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YOUYUAN INTERNATIONAL HOLDINGS LIMITED

優源國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2268)

PROPOSED ISSUE OF 4.5% GUARANTEED CONVERTIBLE BOND IN THE AGGREGATE PRINCIPAL AMOUNT OF US\$22 MILLION DUE 2019 AND DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

PROPOSED ISSUE OF CONVERTIBLE BOND

On 18 January 2018 (after trading hours), the Company entered into the Subscription Agreement with the Guarantor and the Subscriber pursuant to which the Subscriber conditionally agreed to subscribe, and the Company conditionally agreed to issue the Convertible Bond in the aggregate principal amount of US\$22 million, upon satisfaction or waiver of the Conditions Precedent.

The Convertible Bond will bear interest at the rate of 4.5% per annum on the outstanding principal amount of the Convertible Bond. The Subscriber will have the right, but not the obligation, to convert all or any part of the outstanding principal amount of the Convertible Bond at any time during the Conversion Period into Shares at an initial Conversion Price (which is subject to adjustment) of HK\$4.4625 per Conversion Share.

The Company intends to use the net proceeds from the issue of the Convertible Bond for or in connection with the acquisition of the equity interest in Xin Wing Enterprises Limited as disclosed in the circular of the Company dated 25 May 2017, the subsidiaries of which are engaged in the manufacturing and distribution of wallpaper products, and/or as general working capital of the Group.

Mr. Ke Wentuo, who is the Chairman, an executive Director and a controlling shareholder of the Company, agreed to guarantee in favour of the Subscriber, the due and punctual performance of all obligations of the Company under the Subscription Agreement and the Convertible Bond.

Immediately following Completion, assuming full exercise of the Conversion Right by the Subscriber at an initial Conversion Price of HK\$4.4625 per Conversion Share and based on the other assumptions as set out in “**Effects on Shareholding Structure**” in this announcement, 38,453,781 Shares will be allotted and issued to the Subscriber, representing the following percentages in the issued share capital of the Company:

	Approximately %
The issued share capital of the Company as at the date of this announcement	3.09%
The issued share capital of the Company as enlarged by the allotment and issue of the 38,453,781 Shares upon exercise in full of the Conversion Right attached to the Convertible Bond (assuming the conversion right attached to the CCI Convertible Bond and the China Silk Road Convertible Bond are not exercised at all)	3.00%
The issued share capital of the Company as enlarged by the allotment and issue of the 38,453,781 Shares upon exercise in full of the Conversion Right attached to the Convertible Bond (assuming the conversion right attached to the CCI Convertible Bond and the China Silk Road Convertible Bond are exercised in full and 44,817,927 CCI Conversion Shares and 31,325,301 China Silk Road Conversion Shares are allotted and issued)	2.83%

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

No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other stock exchange.

The Subscription is conditional upon satisfaction or waiver of the Conditions Precedent, brief particulars of which are set out in “**The Subscription Agreement - Conditions Precedent**” in this announcement.

The Subscription may or may not proceed to completion. Shareholders and potential investors should exercise caution when dealing in the Shares.

PROPOSED ISSUE OF CONVERTIBLE BOND

On 18 January 2018 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, with the Guarantor joined in as guarantor, pursuant to which the Subscriber conditionally agreed to subscribe, and the Company conditionally agreed to issue the Convertible Bond in the aggregate principal amount of US\$22 million, upon satisfaction or waiver of the Conditions Precedent on the principal terms and conditions set out below.

THE SUBSCRIPTION AGREEMENT

Date: 18 January 2018.

Parties: (1) the Company, as issuer of the Convertible Bond;
(2) the Subscriber, as subscriber of the Convertible Bond;
and
(3) the Guarantor, as guarantor.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

Subscription of the Convertible Bond: Pursuant to the Subscription Agreement, the Company will, subject to the Conditions Precedent, issue the Convertible Bond to the Subscriber in the aggregate principal amount of US\$22 million for cash.

