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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)

DISCLOSEABLE AND CONNECTED TRANSACTION FORMATION OF JOINT VENTURE

On 11 February 2019, the Company and Sichuan Yizhan, a subsidiary of a substantial shareholder of the Company, namely SDIH, entered into the conditional Joint Investment Agreement, pursuant to which the Company and Sichuan Yizhan agree to establish a joint venture company in Sichuan Province, the PRC, to make full use of the strengths of each party, geographical advantages of Sichuan Province and policy advantage of the “One Belt One Road” policy, to collaborate in developing a supply chain for processed agricultural and food products and a base for supply of raw materials that complies with international standards.

The formation of the JV Company pursuant to the Joint Investment Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. It also constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

FORMATION OF A JOINT VENTURE

On 11 February 2019, the Company and Sichuan Yizhan, a subsidiary of a substantial shareholder of the Company, namely SDIH, entered into the conditional Joint Investment Agreement, pursuant to which the Company and Sichuan Yizhan agree to establish a joint venture company in Sichuan Province, the PRC, to make full use of the strengths of each party, geographical advantages of Sichuan Province and policy advantage of the “One Belt One Road” policy, to collaborate in developing a supply chain for processed agricultural and food products and a base for supply of raw materials that complies with international standards.

The joint venture company focuses on businesses such as fruit and vegetable grading, fruit and vegetable canning and processing, fruit and vegetable ice-cream, fruit and vegetable functional beverage, fruit and vegetable international trade. Under the investment project, it is contemplated to set up a fruit and vegetable processing centre, grading centre and trading centre in such base. After the fulfilment of the conditions precedent of the Joint Investment Agreement, the Company and Sichuan Yizhan will enter into the JV Agreement (the draft of which has been included in the Joint Investment Agreement).

CONDITIONS PRECEDENT

The formation of the joint venture shall be subject to the conditions precedent:

- (a) the Company having complied with the requirements of the Listing Rules with respect to the entering into of the JV Agreement, including but not limited to the requirements relating to connected transactions;
- (b) the Company having obtained all approvals with respect to the entering into of the JV Agreement, including but not limited to the approvals of Independent Shareholders and the Stock Exchange; and
- (c) Sichuan Yizhan having obtained all approvals with respect to the entering into of the JV Agreement.

The Company and Sichuan Yizhan shall use their best endeavour to procure the fulfilment of the conditions precedent. In the event that any of the conditions precedent is not fulfilled before 30 April 2019, the Joint Investment Agreement shall lapse automatically and none of the parties shall be liable to the other (save for any antecedent breach) unless both parties agree to defer the long-stop date.

The Company and Sichuan Yizhan shall arrange for the entering into the JV Agreement within 60 days after the fulfilment of the conditions precedent.

THE JV AGREEMENT

Parties: The Company and Sichuan Yizhan

Registered capital: The Company shall invest RMB140 million.

Sichuan Yizhan shall invest RMB60 million.

The directors of the JV Company shall convene the first board meeting within 7 days after the establishment of the JV Company. The parties shall contribute 25% of the registered capital committed by them within 45 days from the date of the first board meeting. The schedule for capital contribution of the remaining 75% shall be further agreed between the parties.

Matters requiring consent of all directors:

The following matters require the approval of all the directors of the JV Company:

- the amendments to the constitution of the JV Company;
- the formulation of any profit sharing proposal or loss recovery proposal;
- the renewal, termination, liquidation or winding-up of the JV Company;
- the increase or reduction of the registered capital of the JV Company;
- the merger, division or reorganization of the JV Company;
- the formulation of the operation direction and investment plan of the JV Company;
- the appointment and removal of general manager;
- the issue of any bonds;
- the disposal of, or creation of charge over, any material assets of the JV Company;
- the disposal, sale or lease of all or substantial part of the assets of the JV Company.

Disposal of shares:

If any shareholder of the JV Company intends to transfer all or part of the equity interest in the JV Company owned by it, the other shareholders shall have the pre-emptive rights to purchase such equity interest.

THE JV COMPANY

The name of the JV Company is to be agreed between the parties.

Place of incorporation: Sichuan Province, the PRC

Registered capital: RMB200 million

Corporate structure: A wholly-owned subsidiary of the Company to be designated by the Company (the “**Designated Subsidiary**”) and Sichuan Yizhan will hold equity interest in the JV Company as to 70% and 30 % respectively.

