

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



透云科技
Ty. Technology

China Touyun Tech Group Limited

中國透雲科技集團有限公司

(Incorporated in Bermuda with limited liability)

Website: www.chinatouyun.com.hk

(Stock Code: 1332)

**ISSUE OF US\$40 MILLION
7.0% SECURED CONVERTIBLE BONDS
UNDER GENERAL MANDATE**

DSG Securities (Hong Kong) Limited



Coordinator

PROPOSED ISSUE OF THE CB UNDER GENERAL MANDATE

On 3 October 2017 (after trading hours), the Company, as issuer, and the Subscriber entered into the Agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the CB in the aggregate principal amount of US\$40 million. The net proceeds from the issue of the CB of approximately US\$39.6 million will be used for development of the business operations of Shanghai Touyun, in particular, Touyun Retailers Management System, and for other general corporate purposes.

Upon full conversion of the CB at the initial Conversion Price of HK\$0.492 per Conversion Share (subject to adjustments), a total of 630,487,804 Conversion Shares will be allotted and issued to the Subscriber, representing (i) approximately 6.44% of the existing issued share capital of the Company as at the date of this announcement and (ii) approximately 6.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company).

No listing application will be made for the listing of, and permission to deal in, the CB on the Stock Exchange and any other stock exchange. Application will be made to listing committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

LISTING RULES IMPLICATION

As the Conversion Shares which may fall to be issued upon the exercise of the conversion rights under the CB will be issued under the General Mandate, no further Shareholders' approval is required for the issue of the CB and the allotment and issue of the Conversion Shares.

THE AGREEMENT

On 3 October 2017 (after trading hours), the Company, as issuer, and the Subscriber entered into the Agreement. The principal terms of the Agreement are set out below.

Date

3 October 2017

Parties

- (1) The Company as the issuer; and
- (2) The Subscriber as the subscriber.

Subject matter

Pursuant to the Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the CB at the subscription price equal to 100% of the principal amount of the CB, being US\$40 million.

Completion and Conditions precedent

Completion will take place on the third Business Day after, and excluding, the date upon which the conditions precedent set out in the Agreement are waived by the Subscriber (where applicable) or are satisfied, or such other date as the Company and the Subscriber may agree in writing. Completion is conditional upon the satisfaction or waiver (except that condition precedent (i) cannot be waived) of, among others, the following conditions:

- (i) the granting of the listing of and permission to deal in the Conversion Shares by the Listing Committee of the Stock Exchange;
- (ii) all necessary filings having been made to the State Administration for Industry and Commerce of the PRC in respect of the share pledge over the registered capital of certain PRC subsidiaries of the Company and the acknowledgements of such filings having been received; and
- (iii) the person nominated by the Subscriber as director of Shanghai Touyun having been appointed to the board of directors of Shanghai Touyun as a director.

If the conditions precedent as set out in the Agreement are not satisfied or waived (except that condition precedent (i) cannot be waived) by the Long Stop Date, the Agreement will terminate.

THE CB

The principal terms of the CB are set out below:

Interest

The CB will bear interest from and including the Issue Date at the rate of 7.0% per annum, payable semi-annually.

Form and denomination

The CB will be issued in registered form and in denomination of US\$4 million each.

Maturity

The CB will mature on the date falling on the second anniversary of the Issue Date subject to an automatic extension to the third anniversary of the Issue Date if the following conditions are satisfied:

- (i) the revenue for the six months ending 30 June 2019 as shown in the unaudited consolidated accounts of Shanghai Touyun shall be not less than RMB500 million; and
- (ii) the total debt of Shanghai Touyun as at 30 June 2019 as shown in its unaudited consolidated accounts for the year ended 30 June 2019 shall not be more than 40% of its total assets.

Conversion Price

The initial Conversion Price is HK\$0.492 per Share, which was determined after arm's length negotiation between the Company and the Subscriber based on the prevailing market price of the Shares and represents:

- (i) a premium of approximately 26% over the closing price of HK\$0.390 per Share as quoted on the Stock Exchange on 29 September 2017, being the last trading day of the Shares immediately before the date of the Agreement; and
- (ii) a premium of approximately 26% over HK\$0.391 per Share, being the average of the closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including 29 September 2017, being the last trading day of the Shares immediately before the date of the Agreement.

