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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)

(1) DISCLOSEABLE TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN THE
TARGET COMPANY; AND
(2) CONTINUED SUSPENSION OF TRADING

ACQUISITION

The Board is pleased to announce that on 12 June 2024 (after trading hours), the Company entered into the Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Shares for a consideration of HK\$28,000,000, which shall be settled by cash and issuance of the Promissory Notes.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeds 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 12 June 2024 (after trading hours), the Company and the Vendor entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Shares for an aggregate consideration of HK\$28,000,000.

The principal terms of the Agreement are summarized below.

THE AGREEMENT

Date: 12 June 2024 (after trading hours)

Parties:

- (1) The Company as purchaser
- (2) Mr. Tsang Yuen Hong Michael (曾遠航) as vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor is an Independent Third Party.

Subject: Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Shares.

Consideration: The Consideration payable for the sale and purchase of the Sale Shares shall be HK\$28,000,000, which shall be paid by the Company to the Vendor in the following manner upon Completion:

- (a) payment of HK\$12,000,000 in cash;
- (b) issuance of a Promissory Note in the amount of HK\$5,000,000 due on 30 September 2024; and
- (c) issuance of a Promissory Note in the amount of HK\$11,000,000 due on the date falling on the expiry of 180 days after the Completion Date.

Profit Guarantee:

The Vendor guarantees to the Company that the aggregate audited net profit after tax of the Target Company for the two financial years ending 31 December 2024 and 31 December 2025 (“**Profit Guarantee Period**”) shall be not less than HK\$10,000,000 (the “**Guaranteed Profit**”). In the event that the aggregate actual net profit after tax of the Target Company as shown in the audited financial statements of the Target Company (“**Audited Report**”) is less than the Guaranteed Profit or the Target Company incurs a net loss after tax during the Profit Guarantee Period, the Consideration shall be downward adjusted in accordance with the following formula:

$$\begin{array}{rclcl} \text{Amount of} & = & \text{Guaranteed} & - & \text{Aggregate net profit} \\ \text{downward} & & \text{Profit} & & \text{after tax for the two} \\ \text{adjustment} & & & & \text{financial years} \\ \text{("Adjustment")} & & & & \text{ending 31 December} \\ & & & & \text{2025/ + Aggregate} \\ & & & & \text{net loss after tax for} \\ & & & & \text{the two financial} \\ & & & & \text{years ending 31} \\ & & & & \text{December 2025} \end{array}$$

In the event that an Adjustment is required, the Vendor shall, within 7 Business Days after receiving the Audited Report for the financial year ending 31 December 2025, pay the Company the Adjustment in cash subject to that if there is outstanding amount of the Promissory Notes, the Adjustment amount payable shall be first set-off against the outstanding amount of the Promissory Notes on a dollar-to-dollar basis.

**Business Operation
Guarantee:**

The Vendor hereby unconditionally and irrevocably guarantees to the Company that (i) the Concessionaire Agreement shall be successfully renewed by the Company and 7-ELEVEN on substantially the same terms and conditions as the existing Concessionaire Agreement from 1 July 2025 until 30 June 2026 (the “**Operation Guarantee Period**”) and (ii) the number of stores to be licensed by 7-ELEVEN during the Operation Guarantee Period shall not be less than 30 (collectively referred to as the “**Operation Guarantee**”). If the Target Company fails to fulfill the Operation Guarantee during the Operation Guarantee Period, the Consideration shall be adjusted downward by HK\$11,000,000, which shall be payable by the Vendor to the Company in cash within 7 Business Days of the Vendor becoming aware of the Target Company’s failure to fulfill the Operation Guarantee, and if there is any outstanding amount of the Promissory Notes, the amount payable shall be set off against the outstanding amount of the Promissory Notes on a dollar-to-dollar basis.

**Undertaking for Vendor’s
Personal Guarantee:**

As at the date of the Agreement, the Target Company is the borrower of certain bank loans with an outstanding principal amount of around HK\$6,000,000 which are guaranteed by the Vendor as personal guarantor (the “**Vendor’s Personal Guarantee**”).