Conditions Precedent

Completion of the subscription and issuance of the Convertible Bond is conditional upon fulfilment of the following conditions no later than the Long Stop Date:

- (1) the Stock Exchange granting its approval for the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the Conversion Right and the obtaining of all other approval, authorisation, consent or permission that is required of the Company for the transactions contemplated under the Subscription Agreement;
- (2) the General Mandate not having been revoked;

- (3) there shall not have been any suspension of the trading of the Shares on the Stock Exchange for any reason during the period between the date of the Subscription Agreement up to Completion (save for the purposes of clearing this announcement, or any transaction which is of a routine nature or constitute a transaction under Chapter 14 and/or 14A of the Listing Rules resulting in a temporary suspension of trading of the Shares for not more than three consecutive Business Days);
- (4) there shall have been no occurrence of any circumstances or events which individually or in aggregate, is or is likely to have a Material Adverse Effect or a prolonged suspension or material limitation of trading in securities generally on the Stock Exchange from the date of the Subscription Agreement up to the Completion Date;
- (5) the Guarantor shall remain as the Chairman and a Director and the controlling shareholder of the Company;
- (6) the representations, warranties and covenants given by the Company and the Guarantor under the Subscription Agreement remain true, correct and not misleading up to the Completion Date;
- (7) the Company and the Guarantor shall have performed and complied with all agreements, obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by them on or before the Completion Date;
- (8) delivery to the Subscriber of the certificate of incumbency and certificate of good standing of the Company and the resolutions of the Board approving and authorising the signing of the Transaction Documents; and
- (9) the publication of this announcement in accordance with the Listing Rules.

The Subscriber may, at its discretion and upon such terms as it thinks fit, waive compliance with any of the Conditions Precedent (except Conditions Precedent set out in paragraphs (1) and (2) above shall not be capable of being waived by the Subscriber) no later than 5:00 p.m. on the Long Stop Date.

Use of proceeds

The net proceeds from the issue of the Convertible Bond shall be used by the Company for or in connection with the acquisition of equity interest in Xin Wing Enterprises Limited as disclosed in the circular of the Company dated 25 May 2017, the subsidiaries of which are engaged in the manufacturing and distribution of wallpaper products, and/or as general working capital of the Group.

Completion

Completion of the issue and subscription of the Convertible Bond shall take place on a date no later than the 3rd Business Day after the fulfilment or as the case may be, waiver of the Conditions Precedent or at such other date as the Company and the Subscriber may agree in writing.

Termination

The Subscription Agreement will be terminated if:

- (1) the Conditions Precedent are not fulfilled or (as the case may be) waived in accordance with the Subscription Agreement by the Long Stop Date;
- (2) the closing deliverables required under the Subscription Agreement are not delivered at Completion by either the Company or the Subscriber and the party not in default terminate the Subscription Agreement by serving written notice to that effect to the defaulting party; or
- (3) the Subscriber terminates the Subscription Agreement at any time before the Completion Date when (a) there shall have come to the notice of the Subscriber any breach of, or any event rendering untrue, incomplete, inaccurate or misleading in any material respect, any of the representations, warranties and covenants given or procure to be given by the Company and the Guarantor; or (b) if there is any breach of any covenant or agreement of the Transaction Documents, including, without limitation, any undertakings given by the Company and the Guarantor under the Subscription Agreement.

If the Subscription Agreement is terminated, the Subscription Agreement shall be of no further effect and the parties thereto shall be released and discharged from their respective obligations thereunder save for any antecedent breach and (other than in the case of (2) immediately above when the defaulting party is the Subscriber) the Company shall reimburse the Subscriber with all costs and expenses incurred by the Subscriber for or in connection with Subscription Agreement and the other Transaction Documents.

PRINCIPAL TERMS OF THE CONVERTIBLE BOND

The principal terms of the Convertible Bond have been negotiated between the Company and the Subscriber on an arm's length basis and they are summarised below:

Principal amount:	US\$22 million.
Issue price:	100% of the principal amount of the Convertible Bond.
Form and denomination:	The Convertible Bond will be issued in registered form and in a minimum denomination of US\$2,000,000 each save where the outstanding amount of the Convertible Bond is less than US\$2,000,000, the Convertible Bond may be issued in such lesser amount.
Maturity Date:	The first anniversary of the Issue Date (“ First Maturity Date ”). The First Maturity Date may be extended to second anniversary of the Issue Date (“ Extended Maturity Date ”) if agreed to by the Company and the Bondholder in writing prior to the First Maturity Date (in either case, the “ Maturity Date ”).
Interest:	4.5% per annum on the principal amount of the Convertible Bond from time to time outstanding, payable in US dollar once every six months in arrears accruing from the Issue Date on the basis of a 365-day year, with the last payment of interest to be made on the Maturity Date.
Default Interest:	12.5% per annum on all amount overdue from the due date for payment up to and including the date of full payment.
Debt-to-Assets Ratio:	For so long as any Convertible Bond remains outstanding, the consolidated debt-to-assets ratio of the Company shall not exceed 65% at any time save with the prior approval (which may be subject to conditions) by a resolution of the Majority Bondholders (or in the case of a sole Bondholder, by the sole Bondholder in writing).