The initial Conversion Price is subject to adjustments from time to time on the occurrence of certain events, including but not limited to, (a) alteration to the nominal value of the Shares as a result of consolidation, subdivision, re-denomination or re-classification of Shares, (b) capitalisation of profits or reserves by the Company, (c) distributions by the Company to its Shareholders, (d) rights issues of Shares or options over Shares at less than 85% of the then market price per Share to Shareholders, (e) rights issues of other securities to Shareholders, (f) issues of Shares, options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at less than 85% of the then market price per Share, (g) other issues of any securities by the Company or its subsidiaries with rights to convert into or exchange or subscribe for Shares to be issued by the Company at less than 85% of the then market price per Share, and (h) modification of rights of conversion, exchange or subscription attaching to certain securities (other than in accordance with the terms of such securities) so that the consideration per Share for the number of Shares available on conversion, exchange or subscription following the modification is reduced and is less than 85% of the then current market price per Share.

Conversion

The CB Holder has the right to convert the principal amount of the CB into fully-paid Shares at any time during the period beginning on, and including, the date falling on the 180th day from the Issue Date and ending on, and including, 5:00 p.m. on the Maturity Date. The agreed exchange rate between US\$ and HK\$ at the rate of US\$1 = HK\$7.755 shall be applied as the exchange rate for translating US\$ into HK\$ for the purpose of calculating the number of Conversion Shares to be issued.

Conversion Shares

As at the date of this announcement, the Company has 9,797,311,301 Shares in issue.

Assuming the conversion rights have been exercised in full, 630,487,804 Conversion Shares will be allotted and issued, representing approximately (i) 6.44% of the existing issued share capital of the Company as at the date of this announcement and (ii) approximately 6.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company).

The Conversion Shares, when allotted and issued, will rank *pari passu* with all other Shares in issue on the date of conversion.

Based on the estimated net proceeds from the Subscription of approximately US\$39.6 million (equivalent to approximately HK\$307,098,000 at the exchange rate of US\$1 to HK\$7.755) and up to 630,487,804 Conversion Shares at the initial Conversion Price of HK\$0.492 per Conversion Share, the net price per Conversion Share is estimated to be approximately HK\$0.487.

Status of the CB

The CB will constitute direct, senior, unsubordinated, unconditional and secured obligations of the Company and will at all times rank *pari passu* and without any preference or priority among themselves.

The payment obligations of the Company under the CB shall, save for such exceptions as may be provided by mandatory provisions of applicable legislation, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

Redemption

(i) Redemption at Maturity

Unless previously redeemed, converted or purchased and cancelled, the Company shall, redeem all the outstanding CB on the Maturity Date at an amount equal to the Redemption Amount.

(ii) Early Redemption

The Company may give notice to redeem in whole, or in part, such CB for the time being outstanding at the Redemption Amount after the 180th calendar day after the Issue Date.

(iii) Redemption on two consecutive breaches of financial covenants

Unless previously redeemed, converted or purchased and cancelled, the CB Holders may give notice to redeem in whole, or in part, such CB for the time being outstanding at the Redemption Amount upon occurrence of two consecutive breaches of certain financial covenants as set forth in the CB Instrument.

Transferability

The CB are freely transferable in integral multiples of US\$4 million, subject to the terms and conditions of the CB.

Security

The CB will be secured by over the share capital or registered capital of certain subsidiaries of the Company (including the entire registered capital of Shanghai Touyun).

Events of default

If an event of default (as defined in the CB) occurs, any of the CB Holders may, by notice to the Company, declare that the CB are immediately due and payable at their Redemption Amount together with accrued but unpaid interest (if any) to the date of payment. It is an event of default if Mr. Wang breaches his undertakings as described under the paragraph headed “Undertakings by Mr. Wang” of this announcement.

Guarantees

Mr. Wang and certain subsidiaries of the Company will guarantee the payment of all sums payable by the Company under the CB.

Listing

No application will be made for the listing of, and permission to deal in, the CB on the Stock Exchange or any other stock exchange.

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

Undertakings by Mr. Wang

As at the date of this announcement, Mr. Wang is the beneficial owner of 2,240,000,000 Shares (the “**Relevant Shares**”), representing approximately 22.86% of the issued share capital of the Company.

Upon Completion, Mr. Wang will undertake that, until the earlier of: (i) repayment of all amounts due and payable under the CB in full, (ii) full conversion of all the CB then outstanding, and (iii) approval by the CB Holders holding at least 75% of the aggregate principal amount of the outstanding CB, he:

- (i) shall and shall procure that the Relevant Shares to be free and clear of all encumbrances;
- (ii) shall not, and shall procure not, to sell, dispose, transfer or assign the Relevant Shares to any third parties; and
- (iii) shall remain as the single largest shareholder of the Company.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

REASONS FOR THE ISSUE OF CB AND THE USE OF PROCEEDS

The principal activities of the Group are (i) provision of QR codes on product packaging and related business intelligence IT solutions; (ii) design, development, manufacture and sale of packaging products and point-of-sales display units; (iii) investment and trading in securities; and (iv) money lending.

