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天溢果業控股有限公司
Tianyi Fruit Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 00756)

**ISSUE OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE**

SUBSCRIPTION AGREEMENT

On 14 May 2010, the Company (as the issuer) entered into the Subscription Agreement with the Subscribers and Mr. Sin Ke (as the warrantor), pursuant to which the Subscribers agreed to subscribe for the Convertible Bonds in an aggregate principal amount of US\$22,000,000 (equivalent to approximately HK\$171,215,000).

Upon full conversion of the Convertible Bonds at the Conversion Price at HK\$2.20, a total of 77,825,000 Conversion Shares will be issued, representing approximately 7.76% of the issued share capital of the Company as at the date of this announcement and approximately 7.20% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The net proceeds from the issue of the Convertible Bonds of approximately HK\$163,430,000 will be used for the increase in production capacity (either by way of organic growth or acquisition) and/or general working capital of the Group.

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

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

Completion of the Subscription is subject to fulfillment of the conditions precedent under the Subscription Agreement and parties' rights to termination under the terms and conditions of the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

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THE SUBSCRIPTION AGREEMENT

Date : 14 May 2010

Parties

Issuer : the Company

Subscribers : Sequoia Capital China Growth Fund I, L.P.
Sequoia Capital China Growth Partners Fund I, L.P.
Sequoia Capital China GF Principals Fund I, L.P.

Warrantor : Mr. Sin Ke

Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China Growth Partners Fund I, L.P. and Sequoia Capital China GF Principals Fund I, L.P. are limited liability partnerships incorporated in the Cayman Islands. They invest in growing stage companies in China. Their general partner is Sequoia Capital China Growth Fund Management I, L.P. whose general partner is SC China Holding Limited. They are managed by Sequoia Capital China Advisors Limited.

To the Directors' best knowledge, information and belief having made all reasonable enquiry, each of the Subscribers and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Mr. Sin Ke is the chairman of the Company and a Director. He is a controlling shareholder (as defined under the Listing Rules) of the Company.

Subscription

The Subscribers agreed to subscribe for and the Company agreed to issue, for cash, the Convertible Bonds in the principal amount of US\$22,000,000 (equivalent to approximately HK\$171,215,000) at face value.

Conditions Precedent

Completion is conditional upon, among other thing:

- (i) there being no change, condition, event or occurrence which, in aggregate, is or could reasonably be expected to be material and adverse to the business, operations, assets, cash flow, liabilities, licences, permits, capitalisation, prospects or financial condition of the Group as a whole, on or before the date of Completion;
- (ii) the Stock Exchange having granted permission for the listing of, and permission to deal in, the Conversion Shares subject to such conditions as the Stock Exchange may impose;
- (iii) the representations and warranties by the Company in the Subscription Agreement were true, correct and accurate in all material respects on the date of the Subscription Agreement, and would be true, correct and accurate in all material respects as if such representations and warranties were repeated on the date of Completion with reference to the facts and circumstances then subsisting.

If any of the aforesaid conditions is not satisfied (or waived by the Subscribers) on or before 28 May 2010 (or such other date on or before 11 June 2010 as the parties to the Subscription Agreement may agree), the obligations of the Subscribers under the Subscription shall lapse.

Completion

Completion shall take place as soon as possible after fulfilment of the conditions set out above (or such other date on or before 11 June 2010 as the parties to the Subscription Agreement may agree).

Termination

Either the Company or each of the Subscribers may terminate the Subscription Agreement by giving notice at any time prior to the issue of the Convertible Bonds on the date of Completion if:

- (i) any representation and warranty given by any other party is or proves to be untrue, incorrect or inaccurate on the date of the Subscription Agreement or on the date of Completion;
- (ii) any other party fails to perform any of its respective obligations under the Subscription Agreement;
- (iii) any of the conditions precedent set out above have not been fulfilled or waived by the Subscribers on or before the date of Completion; and/or
- (iv) there shall occur any change, condition, event or occurrence which, in aggregate, is or could reasonably be expected to be material and adverse to the business, operations, assets, cash flow, liabilities, licences, permits, capitalisation, prospects or financial condition of the Group as a whole.

Undertakings

Each Subscriber severally agreed that it shall not sell, contract to sell, pledge or otherwise dispose of any Convertible Bonds to a third party within 9 months from the date of Completion without the prior written consent of the Company. The Conversion Shares may be transferred or disposed of, except to competitor(s) of the Group, after the said period or if the closing price of the Shares as quoted on the Stock Exchange for 30 consecutive trading days is HK\$3.00 or more per Share.