The Company undertakes to:

- (a) use its best endeavors to procure a valid and full discharge of the Vendor’s obligations and liabilities under the Vendor’s Personal Guarantee as soon as possible (and in any event within 12 months from the Completion Date or such later date as may be agreed by both parties in writing); and

- (b) fully and adequately indemnify the Vendor at the Vendor's request and keep the Vendor fully and effectively indemnified at all times and hold the Vendor harmless from and against all losses, damages, liabilities, expenses (including fees and expenses for professional services), actions, arbitrations or proceedings, claims, demands, expenses, losses and expenses of any manner or nature whatsoever arising from or in respect of any payment or any sum due or demanded to be made under the Vendor's Personal Guarantee.

Personal Guarantee:

Mr. Yeung hereby unconditionally and irrevocably guarantees to the Vendor the punctual performance by the Company of its obligations under the Promissory Notes.

The personal guarantee constitutes a provision of financial assistance by Mr. Yeung to the Company. Mr. Yeung, being the chairman, non-executive director and substantial shareholder of the Company, is a connected person of the Company and the grant of personal guarantee constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the personal guarantee was provided for the benefit of the Company on normal commercial terms or better and is not secured by the assets of the Group, it is exempt from the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Conditions Precedent:

Completion shall be conditional upon and subject to satisfaction (or, where applicable waiver) of the following conditions precedent, subject only to Completion:

- (1) the Concessionaire Agreement not having been terminated and there being no notice or indication from 7-ELEVEN that the Concessionaire Agreement will be revoked or will not be renewed for the period from 1 July 2024 to 30 June 2025 or thereafter;

- (2) all necessary consents, licenses and approvals of shareholders shall have been obtained by the Vendor and the Target Company in connection with the Agreement and remain in full force and effect; and
- (3) the Warranties having remained true and accurate, and not misleading in all material respects, at all times from the date of the Agreement up to and including the Completion Date.

If the conditions precedent have not been satisfied (or waived by the Company) on or before 4:00 p.m. by the Long Stop Date, the Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

Completion:

Completion shall take place on the Completion Date. Upon Completion, the Target Company will become a subsidiary of the Company. The financial results of the Target Company will be consolidated with, and accounted for as a subsidiary, in the Company's consolidated financial statements.

PROMISSORY NOTES

The terms of the Promissory Notes have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amounts

HK\$5,000,000 (“**Promissory Note I**”) and HK\$11,000,000 (“**Promissory Note II**”)

The principals shall be paid in full to the Vendor upon the respective maturity of the Promissory Notes in cash.

Interest

The Promissory Notes will not carry any interest.

Maturity

Promissory Note I shall mature on 30 September 2024 and Promissory Note II shall mature on the date falling on the expiry of 180 days after the Completion Date.

Early repayment

The Company may at its option early repay the Promissory Notes in full or in part at any time during the term of the Promissory Notes.

BASIS OF DETERMINING THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the Target Company's recent financial performance; (ii) the Guaranteed Profit of the Target Company given by the Vendor as detailed above; and (iii) the draft valuation report of an independent professional valuer engaged by the Company on the fair value of 100% equity interest in the Target Company as at 31 March 2024, which was valued at HK\$29,206,000. The Consideration represents a multiple of around 5 times of the Target Company's audited profit before tax for the year ended 31 December 2023.

Having taken into account the foregoing, the Directors consider that the Consideration is fair and reasonable.

INFORMATION ABOUT THE GROUP

The Company is 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. The Group is principally engaged in the manufacturing and sales of processed fruit and beverage products, and trading of fresh fruits.

INFORMATION OF THE TARGET COMPANY AND THE VENDOR

The Target Company is a limited liability company incorporated in Hong Kong and is wholly-owned and was founded by the Vendor.

Mr. Tsang is a merchant and the founder of the Target Company. As at the date of the Agreement, Mr. Tsang is the sole director of the Target Company and the sole holder of the Sale Shares.

Upon Completion Mr. Tsang will enter into the Service Agreement with the Company and be appointed an executive director of the Company and charged with the responsibility of the overall management of the operation of the Target Company and business development of the Group's food and beverage business in Hong Kong and other regions. The Board is excited about the wealth of industrial experience in food and beverage and entrepreneurship to be brought to the Company by Mr. Tsang.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the audited financial information of the Target Company prepared in accordance with the Hong Kong Small and Medium-Size Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants for the financial year ended 31 December 2022 and 2023:

	For the year ended 31 December 2023	For the year ended 31 December 2022
	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)
Turnover	67,823,150	46,439,251
Profit before taxation	5,508,205	2,907,542
Profit after taxation	5,508,205	2,907,542
Net asset value	5,519,655	3,011,449

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is principally engaged in catering service-related businesses and has about 130 employees. Its main business is operating hot food supply stalls in 7-ELEVEN, a large convenience storechain in Hong Kong, known as HOT SHOT (7 仔食檔). Currently, there are 44 HOT SHOT managed by the Target Company, accounting for 17% of all HOT SHOT in Hong Kong.