Conversion Price:

The initial Conversion Price is HK\$4.4625 per Conversion Share, which is subject to adjustment provisions, brief particulars of which are set out in “**Adjustment to Conversion Price**” below.

The Conversion Price represents the following closing price of the Shares as quoted on the Stock Exchange:

- (1) a premium of approximately 33.61% to the closing price of HK\$3.34 per Share on the date of the Subscription Agreement;
- (2) a premium of approximately 39.19% to the average closing price of HK\$3.21 per Share for the last **five** Trading Days up to and including the Last Trading Day; and
- (3) a premium of approximately 37.10% to the average closing price of HK\$3.26 per Share for the last **ten** Trading Days up to and including the Last Trading Day.

**Adjustment to
Conversion Price:**

The Conversion Price will be subject to adjustments upon the occurrence of certain events, the principal ones are summarised below:

- (1) a change in the nominal value of the Shares as a result of any consolidation, reclassification or subdivision of Shares;
- (2) issue of Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium accounts or capital redemption reserve);
- (3) issue of Shares by way of scrip dividend where the aggregate average of the closing price for five consecutive Trading Days ending on and including the record date for the issue of such Shares multiple by the number of such Shares exceeds the amount of the aggregate cash dividends declared by the Company;

- (4) any distribution of assets in specie by the Company to the Shareholders;
- (5) rights issues of Shares or options over Shares to the Shareholders at a price per Share which is less than 80% of the average of the closing price for 20 consecutive Trading Days ending on and including the Trading Day immediately preceding the date of the first publication of the announcement of the terms of the issue or grant of such Shares;
- (6) rights issues of other securities by the Company to the Shareholders;
- (7) issue by the Company of any Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares at a price per Share which is less than 80% of the average of the closing price for 20 consecutive Trading Days ending on and including the Trading Day immediately preceding the date of the first publication of the announcement of the terms of the issue or grant;
- (8) other issue by the Company or its subsidiaries of any securities carrying rights of conversion into, or exchange or subscription for, Shares or other securities at a consideration per Share receivable upon conversion, exchange, subscription or resignation which is less than 80% of the average of the closing price for 20 consecutive Trading Days ending on and including the Trading Day immediately preceding the date of the first publication of the announcement of the terms of the issue;

- (9) modification of rights of conversion, exchange, subscription, purchase or acquisition attaching to the securities mentioned in (8) immediately above so that following such modification the consideration per Share receivable has been reduced and is less than 80% of the average of the closing price for 20 consecutive Trading Days ending on and including the Trading Day immediately preceding the date of the first publication of the announcement of the proposals for such modification; or
- (10) other offers of securities by the Company or its subsidiaries or any other person in connection with which the Shareholders are entitled to participate in arrangements whereby such securities may be acquired by them.

Conversion Rights:

Each Bondholder has the right to convert all or any part of the Convertible Bond held by it into Shares credited as fully paid at any time during the Conversion Period.

Each conversion shall be in an amount not less than a whole multiple of US\$2,000,000 unless the remaining outstanding principal amount of the Convertible Bond is less than US\$2,000,000, in which case the whole of such balance (but not part of it) may be converted into Shares credited as fully paid.

The number of Shares to be issued on exercise of a Conversion Right will be determined by dividing the US\$ principal amount of the Convertible Bond to be converted translated to HK\$ at a fixed rate of US\$1.00 to HK\$7.80 by the Conversion Price in effect on the relevant Conversion Date. No fractions of a Conversion Share will be issued on exercise of a Conversion Right and no cash payment or other adjustment will be made in respect thereof.

