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Tianyun International Holdings Limited **天韵國際控股有限公司**

(incorporated in the British Virgin Islands with limited liability)

(Stock code: 6836)

ISSUE OF US\$4,000,000 CONVERTIBLE NOTES UNDER GENERAL MANDATE

ISSUE OF THE CONVERTIBLE NOTES

On 22 January 2018 (after trading hours), the Company entered into the Subscription Agreement with Guotai Junan Finance and Guotai Junan Securities, pursuant to which Guotai Junan Finance conditionally agreed to subscribe for, and the Company conditionally agreed to issue, the Notes in an aggregate principal amount of US\$4,000,000. Guotai Junan Securities agreed to act as settlement agent in relation to the settlement of the cash payable by Guotai Junan Finance to the Company.

As at the date of this announcement, the Company has an aggregate of 977,462,000 Shares in issue. Assuming (i) there is no other change in the number of Shares in issue; and (ii) full conversion of the Notes, based on the initial Conversion Price of HK\$1.58 per Conversion Share (on the basis of the Agreed Exchange Rate), a maximum of 19,620,253 Conversion Shares will be allotted and issued, representing (i) approximately 2.01% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

USE OF PROCEEDS

The estimated net proceeds from the issue of the Notes (after deducting all related expenses), are estimated to be approximately HK\$30.0 million, which are intended to be used for the general working capital of the Group, and expansion and development of the Group's own brand business in the areas including new brands, new product varieties, potential mergers and acquisitions, industrial partnership and strategic investment.

GENERAL MANDATE

The Conversion Shares will be allotted and issued pursuant to the General Mandate. Accordingly, the issue of the Notes and the allotment and issue of the Conversion Shares (upon conversion of the Notes) are not subject to Shareholders' approval.

GENERAL

The Company will make an application to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made by the Company to the Listing Committee for listing of the Notes. Completion of the Subscription Agreement is subject to the fulfilment and/or waiver of the conditions set out in the paragraph headed "Conditions Precedent" below. Please refer to the paragraph headed "Principal terms of the Notes" below for the principal terms of the Notes. As the issue of the Notes are subject to the fulfilment and/or waiver of certain Conditions Precedent and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 22 January 2018 (after trading hours), the Company entered into the Subscription Agreement with Guotai Junan Finance and Guotai Junan Securities, pursuant to which Guotai Junan Finance conditionally agreed to subscribe for, and the Company conditionally agreed to issue, the Notes in an aggregate principal amount of US\$4,000,000. Guotai Junan Securities agreed to act as settlement agent in relation to the settlement of the cash payable by Guotai Junan Finance to the Company. Completion of the Subscription Agreement is subject to the fulfilment and/or the waiver of the conditions set out in the paragraph headed "Conditions Precedent" below. Details of the principal terms of the Subscription Agreement and the Notes are summarised below:

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are summarized below:

Date:	22 January 2018
Issuer:	The Company
Subscriber:	Guotai Junan Finance
Settlement agent:	Guotai Junan Securities

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Guotai Junan Finance and Guotai Junan Securities and their respective ultimate beneficial owner(s) are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

Subscription of the Notes

Subject to the fulfilment and/or waiver of the Conditions Precedent set out below, Guotai Junan Finance conditionally agreed to subscribe for, and the Company conditionally agreed to issue, the Notes in the principal amount of US\$4,000,000 at a consideration equal to the aggregate principal amount of the Notes.

Conditions Precedent

Completion of the Subscription shall be conditional upon, inter alia:

- (a) the Warranties being true, correct and complete in all material respects when made and remaining true, correct and complete and not misleading in all material respects as at the Completion Date;
- (b) the Listing Committee having granted (either unconditionally or subject to conditions to which the Company does not object) listing of and permission to deal in the Shares issued by the Company upon exercise by the Noteholders of the Conversion Rights;
- (c) the compliance of any other requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the Securities and Futures Commission of Hong Kong;
- (d) the Board having passed all necessary resolutions in approving, among other things, the Subscription Agreement and the transactions contemplated hereunder;
- (e) the Notes having been admitted to the Euroclear and having complied with all relevant rules and regulatory requirements thereof; and
- (f) (where required) the Company having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Subscription Agreement and/or the performance of its obligations hereunder by the Company.

Subject to the fulfilment and/or the waiver of the above Conditions Precedent, the Subscription of the Notes shall be completed on the Completion Date. On the Completion Date, the Company shall issue the Notes to Guotai Junan Finance.

Save for conditions under paragraph (b), (c) and (d) above, all other Conditions Precedent may be waived by Guotai Junan Finance in whole or in part.