The gross proceeds of the issue of the CB will amount to US\$40 million. The net proceeds of the Subscription, after deducting commission and other related expenses payable by the Company, is estimated to be approximately US\$39.6 million. The Company will use US\$36 million for the development of the business operations of Shanghai Touyun, in particular, Touyun Retailers Management System (the “**System**”), which is developed by Shanghai Touyun, and the remaining balance will be used for the Group’s general corporate purposes.

As stated in the Company’s announcement dated 5 June 2017, Shanghai Touyun launched the pilot run of the System and currently the System is adopted by customers in 11 cities in the People’s Republic of China (the “**PRC**”), mainly the Yangtze River Delta. The initial feedback from the ministores and retailer owners are promising with remarkable market effect, such as the features of electronic payment via mobile application, inventory management and supply chain information. Shanghai Touyun will further enhance the variety of products features of the System in order to expand the customer base and help the ministores and retailer owners to increase their sales and profit.

Shanghai Touyun is currently negotiating with certain branded consumer product companies, distributors and credit card companies for expanding the market coverage of the System. Shanghai Touyun will further expand the System to additional cities in the PRC in the near future, mainly Yangtze River Delta. As at the date of this announcement, no definitive agreements have been entered into with such potential customers.

Combining with Shanghai Touyun’s “One product One code” online service offering, the System provides offline storefront implementation to create a complete O2O marketing solution to the brands.

Accordingly, the Directors believe that the new funding from the CB will provide more room to the Group to carry out its business development strategies and the Directors consider that the terms of the Agreement and the transactions contemplated thereunder (including the Conversion Price and the guarantees and security provided by certain of the Group’s subsidiaries) are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE

For illustration purposes only, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after full conversion of the CB (assuming no other change in the issued share capital of the Company).

	As at the date of this announcement		Immediately after full conversion of the CB at the initial Conversion Price	
	Number of Shares	Approx. %	Number of Shares	Approx. %
Mr. Wang	2,240,000,000	22.86	2,240,000,000	21.48
Mr. Qin Fen	789,880,000	8.06	789,880,000	7.57
Ms. Qiao Yanfeng (<i>Note 1</i>)	600,000,000	6.12	600,000,000	5.75
CB Holders	–	–	630,487,804	6.05
Other public Shareholders	<u>6,167,431,301</u>	<u>62.96</u>	<u>6,167,431,301</u>	<u>59.15</u>
Total:	<u>9,797,311,301</u>	<u>100.00</u>	<u>10,427,799,105</u>	<u>100.00</u>

Note 1: Ms. Qiao Yanfeng is Mr. Wang's mother and is deemed to be interested in 600,000,000 Shares through her wholly-owned companies.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Except as disclosed below, the Company has not carried out any other equity raising activities during the 12 months immediately preceding the date of this announcement.

Date of announcement	Fund raising activity	Net proceeds and intended use (<i>Note</i>)	Actual use of net proceeds (as at date of this announcement)
9 November 2016	Placing of new shares under general mandate	The Company raised HK\$406.1 million net proceeds, which were intended to use for the following purposes:	
		(a) HK\$263.4 million for the redemption of the Promissory Note	HK\$263.4 million was utilized for the full redemption of the Promissory Note in the principal amount of HK\$258 million and payment of accrued interest.
		(b) HK\$142.7 million for the expansion and development of its QR codes packaging business as to:	

Date of announcement	Fund raising activity	Net proceeds and intended use (<i>Note</i>)	Actual use of net proceeds (as at date of this announcement)
		(i) RMB55 million (equivalent to approximately HK\$63 million) towards an acquisition (the “ Acquisition ”) of 信碼互通(北京)科技有限公司 (Sigmatrix Technology Co., Ltd.*) in the PRC by 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, under the relevant acquisition agreement dated 24 January 2017 which was completed in March 2017;	The Acquisition was completed in March 2017. HK\$63 million was used in the Acquisition, of which HK\$28 million had been paid and the remaining balance of HK\$35 million will be applied towards the Acquisition.
		(ii) approximately HK\$14.4 million for the acquisition of plant and equipment;	HK\$14.4 million was fully utilized for such purpose.
		(iii) approximately HK\$58.7 million for research and development, recruitment of technical staff and other personnel and other working capital needs for QR codes packaging business; and	HK\$58.7 million was fully utilized for such purpose.
		(iv) approximately HK\$6.6 million for the purchase of transportation and office supplies to support the “Finding the origins of the edible goods program” in different provinces in the PRC.	HK\$2.8 million was utilized for such purpose and the balance of HK\$3.8 million has not yet been utilized.

