no other change in the issued share capital of the Company from the date of the Subscription Agreement up to Completion. The aggregate nominal value of the Subscription Shares is HK\$10,000,000.00.

Subscription Price

The Subscription Price is HK\$0.180 per Subscription Share or HK\$180,000,000 in aggregate. The aggregate Subscription Price shall be remitted by Yunnan Baiyao Holdings to the account designated by the Company no later than two business days after it was notified by the Company of the due registration of the Subscription Shares in the name of Yunnan Baiyao Holdings (or as it may direct) on Completion.

The Subscription Price of HK\$0.180 per Subscription Share: (i) is equivalent to the closing price of HK\$0.180 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and (ii) represents a discount of approximately 1.207% to the average closing price of HK\$0.1822 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Subscription Agreement.

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as those terms are defined under Rule 7.27B of the Listing Rules) for the Subscription under the Specific Mandate are approximately HK\$0.1819 per Share, HK\$0.1822 per Share and 0.1873%, respectively. During the 12 month period immediately preceding the date of this announcement, the Company has not undertaken (whether by reference to the date of announcement or the date of share issue) any rights issue, open offer or specific mandate placing.

Conditions

Completion of the Subscription is conditional upon:

- (a) the obtaining by Yunnan Baiyao Holdings of all necessary approvals in relation to the Subscription in compliance of laws and regulations in the PRC regarding offshore investment and foreign exchange;
- (b) the obtaining by the Company of the approval from the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and such approval not having been revoked or cancelled prior to the Completion of the Subscription;

- (c) the obtaining by the Company of the approval of the Independent Shareholders at the SGM in respect of the Subscription Agreement and the Specific Mandate; and
- (d) the allotment and issue of the Subscription Shares not triggering any mandatory general offer obligations under the Takeovers Code.

Yunnan Baiyao Holdings shall use its reasonable endeavours to procure that Condition (a) above is satisfied by 5:00 p.m. on or before 31 October 2018 (the “**Long Stop Date**”). The Company shall use its reasonable endeavours to procure that Conditions (b) and (c) above are satisfied by 5:00 p.m. on or before the Long Stop Date. None of the Conditions above may be waived by any party in any event.

If any of the Conditions is not fulfilled on or before the Long Stop Date, then unless the Company and Yunnan Baiyao Holdings mutually agree to further extend the Long Stop Date to such later time and date, the Subscription Agreement shall lapse and become null and void and the parties shall be released from all obligations thereunder save for liabilities for any antecedent breaches thereof.

Completion

Completion of the Subscription shall take place within five Business Days after the day on which the last Condition is fulfilled or such other date as the parties may agree in writing. In any event, Completion of the Subscription shall take place within six weeks after the date of obtaining of the Independent Shareholders’ approval on the Subscription and the Specific Mandate at the SGM.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu amongst themselves and with all the other Shares in issue at the time of allotment and issue of the Subscription Shares.

Application for listing

Application will be made to the Stock Exchange for listing of, and permission to deal in, the Subscription Shares.

Specific Mandate

The Subscription Shares will be issued under the Specific Mandate which is subject to Independent Shareholders' approval at the SGM.

INFORMATION ABOUT YUNNAN BAIYAO HOLDINGS

Yunnan Baiyao Holdings is a limited liability company established in the PRC whose scope of business include the development and operation of botanical pharmaceutical ingredient base; the production, sales, research and development of pharmaceutical products; the investment in medical and pharmaceutical industries; the development and use of biological resources; and the domestic and international trades. As at the date of this announcement, Yunnan Baiyao Holdings is 45%, 45% and 10% owned by the State-owned Assets Supervision and Administration Commission of Yunnan Province, New Huadu Industrial Group Co., Ltd. (“**New Huadu**”) and 江蘇魚躍科技發展有限公司 (Jiangsu Yuwell Technology Development Co., Ltd.), respectively. New Huadu is a limited liability company established in the PRC and is 76.87% owned by Mr. Chen Fa Shu. Yunnan Baiyao Holdings is the 41.52% holding company of 雲南白藥集團股份有限公司 (Yunnan Baiyao Group Co., Ltd.) (“**Yunnan Baiyao Group**”), a joint stock limited liability company established in the PRC whose A shares are listed on the Shenzhen Stock Exchange with stock code: 000538.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF THE PROCEEDS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in money lending, trading and mining operations.