If the Conditions Precedent have not been fulfilled or waived on or before 28 February 2018 or such other date as may be agreed in writing between the Company and Guotai Junan Finance, the Subscription Agreement will lapse and become null and void and the parties will be released from all obligations thereunder, save for liabilities for any antecedent breaches thereof. Completion shall take place on the third Business Day after the last Condition Precedent has been fulfilled or waived.

PRINCIPAL TERMS OF THE NOTES

The principal terms of the Notes are summarised below:

Principal amount	:	US\$4,000,000
Issue price	:	The principal amount of the Notes
Interest	:	6% per annum
Maturity Date	:	The date falling on the 364th day from the date of issue of the Notes (or such other later date as the Company and the Noteholder may agree in writing).
Maturity Redemption Price	:	The Company shall redeem all of the Notes on the Maturity Date at 100% of the principal amount of the Note together with any interest accrued on the relevant Note which have not been paid.
Conversion Price	:	The initial Conversion Price is HK\$1.58 per Conversion Share, subject to the adjustments as set out in accordance with the terms and conditions of the Instrument. The initial Conversion Price represents (i) a premium of approximately 26.4% to the closing price of HK\$1.25 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement, (ii) a premium of approximately 25.6% of the average of the closing prices of HK\$1.258 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately preceding the date of the Subscription Agreement and (iii) a premium of approximately 25.1% of the average of the closing prices of HK\$1.263 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately preceding the date of the Subscription Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and Guotai Junan Finance after considering the current market sentiment, the recent market prices and performance of the Shares, the historical financial performance and the business prospects of the Company.

Adjustments to the
Conversion Price

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

- i. consolidation, subdivision, re-denomination or reclassification of Shares;
- ii. capitalisation of profits;
- iii. capital distributions;
- iv. offer of new Shares or other securities for subscription by way of a rights issue, an open offer or a grant of options or warrants or other rights to subscribe for new Shares, at a price which is less than 80% of the market price at the date of the announcement of the terms of such offer or grant per Share to shareholders;
- v. issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration is less than 80% of the market price at the date of the announcement of the terms of issue of such securities;
- vi. issue of Shares being made wholly for cash at 20% discount or more to the market price per Share at the date of announcement of the terms of such issue; and
- vii. issue of Shares for satisfying the total effective consideration for the acquisition of asset which is at 20% discount or more to the market price at the date of the announcement of the terms of such issue.

- Conversion Shares : Based on the initial Conversion Price of HK\$1.58, a maximum number of 19,620,253 Conversion Shares may fall to be allotted and issued upon exercise by the Noteholders of the conversion rights attaching to the Notes in full.
- Conversion period : Any time from immediately following the date of issue of the Notes and up to the close of business on the tenth day prior to the Maturity Date.
- Transferability : The Notes are transferrable through Euroclear.
- The Notes will be represented by a global certificate registered in the name of a Common Depository, which will be exchangeable for individual certificates.
- Status of the Notes : The Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Company and will at all times rank pari passu without any preference among themselves and with all other present and future unconditional, unsecured and unsubordinated obligations of the Company other than those preferred by statute or applicable law.
- Ranking of the Conversion Shares : The Conversion Shares will rank pari passu with and, carry the same rights in all aspects as, the other Shares then outstanding.
- Voting : The Noteholder(s) shall not be entitled to receive notice of general meeting, attend or vote at any general meeting of the Company by reason of them only being the Noteholder(s).
- Application for listing : No application will be made by the Company for the listing of the Notes on the Stock Exchange. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

- Requirement on the shareholding of controlling shareholder of the Company : Mr. Yang Ziyuan shall, at all times through his shareholding in Wealthy Active Limited, maintain not less than 40% of the legal and beneficial ownership of all the issued shares of the Company.
- Early Redemption Right : The Company shall be entitled at its sole discretion, by giving not less than 30 days' notice nor more than 60 days' notice to the Noteholders, to redeem all (but not some only) outstanding Notes at 100% of the principal amount of the Notes at any time after the expiry of six months from date of issue of the Notes together with interest accrued to the date fixed for redemption as set out in the early redemption notice. The Noteholders are not entitled to redeem the Notes prior to the Maturity Date.

GENERAL MANDATE

Upon exercise in full of the conversion rights attaching to the Notes at the initial Conversion Price (on the basis of the Agreed Exchange Rate), a maximum of 19,620,253 Conversion Shares shall be allotted and issued under the General Mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 16 May 2017. Under the General Mandate, the Company is authorised to allot, issue and otherwise deal with new Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) up to a maximum of 20% of total number of Shares in issue of the Company as at the date of the aforesaid general meeting, which amounts to 195,492,400 new Shares. As at the date of this announcement, 17,188,000 Shares has been utilized for the purpose of issue of the consideration shares pursuant to the sale and purchase agreement dated 15 September 2017 entered into between Long Advance Investments Limited and Tianyi Holding Hong Kong Limited, details of which are disclosed in the announcement of the Company dated 15 September 2017; and a maximum of 44,145,569 Shares may be allotted and issued upon conversion of all the convertible notes issued and allotted on 27 November 2017, details of which are disclosed in the announcements of the Company dated 16 and 27 November 2017. Therefore, the remaining General Mandate allow the Company to allot and issue up to 134,158,831 Shares and is sufficient for the issue of the Conversion Shares.