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 Company's business in 7-ELEVEN is well-established. Due to the characteristics of convenience stores, consumers usually purchase goods at nearby convenience stores, so the demand for stalls is relatively stable. 7-ELEVEN snack stalls typically exhibit stable revenue performance due to consistent consumer demand for convenience store products throughout various times of the day. Consumers frequent the convenience store for shopping in the morning, noon, and evening, contributing to the consistent revenue of the snack stalls. Moreover, the Target Company's longstanding partnership with Dairy Farm Company Limited trading as 7-ELEVEN ("Diary Farm") for over 20 years has ensured stable performance during this period. With a strong relationship established with Dairy Farm, the Target Company enjoys relatively high revenue stability.

The Consideration is intended to be funded by an unsecured loan to be granted by Mr. Yeung to the Company on normal commercial terms.

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 one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeds 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 26 March 2024. On 12 April 2024, the Securities and Futures Commission had, under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules, directed the Stock Exchange to suspend all dealings in the shares of the Company from 9:00 a.m. on 15 April 2024.

Trading in the shares will remain suspended until further notice. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 12 June 2024 entered into between the Vendor and the Company 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 Business Days after the day on which the last of the conditions precedent is fulfilled or waived by the Company (or such other date as the Vendor and the Company may agree)
“Concessionaire Agreement”	the concessionaire agreement entered into between the Target Company and The Diary Farm Company Limited (trading as 7-Eleven) on or before 30 June annually for renewal of the use of designated space within 7-Eleven stores for catering service-related businesses for the period commencing from 1 July 2023 and ending on 30 June 2024
“Consideration”	the aggregate consideration payable by the Company to the Vendor for the Sale Shares, being HK\$28,000,000
“Director(s)”	the director(s) 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 Shareholder(s)”	Shareholder(s) other than Mr. Yeung and his associates, and all other Shareholders with a material interest in the personal guarantee granted by Mr. Yeung in favour of the Vendor for the punctual performance by the Company of its obligations under the Promissory Notes
“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

“Long Stop Date”	30 June 2024 (or such date as the Vendor and the Company may agree)
“Mr. Yeung ”	The Chairman and an non-executive director of the Company and the substantial shareholder of the Company
“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
“Promissory Notes”	the promissory notes to be issued by the Company to the Vendor in the respective amounts of HK\$5,000,000 and HK\$11,000,000
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	10,000 ordinary shares of the Target Company, representing the entire issued share capital of the Target Company
“Service Agreement”	the service agreement to be entered into by the Vendor with the Company whereby the Vendor shall act as an executive director of the Company for a term of three years
“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
“Target Company”	Ahead Global Limited (遠景環球有限公司), a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is wholly owned by the Vendor
“Vendor”/ “Mr. Tsang”	Mr. Tsang Yuen Hong Michael (曾遠航), founder of the Target Company
“Warranties”	The representations, warranties and indemnities given by the Vendor to the Company as set out in the Agreement

“7-ELEVEN”

The Dairy Farm Company, Limited (牛奶有限公司) which operates as 7-ELEVEN, is a franchisee of the U.S. convenience store chain 7-ELEVEN

“%”

Percentage

By order of the Board
Tianyun International Holdings Limited
Yeung Wan Yiu
Chairman and Non-Executive Director

Hong Kong, 12 June 2024

As at the date of this announcement, the Board comprises (i) Mr. Yang Ziyuan (Chairman)(duties suspended), Mr. Sun Xingyu (duties suspended) and Dr. Wan Ho Yuen, Terence as the executive Directors; (ii) Mr. Yeung Wan Yiu (Chairman), Ms. Chu Yinghong, Mr. Wong Yim Pan and Mr. Yeung Wing Keung as the non- executive Directors; and (iii) Ms. Chen Weijie, Ms. Lau Chui Ping Soey, Mr. Shiu Shu Ming, as the independent non-executive Directors