Conversion Shares

Assuming full exercise of the Conversion Right by the Subscriber at an initial Conversion Price of HK\$4.4625 per Conversion Share and based on the other assumptions as set out in “**Effects on Shareholding Structure**” below, 38,453,781 Conversion Shares (with aggregate nominal value of HK\$3,845,378.1) will be issuable by the Company upon full exercise of the Conversion Right at the initial Conversion Price of HK\$4.4625 per Conversion Share, representing the following percentages in the issued share capital of the Company:

	Approximately %
The issued share capital of the Company as at the date of this announcement	3.09%
The issued share capital of the Company as enlarged by the allotment and issue of the 38,453,781 Shares upon exercise in full of the Conversion Right attached to the Convertible Bond (assuming the conversion right attached to the CCI Convertible Bond and China Silk Road Convertible Bond are not exercised at all)	3.00%
The issued share capital of the Company as enlarged by the allotment and issue of the 38,453,781 Shares upon exercise in full of the Conversion Right attached to the Convertible Bond (assuming the conversion right attached to the CCI Convertible Bond and China Silk Road Convertible Bond are exercised in full and 44,817,927 CCI Conversion Shares and 31,325,301 China Silk Road Conversion Shares are allotted and issued)	2.83%

The Conversion Shares will in all respects rank pari passu with the fully-paid Shares then in issue, including any rights to distributions or other payments which may thereafter be declared, made or paid from time to time by the Company.

Redemption:

No early redemption:

The Convertible Bond may not be redeemed by the Company at any time prior to the Maturity Date.

Redemption at Maturity:

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem the Convertible Bond in US dollars on the First Maturity Date (or if extended, the Extended Maturity Date) at its outstanding principal amount together with interest thereon at the rate of 5% per annum calculated from the Issue Date to the First Maturity Date or if extended, to the Extended Maturity Date.

Redemption upon Event of Default:

Upon the occurrence of an Event of Default, the Company shall redeem the Convertible Bond in US dollars at its outstanding principal amount together with interest thereon at the rate of 18% per annum calculated from the Issue Date to the date of redemption.

Redemption on Change of Control:

Following the occurrence of a Change of Control, the Company shall redeem the Convertible Bond in US dollars at its outstanding principal amount together with interest thereon at the rate of 18% per annum calculated from the Issue Date to the fifth Business Day after the expiry of the latter (by reference to the expiry date of a period) of (i) the period commencing on the occurrence of a Change of Control and ending 10 calendar days following the Change of Control or (ii) a period of 5 calendar days following either (a) the date on which a Change of Control notice is given to Bondholders as required by the CB Conditions or (b) if the Company fails to deliver such notice, the date on which the Majority Bondholders notify the Company in writing that a Change of Control has occurred.

Events of Default:

Among other customary events of default, set out below are the principal events of default under the Convertible Bond:

- (1) there is a default in the payment of any principal or interest or premium due in respect of the Convertible Bond;
- (2) failure by the Company to deliver any Shares as and when such Shares are required to be delivered following any exercise of the Conversion Right and such failure continues for more than three Business Days;
- (3) the Company or the Guarantor does not perform or comply with one or more of its obligations in the Convertible Bond or the other Transaction Documents, and if such default is capable of remedy, not be remedied within five Business Days after notice of such default has been given;
- (4) the Company or any of its subsidiaries or the Guarantor is insolvent or bankrupt or unable to pay its/his debts, stops, suspends or threatens to stop or suspend payment of any of its/his debts;
- (5) any other present or future indebtedness (whether actual or contingent) of the Company or any other members of the Group or the Guarantor for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described);
- (6) any action, condition or thing at any time required to be taken, fulfilled or done in order (a) to enable the Company and the Guarantor lawfully to enter into, exercise its/his rights and perform and comply with its/his obligations under the Convertible Bond and the other Transaction Documents to which it/he is a party or (b) to ensure that those obligations are legally binding and enforceable is suspended, modified or revoked;

- (7) it is or will become unlawful for the Company and/or the Guarantor to perform or comply with anyone or more of its obligation under the Convertible Bond and the other Transaction Documents;
- (8) any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened against the Company, any other member of the Group, the Guarantor or any of their respective assets which could reasonably be expected to have a Material Adverse Effect;
- (9) the authority or ability of the Company, any other members of the Group or the Guarantor to conduct its/his business is wholly or substantially curtailed;
- (10) the Shares cease to be traded or listed on the Stock Exchange or trading of the Shares on the Stock Exchange is suspended for a consecutive period of more than thirteen Trading Days other than suspension from trading on the Stock Exchange pending the issuance of an announcement by the Company under Chapters 13, 14 and/or 14A of Listing Rules; or
- (11) any event or circumstance occurs which has or may reasonably be expected to have a Material Adverse Effect.