Accordingly, the issue of the Notes and the allotment and issue of the Conversion Shares (upon full conversion of the Notes) are not subject to Shareholders' approval.

REASONS FOR THE ISSUE OF THE NOTES AND USE OF PROCEEDS

The principal business of the Company is the production and sales of processed fruit products packaged in metal containers, plastic cups and glass containers.

The estimated net proceeds from the issue of the Notes (after deducting all related expenses), are estimated to be approximately HK\$30.0 million, which are intended to be used for the general working capital of the Group, and expansion and development of the Group's own brand business in the areas including new brands, new product varieties, potential mergers and acquisitions, industrial partnership and strategic investment. As at the date of this announcement, the Company has no specific target for acquisition. The net price of each Conversion Share will be approximately HK\$1.53.

The Directors are of the view that the issue of Notes represents a good opportunity for the Company to raise funds to strengthen its capital base and financial position, and to finance the Group's future development and expansion. In addition, the Directors are of the view that the investment by Guotai Junan Finance, being a reputable institutional investor, in the Notes represents a recognition in the investment value of the Company. The Directors further consider that the issue of the Notes is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

Based on the foregoing, the Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and Guotai Junan Finance, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON GUOTAI JUNAN FINANCE AND GUOTAI JUNAN SECURITIES

Guotai Junan Finance is a limited liability company incorporated in Hong Kong and is principally engaged in money lending and trading in securities. Guotai Junan Securities is a limited liability company incorporated in Hong Kong, and a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong). To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, Guotai Junan Finance and Guotai Junan Securities and their respective ultimate beneficial owner(s) are third parties independent of and are not Connected Persons (as defined under the Listing Rules) of the Company.

AGENTS

The Company, BNY London, and BNY S.A./N.V. will enter into the Agency Agreement at Completion. Under the Agency Agreement, BNY London and/or BNY S.A./N.V. agreed to arrange repayment of principal, payment of interest, execute requests for transfer in relation to the Notes, and accept note certificates from Noteholders who wish to convert their Notes.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, BNY London, and BNY S.A./N.V. and their respective ultimate beneficial owners are third parties independent of and are not Connected Persons (as defined under the Listing Rules) of the Company.

EFFECTS OF THE ISSUE OF CONVERTIBLE NOTES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purposes, the tables below set out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the convertible notes issued on 27 November 2017 have been issued (please refer to the announcements of the Company dated 16 and 27 November 2017) ; (iii) immediately after full conversion of the convertible notes issued on 27 November 2017 and full conversion of the Notes at the initial Conversion Price (assuming that there is no other change in the number of Shares in issue of the Company); and (iv) immediately after the full conversion of the convertible notes issued on 27 November 2017 and the Notes at the initial Conversion Price and exercise of share options of the Company (assuming that there is no other change in the number of Shares in issue of the Company):

Shareholders	As at the date of this announcement		Immediately after full conversion of the convertible notes issued on 27 November 2017		Immediately after full conversion of the convertible notes issued on 27 November 2017 and the Notes at the initial Conversion Price (assuming that there is no other change in the number of Shares in issue of the Company)		Immediately after full conversion of the convertible notes issued on 27 November 2017, full conversion of the Notes at the initial Conversion Price and exercise of share options of the Company (assuming that there is no other change in the number of Shares in issue of the Company)	
	Approximate		Approximate		Approximate		Approximate	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Wealthy Active Limited (Note 1)	451,617,000	46.20	451,617,000	44.21	451,617,000	43.37	451,617,000	42.81
Wealthy Maker Limited (Note 2)	110,000,000	11.25	110,000,000	10.77	110,000,000	10.56	110,000,000	10.43
Sino Red Limited (Note 3)	76,111,000	7.79	76,111,000	7.45	76,111,000	7.31	76,111,000	7.21
Mr. Tsang Yuen Wai (Note 4)	192,000	0.02	192,000	0.02	192,000	0.02	192,000	0.02
Guotai Junan Finance	-	-	44,145,569	4.32	63,765,822	6.13	63,765,822	6.04
Public	339,542,000	34.74	339,542,000	33.23	339,542,000	32.61	353,242,000	33.49
Total	977,462,000	100.00	1,021,607,569	100.00	1,041,227,822	100.00	1,054,927,822	100.00

Notes:

1. Wealthy Active Limited is a company incorporated in the BVI and is wholly-owned by Mr. Yang Ziyuan, an executive Director and chairman of the Company. Mr. Yang Ziyuan is deemed to be interested in these shares under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”).
2. Wealthy Maker Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Sun Xingyu, an executive Director. Mr. Sun Xingyu is deemed to be interested in these shares under the SFO.
3. Sino Red Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Ocean Equity Partners Fund L.P.
4. Mr. Tsang Yuen Wai is an independent non-executive Director.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has issued convertible notes in the aggregate principal sum of US\$9,000,000 bearing an interest rate of 6% per annum on 27 November 2017. Details of such issue are disclosed in the announcements of the Company dated 16 and 27 November 2017. The net proceeds from the issue of the said convertible notes were approximately HK\$68.0 million, which were intended to be used for the general working capital of the Group, the expansion and development of the Group’s own brand business in the areas including new brands, new product varieties, industrial partnership and strategic investment. As at the date of this announcement, approximately HK\$30 million has been utilized as general working capital.

Save for the aforesaid, the Company has not carried out any equity fund raising activities in the past twelve months.

PUBLIC FLOAT

The Company will monitor closely and will ensure that it maintains the minimum public float percentage as prescribed under the Listing Rules from time to time. The Company’s public float will not fall below the minimum prescribed percentage under the Listing Rules upon conversion of the Notes.

GENERAL

The Company will make an application to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made by the Company to the Listing Committee for the listing of the Notes. Completion of the Subscription is subject to the satisfaction or the waiver of the Conditions Precedent in the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Agency Agreement”	the agency agreement to be entered into between the Company, BNY (London) and BNY S.A./N.V. at Completion;
“Agreed Exchange Rate”	US\$1.00 = HK\$7.75 and US\$1.00 = RMB6.40;
“Board” or “Board of Directors”	the board of Directors;
“BNY London”	the Bank of New York Mellon acting through its London Branch;
“BNY S.A./ N.V.”	the Bank of New York Mellon S.A./N.V.;
“Business Day”	any day (excluding a Saturday) on which banks in Hong Kong are generally open for business throughout their normal business hours;
“Clearstream”	Clearstream Banking, S.A.;
“Common Depository”	a depository common to Euroclear and Clearstream;
“Companies Act”	the BVI Business Companies Act;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time;
“Company”	Tianyun International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Completion Date”	the third Business Day after the last of the applicable Conditions Precedent have been fulfilled (or waived);
“Completion”	completion of the Subscription Agreement;
“Conditions Precedent”	the conditions precedent to the Completion;

“Connected Person(s)”	has the meanings ascribed to it under the Listing Rules;
“Conversion Price”	the initial price of HK\$1.58 (subject to adjustment pursuant to the Instrument);
“Conversion Shares”	the Shares to be allotted and issued by the Company upon exercise by the Noteholders of the conversion rights attached to the Notes;
“Directors”	the directors of the Company;
“Euroclear”	Euroclear Bank, S.A./N.V. as operator of the Euroclear system;
“General Mandate”	the general mandate to issue Shares granted by the shareholders of the Company to the Directors at the annual general meeting held on 16 May 2017;
“Group”	the Company and its Subsidiaries;
“Guotai Junan Finance”	Guotai Junan Finance (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability;
“Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability;
“HK Dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Instrument”	a deed to be executed by the Company constituting the Notes;
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for considering applications for listing and the granting of listing on the Main Board of the Stock Exchange;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as may be amended or supplemented from time to time;
“Notes” or “Convertible Notes”	the convertible notes in an aggregate principal amount of US\$4,000,000 to be issued by the Company pursuant to the Subscription Agreement on the terms set out in the Instrument;
“Noteholder(s)”	the person who is for the time being the holder of the Notes;
“PRC”	the People’s Republic of China, which for the purposes of the Subscription Agreement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	holders of the Shares;
“Shares”	ordinary shares of no par value in the share capital of the Company, and where applicable, the term shall also include shares of any class or classes resulting from any subdivision, consolidation of those shares and a “Share” shall refer to each and any one of such shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Notes by Guotai Junan Finance pursuant to the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 22 January 2018 entered into between the Company, Guotai Junan Finance and Guotai Junan Securities in relation to the subscription of the Notes in the aggregate principal amount of US\$4,000,000;
“Subsidiaries”	the subsidiaries of the Company for the time being and from time to time and the term “Subsidiary” shall be construed accordingly;

“Takeovers Code”	The Code on Takeovers and Mergers, as may be amended or supplemented from time to time;
“US Dollars” or “US\$”	US dollars, the lawful currency of the United States of America;
“Warranties”	the representations, warranties and undertakings made by the Company in the Subscription Agreement; and
“%”	per cent.

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

Hong Kong, 22 January 2018

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.