Scope of business: The scope of business of the JV Company include, inter alia, development of agroecology, plantation and sales of fruit and vegetable, processing and trading of agricultural food products, production and sales of canned foods and beverages, export of self-manufactured products and other warehousing, logistics services (subject to the final approval of the governmental authority of the PRC).

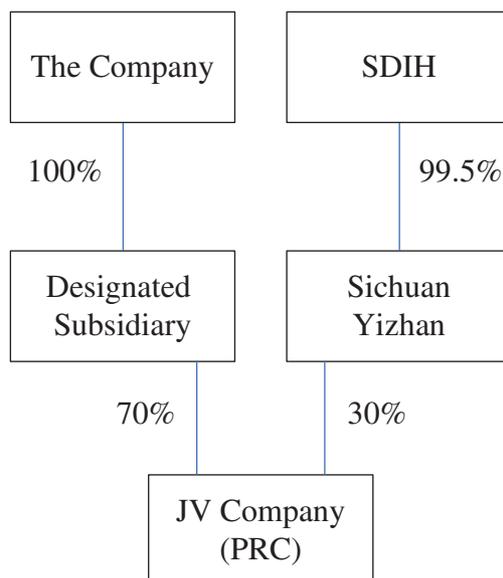
Directors: Three directors including the chairman of the board, to be nominated by the Company

Two directors to be nominated by Sichuan Yizhan

Supervisor: Sichuan Yizhan shall be entitled to appoint one supervisor.

Dividend: Dividend will be distributed in proportion to the respective shareholding of the Designated Subsidiary and Sichuan Yizhan in the JV Company.

The corporate structure of the JV Company immediately upon the formation of the JV Company is as follows:



The JV Company will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated to the financial statements of the Group.

REASONS FOR THE FORMATION OF JOINT VENTURE

The Group is 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 sells processed fruits under its own brand and on an original equipment manufacturer basis in the PRC and abroad.

The Group has been accelerating the establishment of its sales and distribution network in the PRC including the western part of the PRC, under its own brand business segment.

The Group intends to increase its presence in the tropical and sub-tropical climate zone through acquisition and establishment of new production bases. The Group endeavours to have multiple production bases that can process all varieties of fruit in three climate zones including tropical, subtropical and temperate climate zones.

The demand of the Group's processed fruit products has been strong globally and locally and the utilisation rate of its production capacity has been almost saturated at most of the time.

It is intended that the JV Company will invest in Sichuan Province and aims to establish a fruit and vegetable processing base which has facilities such as food and vegetable processing centre, grading centre and trading centre. Sichuan Pilot Free Trade Zone has become a transportation hub for import and export commodities in Sichuan as well as Southwest China. It carries the important strategic function of China's "One Belt One Road" policy.

Through the formation of JV Company, the Group can establish a production and distribution base in the western part of the PRC for further business expansion and development of subtropical and tropical processed fruit products in the region.

The production facilities of the JV Company can increase the production capacity on new and existing processed fruit products such that it enables the Group to meet the future demand from customers while the production base can also facilitate the Group in its warehousing and logistics arrangement for its own brand products in the western part of the PRC. The Group also aims to introduce more fruit varieties from subtropical and tropical climate zone regions and develop new fruit products.

SDH is strong in raising capital, business synergies and resources allocation resulting from its abundant capital resources and good reputation. The Company has a professional management team and strong experience in and network for the procurement of raw materials, use of capital and arrangement of supply chain for processed agricultural and food products in the PRC and abroad. It is in the mutual interest of the Company and SDH for them to collaborate to develop an international food enterprise. Both parties expect that their collaboration will engender multiple synergies in the middle to long run.

The terms of the joint venture arrangement was negotiated between the parties based on arm's length negotiation, taking into account, inter alia, the past experiences of the Group and the initial scale of production.