Mr. Sin Ke, as the warrantor, agreed that he and his spouse, namely, Ms. Hong Man Na, shall not for a period commencing from the date of the Subscription Agreement to 2 years from the date of Completion (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of Shares, interests in Shares or any securities convertible into or exercisable or exchangeable for Shares or interests, or (ii) enter into any swap or similar agreement that transfer the economic risk of ownership of Shares or (iii) announce any intention to enter into or effect any aforesaid transactions, unless with the prior written consent of the majority of the Subscribers (which consent shall not be unreasonably withheld or delayed). The shareholdings of Mr. Sin Ke and Ms. Hong Man Na are set out in the paragraph headed "Shareholding Structure of the Company" in this announcement.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarised below:

Principal amount	US\$22,000,000 (equivalent to approximately HK\$171,215,000).
Issue price	100% of the principal amount of the Convertible Bonds.
Maturity	The second anniversary of the date of issue of the Convertible Bonds.
Interest	The Convertible Bonds shall not bear any interest.
Denomination	US\$1,000,000 or integral multiples thereof.
Redemption	Unless previously redeemed, converted or purchased and cancelled, any outstanding Convertible Bonds shall be redeemed at 110% of the principal amount of the part of the Convertible Bonds on the maturity date.

A Bondholder may require the Company to redeem, in whole or in part, the Convertible Bonds at 110% of the principal amount of the part of the Convertible Bonds upon occurrence of the following events:

- (i) occurrence of a change in control, when:
 - (a) any person or persons, acting together, acquires or controls more than 30% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove majority of the Directors or members of the governing body of the Company (“control”) if such person or persons does not or do not have, and would not be deemed to have control of the Group on the date of issue of the Convertible Bonds; or
 - (b) the Group consolidates with or merges into or sells or transfers all or substantially all of the Group’s assets to any other person, unless the consolidation, merger, sale or transfer will not result in any person or persons, acting together, acquiring control over the Group or the successor entity; or
- (ii) the Shares cease to be listed or admitted to trading on the Stock Exchange or an alternative stock exchange.

Conversion Period	The Bondholders have the right to convert the outstanding principal amount of the Convertible Bonds in whole or in part (in authorised denominations) into Shares at any time after the issue date up to the 5th Business Day prior to the date of maturity or the date being the 7th Business Day prior to the date fixed for redemption (whichever earlier) (the “Conversion Period”).
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Mandatory Conversion	In the event that the closing price of the Shares for 30 consecutive trading days during the Conversion Period exceeds HK\$3.00 per Share, all of the outstanding principal amounts of the Convertible Bonds shall be mandatorily converted into Shares.
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Conversion Price	HK\$2.20 per Conversion Share, subject to general anti-dilution adjustments such as stock split or consolidation, stock dividends, capitalisation, stock issue or other events.
Negative pledge	So long as any Convertible Bonds remains outstanding, the Company will not, and will procure that no subsidiary will, create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest securing any obligations of any person upon whole or any part of its undertaking, property, assets or revenues, to secure any Relevant Indebtedness, or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness, and the Company will procure that no subsidiary will guarantee any Relevant Indebtedness unless, at the same time or prior thereto, the Company's obligations under the Convertible Bonds (a) are secured equally and rateably therewith (or so guaranteed), or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by a majority of the Bondholders in writing (in terms of the aggregate outstanding principal amount of the Convertible Bonds).
Transferability	The Convertible Bonds may be transferred to any persons other than competitor(s) of the Group.
Voting	The Bondholders will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of them being bondholders.
Listing	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchanges. Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares.
Ranking of the Convertible Bonds	The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company, and will rank pari passu among themselves and with all other present and future direct, unsubordinated, unconditional and unsecured obligations of the Company, save for obligations as may be preferred by mandatory provisions of applicable law.
Ranking of the Conversion Shares	The Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds will rank pari passu in all respects with all other Shares outstanding at the date of conversion and be entitled to all dividends and distributions the record date for which falls on a date on or after the date of the conversion notice.

Based upon the Conversion Price, a maximum number of 77,825,000 Conversion Shares will be allotted and issued upon full conversion of the Convertible Bonds, representing approximately 7.76% of the issued share capital of the Company of 1,003,450,000 Shares as at the date of this announcement and approximately 7.20% of the issued share capital of the Company of 1,081,275,000 Shares as enlarged by the issue of the Conversion Shares at the Conversion Price.

CONVERSION PRICE

The Conversion Price, being HK\$2.20 per Conversion Share, represents:

- (i) a discount of approximately 4.76% to the closing price of HK\$2.31 per Share as quoted on the Stock Exchange on the date of this announcement;
- (ii) a discount of approximately 3.51% to the average closing price of approximately HK\$2.28 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 3.51% to the average closing price of approximately HK\$2.28 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 5.17% to the average closing price of approximately HK\$2.32 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day.

