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## **Tianyun International Holdings Limited**

**天韻國際控股有限公司**

*(incorporated in the British Virgin Islands with limited liability)*

**(Stock code: 6836)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN THE TARGET COMPANY**

#### **ACQUISITION**

The Board is pleased to announce that on 15 September 2017 (after trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor in relation to the Acquisition, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Share.

#### **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that on 15 September 2017 (after trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor in relation to the Acquisition, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Share for an aggregate consideration of HK\$55 million (equivalent to approximately RMB46.1 million) (subject to adjustment).

The principal terms of the Agreement are summarized below.

## **THE AGREEMENT**

Date: 15 September 2017 (after trading hours of the Stock Exchange)

Parties: (1) Purchaser: Tianyi Holding Hong Kong Limited, a wholly-owned subsidiary of the Company;

(2) Vendor: Long Advance Investments Limited, a company wholly-owned by Mr. Li Jinrong

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties.

The Purchaser is a company incorporated in Hong Kong with limited liability. It is a wholly-owned subsidiary of the Company and is principally engaged in investment holding and trading.

### **Subject of the Acquisition**

Pursuant to the Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Share, representing the entire issued share capital of the Target Company upon Completion. Immediately before Completion, the Vendor is the legal and beneficial owner of the Sale Share.

There is no restriction on the subsequent sale of the Sale Share.

### **Consideration**

The Consideration payable for the sale and purchase of the Sale Share shall be HK\$55 million (equivalent to approximately RMB46.1 million) (subject to adjustment), which shall be settled in the following manner:

- (a) HK\$33 million (equivalent to approximately RMB27.6 million) of the Consideration shall be settled in cash (the “**Cash Consideration**”) in the following manner:
  - (i) a sum of HK\$6 million (equivalent to approximately RMB5.0 million) has been paid upon signing of the Agreement, the same of which will be refundable if Completion does not take place;

- (ii) the remaining balance of HK\$27 million (equivalent to approximately RMB22.6 million) shall be paid within 90 days after Completion;
- (b) a maximum of HK\$22 million (equivalent to approximately RMB18.4 million) of the Consideration shall be settled by way of allotment and issue of 17,188,000 new Shares (the “**Consideration Shares**”) at the consideration of HK\$1.28 per Share in the following manner:
- (i) if, during the period of three years commencing from the Completion Date, the aggregate amount of production volume of the Target Group can reach 80,000 tonnes of processed fruits (the “**Target Production Volume**”) and the total amount of revenue from its principal business can reach RMB700 million (the “**Target Revenue**”), the Purchaser shall procure the Company to allot and issue:
    - (aa) 50% of the Consideration Shares within 30 days after the issue of the relevant financial statements of the Target Group where it is shown that the Target Group has achieved 50% of the Target Production Volume and 50% of the Target Revenue; and
    - (bb) the remaining 50% of the Consideration Shares within 30 days after the issue of the relevant financial statements of the Target Group where it is shown that the Target Group has achieved the Target Production Volume and the Target Revenue;
  - (ii) if the Target Production Volume and/or Target Revenue cannot be achieved, the number of Consideration Shares shall be reduced by such proportion equivalent to the percentage of shortfall between (aa) the actual production volume and the Target Production Volume or (bb) the actual revenue and the Target Revenue, whichever the shortfall is larger.

The Consideration for the Acquisition was determined after arms’ length negotiations between the Purchaser and the Vendor with reference to, among others, the net asset value of the Target Company, and the valuation results in respect of the land-use rights and buildings, and machinery and equipment of the Target Company as at 31 July 2017 prepared by an independent valuer.

The issue price of HK\$1.28 per Consideration Share was arrive at after arm’s length negotiations between the Purchaser and the Vendor after taking into account the recent growth trend of the price of the Shares, future prospects of the Group and the average of the

closing price of the Shares during the period of 30 consecutive trading days immediately preceding the date of the Agreement.

The issue price represents:

- (a) a premium of approximately 25.0% over the closing price of HK\$1.02 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (b) a premium of approximately 25.0% over the average of the closing price of HK\$1.02 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to the date immediately before the date of the Agreement;
- (c) a premium of approximately 3.4% over the average of the closing price of HK\$1.24 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to the date immediately before the date of the Agreement; and
- (d) a premium of approximately 82.3% over the unaudited consolidated net assets value of approximately HK\$0.70 per Share as at 30 June 2017 as published in the interim report, based on the unaudited net assets value of approximately HK\$686.3 million and the 977,462,000 Shares in issue as at the date of the Agreement.