The Directors have considered other fund raising methods under the prevailing market conditions, and considered that the Subscription provided the maximum certainty on the outcome of the fund-raising and signified the support and confidence of the Company's substantial shareholder on the Group's future prospect. Compared with debt financing, the Subscription incurred no interest expenses for the Company. Compared with rights issue or open offer, the timetable for the Subscription is expected to be shorter since there is no need to prepare a prospectus for registration. Compared with best-effort placing conducted by placing agents, the fund-raising outcome of the Subscription is more certain and the transaction costs are lower.

The gross proceeds and net proceeds from the Subscription amount to approximately HK\$180 million and HK\$178.8 million, respectively. The Company intends to apply the net proceeds from the Subscription (a) as to approximately HK\$30 million for the business development and expansion of the Group's trading business; (b) as to approximately HK\$120 million for the business development and expansion of the Group's money lending business; and (c) as to the remaining HK\$28.8 million for the Group's general working capital.

The Directors consider that the Subscription represents an opportunity for the Company to raise additional capital to support its business development and expansion. The terms of the Subscription Agreement (including the Subscription Price) were arrived at after arm's length negotiations between the Company and Yunnan Baiyao Holdings with reference to, amongst other things, the recent trading prices of the Shares on the Stock Exchange. After considering the factors above, the Directors (save and except the independent non-executive Directors who will defer the expression of their views pending the obtaining of the advice of the Independent Financial Adviser) consider that the terms of the Subscription Agreement are fair and reasonable and the entering into of the Subscription Agreement is in the best interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following table summarizes the equity fund raising activities of the Company for the twelve months immediately preceding the date of this announcement:

Equity fund raising activities	Intended use of proceeds	Actual use of proceeds
Date of announcement: 7 September 2017	The net proceeds of approximately HK\$199 million were originally intended to be used:	Up to the date of this announcement, the net proceeds were actually used:
Nature: allotment and issue of 908,025,360 Shares by the Company to Yunnan Baiyao Holdings under the refreshed general mandate, which was completed on 27 October 2017	<p>(a) as to HK\$70 million for the development of personal care products business of the Group;</p> <p>(b) as to HK\$70 million for the money lending business of the Group;</p>	<p>(a) as to HK\$70 million for the Group's money lending business as intended;</p> <p>(b) as to HK\$30 million for the Group's trading business as intended;</p>
Subscription price: HK\$0.22 per share, representing a discount of 16.98% and 17.60% when compared to the share price on the date of the subscription agreement and the five days' average share price prior thereto, respectively	<p>(c) as to HK\$30 million for the development of trading business; and</p> <p>(d) as to HK\$29 million for the Group's general working capital.</p>	<p>(c) due to the delay in business development plan of the Group's personal care products business, HK\$46 million out of HK\$70 million which was originally intended for the development of personal care products business was reallocated for the Group's trading business; and</p> <p>(d) amongst the remaining HK\$53 million, HK\$33 million was utilized for the Group's general working capital (including payment of salaries and remuneration, bond interest, rental expenses, professional fees and other operating expenses), HK\$6 million was set aside for general working capital for the next two months and accrued professional fees and the remaining HK\$14 million continued to be set aside for the Group's general working capital.</p>

CHANGES TO SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company before the Subscription and immediately after the Completion, assuming that there is no other change in the issued share capital of the Company from the date of the Subscription Agreement up to Completion:

Shareholders	Before the Subscription		Immediately after Completion	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Yunnan Baiyao Holdings	908,025,360	16.67%	1,908,025,360	29.59%
Mr. Chow Wang	495,404,000	9.09%	495,404,000	7.68%
Mr. Fong For	349,068,000	6.40%	349,068,000	5.41%
Public Shareholders	<u>3,695,654,800</u>	<u>67.84%</u>	<u>3,695,654,800</u>	<u>57.32%</u>
Total	<u>5,448,152,160</u>	<u>100.00%</u>	<u>6,448,152,160</u>	<u>100.00%</u>