The Conversion Price was determined after arm's length negotiation between the Company and the Subscribers with reference to the prevailing market price of the Shares. The Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately upon full conversion of the Convertible Bonds at the Conversion Price, assuming there being no other change in the issued share capital and shareholding structure of the Company since the date of this announcement:

	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds	
	Number of Shares	%	Number of Shares	%
Key Wise Group Limited (<i>Note</i>)	555,608,145	55.37	555,608,145	51.38
Public Shareholders				
The Subscribers	0	0	77,825,000	7.20
Other public Shareholders	447,841,855	44.63	447,841,855	41.42
Total	<u>1,003,450,000</u>	<u>100%</u>	<u>1,081,275,000</u>	<u>100%</u>

Note: Mr. Sin Ke beneficially owns 51% interest in Cheer Sky Limited, which in turn beneficially owns 49% interest in Key Wise Group Limited. Ms. Hong Man Na, the spouse of Mr. Sin Ke, beneficially owns 51% interest in Key Wise Group Limited. In addition, Mr. Sin Ke holds 6,000,000 share options granted pursuant to the share option scheme of the Company.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in sale of frozen concentrated orange juice (“FCOJ”) and its related product, fresh oranges, other concentrated fruit juices and dehydrated longans. According to the certificate issued by the China Beverage Industry Association (中國飲料工業協會) on 15 February 2008, the Group is one of the leading domestic producers in FCOJ industry in PRC in terms of production quantity.

The gross proceeds from issue of the Convertible Bonds will be US\$22,000,000 (equivalent to approximately HK\$171,250,000). After taking into account the estimated expense of approximately HK\$7,820,000, the net proceeds from the Convertible Bonds of approximately HK\$163,430,000 will be used for the increase in production capacity (either by way of organic growth or acquisition) and/or general working capital of the Group. Assuming full conversion of the Convertible Bonds at the Conversion Price, the net price per Conversion Share will be approximately HK\$2.10.

The Directors consider that the entering into of the Subscription Agreement and the issue of the Convertible Bonds represent an opportunity to broaden the capital base of the Company and to obtain immediate funding on attractive terms. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable, and the Subscription and the transactions contemplated under the Subscription Agreement are in the interests of the Company and the Shareholders as a whole.

FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not carried out any fund raising activities during the 12 months immediately preceding the date of this announcement.

GENERAL

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

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

Completion of the Subscription is subject to fulfillment of the conditions precedent under the Subscription Agreement and parties’ rights to termination under the terms and conditions of the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms are used in this announcement with the meanings set out below:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds

“Business Day”	a day, other than a Saturday, Sunday or another day on which commercial banks in New York and Hong Kong are required or authorised by law or executive order to close, or a day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., Hong Kong time
“Company”	Tianyi Fruit Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms of the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Convertible Bonds”	the zero coupon convertible bonds in an aggregate principal amount of US\$22,000,000 to be issued by the Company pursuant to the Subscription Agreement
“Conversion Price”	the initial conversion price of HK\$2.20 per Conversion Share (subject to adjustments)
“Conversion Shares”	new Shares to be allotted issued to the Bondholder(s) upon any exercise of the conversion rights attaching to the Convertible Bonds
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 30 November 2009 to allot, issue and deal with up to 200,000,000 new Shares, representing 20% of the aggregate nominal amount of the issued share capital of the Company on the date of such annual general meeting
“Group”	the Company and its subsidiaries
“Last Trading Day”	14 May 2010, being the last trading day of the Shares on the Stock Exchange prior to the signing of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Relevant Indebtedness”	any present or future indebtedness in the form of, or represented by, bonds, debentures, notes or other investment securities which are for the time being, or are intended to be or capable of being, quoted, listed, ordinarily dealt in or trade on any stock exchange or over-the-counter or other securities market

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholders”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China Growth Partners Fund I, L.P. and Sequoia Capital China GF Principals Fund I, L.P.
“Subscription”	the subscription of the Convertible Bonds subject to and upon the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 May 2010 entered into between the Company, the Subscribers and Mr. Sin Ke in relation to the Subscription
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
Tianyi Fruit Holdings Limited
Sin Ke
Chairman

Hong Kong, 14 May 2010

As at the date of this announcement, the Board comprises: Mr. SIN Ke and Mr. SAN Kwan as executive Directors; and Mr. ZHUANG Xueyuan, Mr. ZHUANG Weidong and Mr. TU Zongcai as independent non-executive Directors.