Guarantee:

The Convertible Bond and all and any payment obligations of the Company under the Convertible Bond are guaranteed by the Guarantor.

Ranking of the Convertible Bond:

The Convertible Bond constitutes direct, unconditional, unsubordinated and guaranteed obligations of the Company and shall at all times rank pari passu and without any preference among themselves.

Transferability of the Convertible Bond:

The Convertible Bond may be freely assigned or transferred (in whole or in part) by its Bondholder to any third party other than connected persons of the Company.

Voting: The Convertible Bond does not confer any voting rights at any meetings of the Company.

Public float: No conversion of the Convertible Bond shall be made if immediately upon such conversion, the Company will fail to comply with the public float requirement of the Shares under Rule 8.08 of the Listing Rules or the holder of the Convertible Bond and parties acting in concert with it, taken together, will trigger a mandatory general offer under the Takeovers Code.

Listing: No application has been or will be made for the listing of the Convertible Bond on the Stock Exchange or any other stock exchange.

ISSUE OF THE CONVERSION SHARES UNDER THE GENERAL MANDATE

At the AGM, the Shareholders approved, among other things, the General Mandate, under which the Directors are authorised to issue up to 235,753,067 new Shares, being 20% of the total number of issued shares of the Company of 1,178,765,339 Shares as at the date of the AGM.

The Conversion Shares to be issued upon conversion of the Convertible Bond will be allotted and issued under the General Mandate and, as such, no Shareholders' approval is required for the Subscription.

LISTING OF THE CONVERSION SHARES

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

REASON FOR, AND BENEFITS OF, THE ISSUE OF THE CONVERTIBLE BOND

The principal activity of the Company is investment holding, and through its subsidiaries, is principally engaged in the business of manufacturing and trading of wrapping tissue paper, wall paper backing paper, copy paper and other specialty paper products, and manufacturing and distribution of wallpaper products.

The Board is of the view that the issue of the Convertible Bond represents an opportunity for the Company to strengthen its capital base and financial position by providing flexibility to the Group in its deployment of working capital for other

business operation of the Group. The issue of the Convertible Bond is an appropriate means of raising capital for the Group since it will not have an immediate dilution effect on the shareholding of the existing Shareholders and if the Conversion Right is exercised, the shareholder base of the Company will be broaden.

The Directors consider that the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bond and the allotment and issue of the Conversion Shares upon exercise of the Conversion Right attached to the Convertible Bond), which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Subscription would be US\$22 million, which is equivalent to HK\$171.6 million. The net proceeds from the Subscription, after deducting all fees and expenses, including professional fees, are estimated to be approximately HK\$171.1 million. On this basis, the net price per Conversion Share (calculated based on 38,453,781 Conversion Shares) is approximately HK\$4.4495.

The net proceeds of the Subscription are intended to be used by the Company for or in connection with the acquisition of equity interest in Xin Wing Enterprises Limited as disclosed in the circular of the Company dated 25 May 2017, the subsidiaries of which are engaged in the manufacturing and distribution of wallpaper products, and/or as general working capital of the Group.

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (1) as at the date of this announcement and (2) under the two scenarios stated in the table below, and assuming that there being no other change to the share capital and shareholding structure of the Company from the date of this announcement save for the allotment and issue of the Conversion Shares, the CCI Conversion Shares and China Silk Road Conversion Shares, is as follows:

<i>Shareholder</i>	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon exercise of the Conversion Right attaching to the Convertible Bond in full (assuming the conversion right attached to the CCI Convertible Bond and China Silk Road Convertible Bond are not exercised at all) (Note 1A)		Immediately after the allotment and issue of the Conversion Shares upon exercise of the Conversion Right attaching to the Convertible Bond in full (assuming the conversion right attached to the CCI Convertible Bond and China Silk Road Convertible Bond are exercised in full) (Note 1B)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Core connected persons						
Mr. Ke Wentuo and his close associates						
Smart Port Holdings Limited (Note 2)	665,560,500	53.51%	665,560,500	51.91%	665,560,500	49.00%
Denron International Limited (Note 3)	<u>28,677,000</u>	<u>2.31%</u>	<u>28,677,000</u>	<u>2.24%</u>	<u>28,677,000</u>	<u>2.11%</u>
	694,237,500	55.82%	694,237,500	54.15%	694,237,500	51.11%
Giantwish International Limited (Note 4)	83,470,373	6.71%	83,470,373	6.51%	83,470,373	6.15%
Everproud International Limited (Note 5)	<u>41,930,000</u>	<u>3.37%</u>	<u>41,930,000</u>	<u>3.27%</u>	<u>41,930,000</u>	<u>3.09%</u>
Sub-total:	<u>819,637,873</u>	<u>65.90%</u>	<u>819,637,873</u>	<u>63.93%</u>	<u>819,637,873</u>	<u>60.35%</u>
Public						
CCI Bondholder	—	—	—	—	44,817,927	3.30%
China Silk Road Bondholder	—	—	—	—	31,325,301	2.31%
The Subscriber (Note 6)	—	—	38,453,781	3.00%	38,453,781	2.83%
Cathay Special Paper Limited (Note 7)	100,147,500	8.05%	100,147,500	7.81%	100,147,500	7.37%
Other public Shareholders	<u>323,940,339</u>	<u>26.05%</u>	<u>323,940,339</u>	<u>25.26%</u>	<u>323,940,339</u>	<u>23.84%</u>
Sub-total:	<u>424,087,839</u>	<u>34.10%</u>	<u>462,541,620</u>	<u>36.07%</u>	<u>538,684,848</u>	<u>39.65%</u>
Total:	<u>1,243,725,712</u>	<u>100.00%</u>	<u>1,282,179,493</u>	<u>100.00%</u>	<u>1,358,322,721</u>	<u>100.00%</u>

Notes:

- 1A. Assuming (i) there is no adjustment to the Conversion Price; and (ii) there is no redemption of the Convertible Bond.
- 1B. Assuming (i) there is no adjustment to the Conversion Price and the conversion price of the CCI Convertible Bond and the China Silk Road Convertible Bond; and (ii) there is no redemption of the Convertible Bond, the CCI Convertible Bond and the China Silk Road Convertible Bond.
2. Smart Port Holdings Limited is wholly owned by Mr. Ke Wentuo, the Chairman and an executive Director.
3. Denron International Limited is wholly owned by Ms. Cai Lishuang, the spouse of Mr. Ke Wentuo.
4. Giantwish International Limited is wholly owned by Ms. Ke Jinzhen, a director of a non-wholly owned subsidiary (i.e. Xin Wing Enterprises Limited, a limited liability company incorporated in the British Virgin Islands) of the Group and the daughter of Mr. Ke Wentuo.
5. Everproud International Limited is wholly owned by Mr. Ke Jixiong, an executive Director and the son of Mr. Ke Wentuo.
6. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, the Subscriber and its ultimate beneficial owner are Independent Third Parties. The Subscriber will not become a Substantial Shareholder immediately upon the allotment and issue of the Conversion Shares upon the exercise of Conversion Right attaching to the Convertible Bond in full.
7. Cathay Special Paper Limited is wholly owned by Cathay Capital Holdings II, L.P., a limited liability partnership.

Shareholders should take note that the analyse under the two scenarios stated in the table above are for illustration purpose only.

As disclosed in the above table, it is expected that immediately upon full conversion of the Convertible Bond, the CCI Convertible Bond and the China Silk Road Convertible Bond, a minimum of 25% of the issued share capital of the Company will continue to be in the public hands.

FUND RAISED ON ISSUE OF EQUITY SECURITIES IN THE PAST TWELVE MONTHS

The Company has raised fund on issue of the following equity security during the past 12 months immediately preceding the date of this announcement.