Note:

Capitalised terms used in this table have the same meanings as those defined in the announcements of the Company dated 9 November 2016, 18 November 2016, 24 January 2017 and 21 February 2017.

GENERAL MANDATE

The Conversion Shares will be allotted and issued under the General Mandate.

Under the General Mandate, a maximum of 1,959,462,260 new Shares may fall to be allotted and issued. The General Mandate has not been otherwise utilised prior to the date of this announcement. Accordingly, no further Shareholders' approval is required for, the allotment and issue of the Conversion Shares.

DEFINITIONS

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

“2017 AGM”	the 2017 annual general meeting of the Company held on 26 May 2017
“Agreement”	the subscription agreement dated 3 October 2017 entered into between the Company and the Subscriber in relation to the Subscription
“Board”	the board of Directors
“Business Day”	a day on which commercial banks and foreign exchange markets settle payments in Hong Kong, excluding any day in Hong Kong on which a typhoon signal number 8 or above or a “black” rainstorm warning is hoisted
“CB”	7.0% secured convertible bonds of the Company in the aggregate principal amount of US\$40 million to be constituted by the CB Instrument and to be issued by the Company to the Subscriber pursuant to the Agreement
“CB Holders”	holders of the CB
“CB Instrument”	the instrument by way of deed poll to be executed by the Company creating and constituting the CB (as amended, amended and restated, supplemented or otherwise modified from time to time)
“Company”	China Touyun Tech Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1332)
“Completion”	the completion of the Subscription
“Conversion Period”	the period beginning on, and including, the date falling on the 180th day from the Issue Date and ending on, and including, 5:00 p.m. on the Maturity Date

“Conversion Price”	HK\$0.492 per Share (subject to any adjustments)
“Conversion Shares”	the Shares to be allotted and issued upon exercise of the conversion right attaching to the CB
“Directors”	the directors of the Company
“General Mandate”	the existing general mandate granted to the Directors at the 2017 AGM to allot and issue new Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) up to an aggregate number of Shares not exceeding 20% of the number of Shares in issue as at 26 May 2017
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Date”	the date on which completion of the Agreement takes place and the CB is issued in accordance with the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2017 or such later date as may be agreed by the Subscriber and the Company
“Maturity Date”	the date falling on the second anniversary of the Issue Date provided that such date may be automatically extended to the third anniversary of the Issue Date under satisfaction of certain conditions as set out in the paragraph headed “Maturity” of this announcement
“Mr. Wang”	Mr. Wang Liang, the chairman of the Board, an executive Director and a substantial shareholder of the Company
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)

“Redemption Amount”	an amount equal to the aggregate of (a) the aggregate principal amount of such outstanding CB held by the relevant CB Holder, (b) any accrued but unpaid interest on such outstanding CB on the relevant redemption date; (c) if the sum of the amounts referred in paragraphs (a) and (b) above plus interest already paid on such outstanding CB falls short of making up a return equal to an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB calculated from the Issue Date until the redemption date, such additional amount which would make up an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB; and (d) (in respect of any redemption made as a result of any events of default) any default interest accrued but unpaid
“Shanghai Touyun”	上海透雲物聯網科技有限公司 (Shanghai TY Technology Co., Ltd.*), a company established in the PRC with limited liability and indirectly wholly owned by the Company
“Share(s)”	the ordinary share(s) in the share capital of the Company which have a par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	China Huarong International Holdings Limited, a company incorporated in Hong Kong with limited liability
“Subscription”	subscription of the CB by the Subscriber
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

* *for identification purposes only*

By order of the Board
China Touyun Tech Group Limited
Wang Liang
Chairman

Hong Kong, 3 October 2017

As at the date of this announcement, the Board comprised the following directors:

Executive Directors

Mr. Wang Liang (*Chairman*)

Mr. Du Dong

Mr. Lo Yuen Wa Peter

Non-executive Director

Mr. Chen Hui

Independent Non-executive Directors

Mr. Cheung Wing Ping

Mr. Ha Kee Choy Eugene

Mr. To Shing Chuen