The Consideration Shares will be issued pursuant to the general mandates to issue shares granted by the Shareholders during the annual general meeting of the Company held on 16 May 2017. As at the date of this announcement, none of the general mandates have been utilized. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The issue price shall be, from time to time, subject to adjustment upon occurrence of, inter alia, any of the following events:

- (a) consolidation or subdivision of Shares;
- (b) capitalisation of profits or reserves; or
- (c) offer of new Shares for subscription by way of a rights issue or an open offer at a price which is less than the market price at the date of the announcement of the terms of such offer per Share to Shareholders.

No adjustment will be made if it will cause the Company to allot and issue Shares in excess of the general mandate.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Agreement are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### **Conditions Precedent**

Completion of the Agreement is conditional upon the fulfilment of the following conditions:

- (a) the Warranties remaining true and accurate and not misleading in all respects;
- (b) the obtaining by the Purchaser of a legal opinion in the form and substance satisfactory to the Purchaser issued by a practising lawyer in the PRC opining on, inter alia, the operation, business, assets of Yichang Tiantong and other matters reasonably requested by the Purchaser and there is no (i) material non-compliance, (ii) material litigation or (iii) material uncertainty in the business model of Yichang Tiantong;
- (c) the compliance by the Purchaser and its holding company of all requirements under the Listing Rules and other regulatory authorities for entering into the Agreement and the transactions contemplated thereunder;
- (d) the Purchaser being satisfied with the results of the due diligence review to be conducted in relation to the assets, liabilities, operations and business of the Target Group;
- (e) the Vendor having provided to the Purchaser documentary evidence to the satisfaction of the Purchaser, certain patents currently owned by third party have been legally and validly transferred to Yichang Tiantong;
- (f) the Vendor having provided to the Purchaser documentary evidence, showing that Yichang Tiantong has entered into new or supplemental agreement with the relevant banks, pursuant to which the relevant banks have agreed to reduce the interest rate in respect of the loan advanced to Yichang Tiantong and amend other terms of the loan as designated by the Purchaser, and those adjustment in interest rate and amendments to the terms are to the satisfaction of the Purchaser; and
- (g) there have not been any material adverse change on the Target Group.

The Purchaser may at any time waive the above conditions by written notice (save for condition (c), which are incapable of being waived). In the event that the above conditions are not fulfilled (or waived as the case may be) on or before 31 January 2018 (or such later date as the Vendor and the Purchaser may agree), all rights and obligations of the parties under the

Agreement shall be terminated. The Vendor shall immediately return the deposit of HK\$6 million already paid by the Purchaser under the Agreement in full without interest to the Purchaser. Thereafter none of the parties to the Agreement shall have any further obligations and liabilities towards the other thereunder except for any antecedent breaches (if any).

### **Completion**

Completion shall take place on the 5th Business Day after the fulfilment (or waiver as the case may be) of all the conditions precedent under the Agreement or on such other date as may be agreed between the Vendor and the Purchaser. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into those of the Group.

The Company intends to pay the Consideration by the internal resources of the Group.

### **INFORMATION OF THE TARGET GROUP AND THE VENDOR**

As at the date of this announcement, the Target Company is wholly-owned by the Vendor. The Target Company owns the entire issued share capital of Strong Won (HK), which in turns wholly owns the entire equity interest in Yichang Tiantong.

The Vendor and the Target Company are companies incorporated in the British Virgin Islands with limited liability which are principally engaged in investment holding. The Target Group is based in Dongyang City, Yichang, Hubei Province, the PRC and is principally engaged in the production and sales of processed fruits products. The Target Company and Strong Won (HK) were newly incorporated companies by the beneficial owner of Yichang Tiantong for the purposes of internal corporate restructuring of Yichang Tiantong in preparation of the acquisition by the Group.

As of 31 July 2017, Yichang Tiantong had an unaudited net asset value of approximately RMB107.1 million. Based on the unaudited management accounts of Yichang Tiantong for the year ended 31 December 2016 and the seven months ended 31 July 2017:

	<b>Year ended</b> <b>31 December 2016</b> (unaudited) <i>(RMB thousand)</i>	<b>Seven months</b> <b>ended</b> <b>31 July 2017</b> (unaudited) <i>(RMB thousand)</i>
Net loss	0.3	1,836.4

## EFFECT ON THE ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company had 977,462,000 Shares in issue. For reference and illustration purposes only, assuming 17,188,000 Consideration Shares will be allotted and issued pursuant to the Agreement and there is no other change in the shareholding structure of the Company, the following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consideration Shares.