Date of announcement	Equity security issued	Net proceeds raised (approximately)	Intended use of net proceeds raised	Actual use of net proceeds raised
16 October 2017	The CCI Convertible Bond issued to Central China International Investment Company Limited on 20 October 2017	HK\$194.3 million	The acquisition of the equity interest in Xin Wing Enterprises Limited as disclosed in the circular of the Company dated 25 May 2017 and/or as general working capital of the Group	The net proceeds raised were wholly utilised in the acquisition of the equity interest in Xin Wing Enterprises Limited as disclosed in the circular of the Company dated 25 May 2017
3 November 2017	The China Silk Road Convertible Bond issued to China Silk Road Financial Holding Limited on 13 November 2017	HK\$151.9 million	The acquisition of the equity interest in Xin Wing Enterprises Limited as disclosed in the circular of the Company dated 25 May 2017 and/or as general working capital of the Group.	The net proceeds raised were wholly utilised in the acquisition of the equity interest in Xin Wing Enterprises Limited as disclosed in the circular of the Company dated 25 May 2017.

Save as disclosed above, the Company has not conducted other equity fund raising activities during the past 12 months immediately preceding the date of this announcement.

INFORMATION OF THE GROUP

The principal activities of the Company is investment holding, and through its subsidiaries, is principally engaged in the businesses of manufacturing and trading of wrapping tissue paper, wall paper backing paper, copy paper and other specialty paper products, and manufacturing and distribution of wallpaper products.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a limited liability company incorporated under the laws of Hong Kong and is 100% owned by Donghai Securities Co. Ltd. and is principally engaged in investment holding.

THE GUARANTEE — LISTING RULES’ REQUIREMENTS AND DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Listing Rules’ requirements

Mr. Ke Wentuo, agreed to guarantee in favour of the Subscriber, the due and punctual performance of all obligations of the Company under the Subscription Agreement and the Convertible Bond. The giving of the Guarantee by the Guarantor, who is an executive Director and a controlling shareholder of the Company and is therefore a connected person of the Company, in favour of the Subscriber for securing the obligations of the Company constitutes financial assistance by a connected person for the benefit of the Company under Chapter 14A of the Listing Rules. The Company will not provide any security to the Guarantor for the Guarantee. The Directors considered that the provision of the Guarantee by the Guarantor is on normal commercial terms or better to the Company and is fully exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Disclosure pursuant to Rule 13.18 of the Listing Rules

Under the Transaction Documents, Mr. Ke Wentuo, as the guarantor, will undertake to maintain his status as the single largest shareholder of the Company holding not less than 30% Shares in the Company and remain as a Director and the chairman of the Board and at all times during the subsistence of the Transaction Documents (collectively, the “**Specific Performance Obligations**”). A breach of the Specific Performance Obligations will constitute an event of default under the Convertible Bond which would entitle the Bondholder to require the Company to redeem the Convertible Bond.

The Company will make continuing disclosure in its subsequent interim and annual reports for so long as the Specific Performance Obligation continues to exist pursuant to the requirements of Rule 13.21 of the Listing Rules.

The Subscription is conditional upon satisfaction or waiver of the Conditions Precedent, brief particulars of which are set out in “**The Subscription Agreement - Conditions Precedent**” in this announcement.

The Subscription may or may not proceed to completion. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions have the following meanings when used herein.

“AGM”	the annual general meeting of the Company held on 25 May 2017
“Board”	the board of Directors
“Bondholder”	a person who is for the time being registered as the holder a Convertible Bond in the register of Bondholders maintained by the Company
“Business Day”	a day other than Saturday, Sunday and public holiday on which banks are open for general business in Hong Kong and on which the Stock Exchange is open for dealing in securities
“CB Certificate”	the definitive certificate in respect of the Convertible Bond
“CB Conditions”	means the terms and conditions to be attached to each CB Certificate, on and subject to which the Convertible Bond is to be issued
“CCI Bondholder”	holder of the CCI Convertible Bond
“CCI Convertible Bond”	the 4.5% guaranteed convertible bond issued by the Company in the aggregate principal amount of HK\$200 million due 2018, details of which are disclosed in the announcement of the Company dated 16 October 2017. The CCI Convertible Bond was issued to Central China International Investment Company Limited on 20 October 2017 upon completion of its subscription
“CCI Conversion Shares”	the new Shares fall to be allotted and issued upon exercise by the CCI Bondholder of the conversion rights attached to the CCI Convertible Bond