IMPLICATIONS UNDER THE LISTING RULES

Yunnan Baiyao Holdings is a substantial shareholder holding 908,025,360 Shares, representing approximately 16.67% of the issued share capital of the Company. As Yunnan Baiyao Holdings is a connected person of the Company, the entering into of the Subscription Agreement constitutes a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Subscription Shares will be issued under the Specific Mandate which is subject to Independent Shareholders' approval at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Jiang Zhi, Mr. Leung Ka Kui Johnny and Ms. Wong Chui San, Susan, has been established to advise the Independent Shareholders regarding the terms of the Subscription Agreement. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

THE SGM

The SGM will be convened and held for the purposes of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Subscription Shares under the Specific Mandate.

To the best of the knowledge, information and belief of the Directors, Yunnan Baiyao Holdings is interested in 908,025,360 Shares as at the date of this announcement and has a material interest in the transactions contemplated under the Subscription Agreement. In accordance with the Listing Rules, Yunnan Baiyao Holdings and its associates will be required to abstain from voting on the resolution(s) in respect of the Subscription at the SGM. Save as disclosed above, as at the date of this announcement, to the best of the knowledge, information and belief of the Directors, none of the associates of Yunnan Baiyao Holdings has any other interest in Shares and no other Shareholder has a material interest in the Subscription Agreement.

A circular containing, among other matters, (i) further information on the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Subscription Shares under the Specific Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the terms of the Subscription Agreement; (iii) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription Agreement; and (iv) the notice of the SGM, is expected to be dispatched to the Shareholders on or before 10 September 2018.

WARNING OF RISKS OF DEALING IN SHARES

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD NOTE THAT COMPLETION OF THE SUBSCRIPTION AGREEMENT IS CONDITIONAL UPON THE SATISFACTION OF CERTAIN CONDITIONS PRECEDENT AND THEREFORE MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD THEREFORE EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:-

“associates”	having the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“Company”	Ban Loong Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange with stock code: 30
“Completion”	the completion of the Subscription
“Conditions”	the conditions precedent to Completion, as more particularly set out in the paragraph headed “Conditions” of this announcement
“connected persons”	having the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“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 Mr. Jiang Zhi, Mr. Leung Ka Kui Johnny and Ms. Wong Chui San Susan, which was established to make a recommendation regarding the terms of the Subscription Agreement

“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which was appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription Agreement
“Independent Shareholders”	Shareholders other than (a) Yunnan Baiyao Holdings and its associates, and (b) any other Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolution(s) relating to the Subscription Agreement and the Specific Mandate at the SGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	a special general meeting of the Company to be convened and held for the purpose of approving, amongst other things, the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Subscription Shares under the Specific Mandate
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the authority to be sought from the Independent Shareholders at the SGM to authorize the Directors to allot and issue the Subscription Shares under the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription for the Subscription Shares by Yunnan Baiyao Holdings on the terms and subject to the conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement entered into on 20 August 2018 (after trading hours) between the Company and Yunnan Baiyao Holdings in relation to the Subscription
“Subscription Price”	HK\$0.180 per Subscription Share
“Subscription Shares”	1,000,000,000 new Shares to be allotted and issued to Yunnan Baiyao Holdings pursuant to the Subscription Agreement
“substantial shareholders”	having the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Yunnan Baiyao Holdings”	Yunnan Baiyao Holdings Co., Ltd. (雲南白藥控股有限公司), a limited liability company established in the PRC and the subscriber under the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Ban Loong Holdings Limited
Chow Wang
Chairman & Chief Executive Officer

Hong Kong, 20 August 2018

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

Executive Directors:

Mr. Chow Wang (*Chairman & Chief Executive Officer*)

Mr. Chu Ka Wa (*Chief Financial Officer*)

Mr. Wang Zhaoqing (*Chief Operating Officer*)

Non-executive Director:

Mr. Fong For

Independent Non-executive Directors:

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

Ms. Wong Chui San, Susan