INFORMATION ON SDH AND SDIH

SDH is principally engaged in financing, investment and asset management. It is wholly owned by the Sichuan provincial government. Its business encompasses transport, energy, finance, mining, infrastructure and real estate, modern service industry, strategic new industry, etc. Based on the website of SDH (last accessed on the date of this announcement), it is a shareholder of the following listed companies: Sichuan Expressway Company Limited* (四川成渝高速公路股份有限公司) (Shanghai: 601107; Hong Kong: 0107), Sichuan Road & Bridge (Group) Company Limited* (四川路橋建設集團股份有限公司) (Shanghai: 600039), Xinhua Winshare Publishing and Media Company Limited* (新華文軒出版傳媒股份有限公司) (Shanghai: 601811; Hong Kong: 0811), Sichuan Chemical Company Limited* (川化股份有限公司) (Shenzhen: 000155), Chengdu Guibao Science and Technology Company Limited* (成都矽寶科技股份有限公司) (Shenzhen: 300019) and Xinzhu Corporation* (成都市新築路橋機械股份有限公司) (Shenzhen: 002480).

SDIH is a wholly-owned subsidiary of SDH and was incorporated in Hong Kong. SDIH focuses on foreign financing, foreign investment, acquisition and international open cooperation. Its business encompasses international flight charter, agricultural food processing, international capital operation, etc.

VIEWS OF THE DIRECTORS

The Directors consider that the terms of the Joint Investment Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

No Director was required to abstain from voting on the Board resolutions approving the Joint Investment Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SDIH holds 27% of the total issued share capital of the Company. SDIH is a substantial shareholder of the Company. Sichuan Yizhan is owned by SDIH as to 99.5% and is therefore an associate of SDIH and a connected person of the Company under Chapter 14A of the Listing Rules.

The formation of the JV Company pursuant to the Joint Investment Agreement therefore constitutes a connected transaction of the Company under the Listing Rules. Since one or more of the applicable percentage ratios as defined in Rules 14.06 and 14A.76 of the Listing Rules in respect of the Joint Investment Agreement exceed 5% but all are less than 25%, the formation of the JV Company under the Joint Investment Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The formation of JV Company pursuant to the Joint Investment Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

SDIH and its associates shall abstain from voting on the proposed resolution(s) to approve the Joint Investment Agreement and the transactions contemplated thereunder at the EGM. The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Joint Investment Agreement and the transactions contemplated thereunder. The Company will appoint an independent financial adviser in due course to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held to consider and, if thought fit, to approve the Joint Investment Agreement and the transactions contemplated thereunder. It is expected that a circular containing, among other things, (i) further information on the Joint Investment Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Joint Investment Agreement and the transactions contemplated thereunder; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 4 March 2019 in accordance with the Listing Rules. Further announcement will be published if there is delay in the despatch of the circular.

Details of the connected transaction of the Company will be disclosed in the Company's published annual report and accounts in accordance with Rule 14A.49 of the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Company”	Tianyun International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the terms of the Joint Investment Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company whose members comprises all the independent non-executive Directors to advise the Independent Shareholders on the terms of the JV Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than SDIH or its associates who is not required to abstain from voting at the EGM
“Joint Investment Agreement”	the joint investment agreement dated 11 February 2019 entered into between the Company and Sichuan Yizhan for the establishment of the JV Company
“JV Agreement”	the joint venture agreement to be entered into between the Designated Subsidiary and Sichuan Yizhan for the establishment of the JV Company after the fulfilment of the conditions precedent under the Joint Investment Agreement, the details of which are set out in the section headed “The JV Agreement” in this announcement

“JV Company”	the joint venture company to be incorporated by the Designated Subsidiary and Sichuan Yizhan in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SDH”	Sichuan Development Holding Company Ltd* (四川發展(控股)有限責任公司), a company incorporated in the PRC with limited liability. It is wholly-owned by Sichuan provincial government
“SDIH”	Sichuan Development International Holding Company Ltd, a wholly-owned subsidiary of SDH incorporated in Hong Kong with limited liability
“Shareholders”	the shareholders of the Company
“Sichuan Yizhan”	Sichuan Yizhan Enterprise Co, Ltd. (四川怡展實業有限公司), a company incorporated in the PRC with limited liability, which is owned by SDIH as to 99.5% and SDH as to 0.5%
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 11 February 2019

As at the date of this announcement, the Board of the Company comprises (i) Mr. Yang Ziyuan, Mr. Sun Xingyu and Mr. Wang Hu as the executive Directors; (ii) Ms. Chu Yinghong, Mr. Wong Yim Pan and Mr. Liu Zhumeng 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.

** For identification purpose only*