	As at the date of this announcement		Immediately after the allotment and issue of Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Wealthy Active Limited ( <i>Note 1</i> )	449,117,000	45.95	449,117,000	45.15
Wealthy Maker Limited ( <i>Note 2</i> )	110,000,000	11.25	110,000,000	11.06
Sino Red Limited ( <i>Note 3</i> )	76,111,000	7.79	76,111,000	7.65
Vendor	Nil	Nil	17,188,000	1.73
Public	<u>342,234,000</u>	<u>35.01</u>	<u>342,234,000</u>	<u>34.41</u>
<b>TOTAL</b>	<b><u>977,462,000</u></b>	<b><u>100%</u></b>	<b><u>994,650,000</u></b>	<b><u>100%</u></b>

### Notes:

1. Wealthy Active Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Yang Ziyuan, the Chairman and an executive Director.
2. Wealthy Maker Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Sun Xingyu, an executive Director.
3. Sino Red limited is a company incorporated in the British Virgin Islands and is wholly-owned by Ocean Equity Partners Fund L.P.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company and its subsidiaries are principally engaged in (i) the production and sales of processed fruit packaged in metal containers, plastic cups and glass containers and (ii) trading of fresh fruit.

The Group actively seeks industrial partnership opportunities and potential acquisitions under the premise that cooperation can maximize the overall operating efficiency and achieve synergies. The Target Group is based in Hubei Province, the central part of the PRC and has its own land-use rights and production facilities with a site area of 101 mu and a construction area of 26,000 square meters including standardized factory with 12 production lines, office building, warehouses, and environmental protection and staff facilities. The Target Group also possesses the requisite licences on its business in the PRC and various international certifications on its production facilities, quality control and management systems. Through the Acquisition, the Company can establish a production and distribution base in the central part of the PRC for further business expansion and development of subtropical processed fruit products. The production facilities of the Target Group can increase the production capacity on new and existing processed fruit products while the production base can also facilitate the Group in its warehousing and logistics arrangement for its own brand products in the central part of the PRC. By introducing the Group's customers to the Target Group and integrating the production knowhow and quality control systems of the Target Group with that of the Group, the Directors consider that synergies can be achieved through the Acquisition. It also aims to introduce more fruit types from subtropical region and develop new fruit products. Mr. Li Jinrong is the person-in-charge of the Target Group. After Completion, Mr. Li will continue to manage the Target Group and his management skills and experiences can be fully utilized and will constitute a value to the Group. Mr. Li will also be appointed as senior management of the Group and be delegated with the task of overseeing the business of the Group in Hubei Province, the PRC.

Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

As none of the Directors has a material interest in the Acquisition, no Director is required to abstain from voting on the relevant resolution of the Board approving the Acquisition.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 15 September 2017 entered into among the Vendor and the Purchaser in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Tianyun International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 6836)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the 5th Business Day upon the fulfilment (or waiver as the case may be) of all the conditions precedent under the Agreement or on such other date as may be agreed between the Vendor and the Purchaser
“Consideration”	the aggregate consideration payable by the Purchaser to the Vendor for the Sale Share, being HK\$55 million (equivalent to approximately RMB46.1 million) (subject to adjustment)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Tianyi Holding Hong Kong Limited (天翌集團香港有限公司), a limited company incorporated in Hong Kong on 26 September 2011 and the wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	1 share of the Target Company, representing the entire issued share capital of the Target Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) without par value in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strong Won (HK)”	Strong Won Investment Hong Kong Limited, a limited company incorporated in Hong Kong on 6 June 2017 and a wholly-owned subsidiary of the Vendor

“Target Company”	Strong Won Investment Limited, a limited company incorporated in the British Virgin Islands on 31 March 2017, the entire issued share capital of which is owned by the Vendor
“Target Group”	the Target Company, Strong Won (HK) and Yichang Tiantong
“Vendor”	Long Advance Investments Limited (恆進投資有限公司), a limited company incorporated in the British Virgin Islands on 4 July 2017, the entire issued share capital of which is owned by Mr. Li Jinrong
“Warranties”	the warranties and representations given by the Vendor to the Purchaser as set out in the Agreement
“Yichang Tiantong”	天同食品(宜昌)有限公司 (Tiantong Foods (Yichang) Ltd.), a limited liability company established in the PRC and a wholly-owned subsidiary of Strong Won (HK)

By order of the Board  
**Tianyun International Holdings Limited**  
**Yang Ziyuan**  
*Chairman and Executive Director*

Hong Kong, 15 September 2017

*As at the date of this announcement, the Board of the Company comprises (i) Mr. Yang Ziyuan and Mr. Sun Xingyu as the executive Directors; (ii) Ms. Chu Yinghong and Mr. Wong Yim Pan as the non-executive Directors; and (iii) Mr. Liang Zhongkang, Mr. Tsang Yuen Wai and Ms. Hui Yung Yung Janet as the independent non-executive Directors.*