“Change of Control”	the Guarantor ceases to be the single largest holder of Shares holding, directly or indirectly, less than 30% Shares in the Company or the Guarantor ceases to be a Director and the chairman of the Board, whichever is the earlier
“China Silk Road Bondholder”	holder of the China Silk Road Convertible Bond
“China Silk Road Convertible Bond”	the 4.5% guaranteed convertible bond issued by the Company in the aggregate principal amount of US\$20 million due 2018, details of which are disclosed in the announcement of the Company dated 3 November 2017. The China Silk Road Convertible Bond was issued to China Silk Road Financial Holding Limited on 13 November 2017 upon completion of its subscription
“China Silk Road Conversion Shares”	the new Shares fall to be allotted and issued upon exercise by the China Silk Road Bondholder of the conversion rights attached to the China Silk Road Convertible Bond
“Company”	Youyuan International Holdings Limited (優源國際控股有限公司), an exempted company incorporated under the laws of the Cayman Islands whose issued Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the issue of the Convertible Bond in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the date scheduled for Completion, being the 3rd Business Day after the fulfilment of the Conditions Precedent or (as the case may be) waiver thereof or such other date as the Company and the Subscriber may agree in writing
“Conditions Precedent”	the conditions precedent to Completion, brief particulars of which are set out in “ <i>The Subscription Agreement — Conditions Precedent</i> ” in this announcement
“connected person”	has the same meaning ascribed to it under the Listing Rules

“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Conversion Date”	the date on which the Conversion Right is exercised in accordance with CB Conditions
“Conversion Period”	subject to and upon compliance with the CB Conditions, any time after twelve months from the Issue Date to 5:00 p.m. (Hong Kong time) on the Business Day immediately before the Extended Maturity Date or, if the Convertible Bond shall have been called for redemption before the Maturity Date, then up to and including 5:00 p.m. (Hong Kong time) on the Business Day immediately prior to the relevant date of redemption
“Conversion Price”	the price at which the Conversion Shares will be issued upon the exercise of the Conversion Right, which is initially at HK\$4.4625 per Conversion Share, subject to adjustments in accordance with the CB Conditions
“Conversion Right”	the right attached to the Convertible Bond entitling the Bondholder to convert the principal amount or a part thereof due under the Convertible Bond to fully paid Shares pursuant to the CB Conditions
“Conversion Shares”	new Shares fall to be allotted and issued by the Company upon exercise of the Conversion Right
“Convertible Bond”	the US\$22 million 4.5% guaranteed convertible bond due 2019 proposed to be issued by the Company to the Subscriber pursuant the Subscription Agreement upon Completion, or as the context may require, any portion of it
“Directors”	the directors of the Company
“Event of Default”	the event of default as specified in the CB Conditions, the principal ones are set out in “ Convertible Bond — Event of Default ” in this announcement

“General Mandate”	the general mandate granted to the Directors to allot, issue or otherwise deal with Shares up to a maximum of 20% of the total number of Shares in issue as at the date of the AGM, by a resolution of the Shareholders passed at the AGM
“Group”	the Company and its subsidiaries from time to time and “member(s) of the Group” has the corresponding meaning
“Guarantee”	the guarantee to be given by the Guarantor in favour of the Subscriber
“Guarantor”	Mr. Ke Wentuo, the Chairman, an executive Director and a controlling shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	party who is not a connected person of the Company and is independent of the Company and any of its connected persons
“Issue Date”	the date of the issue of the Convertible Bond
“Last Trading Day”	17 January 2018, being the last trading day of the Shares on the Stock Exchange immediately prior to the date of signing of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date that is 14 days from the date of the Subscription Agreement or such later date as the parties to the Subscription Agreement may agree in writing
“Majority Bondholders”	Bondholders holding Convertible Bond representing in aggregate more than 50% of the aggregate principal amount of all Convertible Bond then outstanding

“Material Adverse Effect”	a condition, a development or a circumstance which, individually or in aggregate, would have a material adverse effect on: (a) the condition (financial or otherwise), prospects, results of operations, assets or liabilities of any of the Group or the Guarantor involving in each instance an amount or value exceeding RMB30,000,000 or, in aggregate exceeding RMB50,000,000 (or its equivalent in another currency or currencies); or (b) the ability of any of the Company and the Guarantor to perform any of its/his obligations under the Transaction Documents; (c) the validity or enforceability of any of the Transaction Documents, or the effectiveness or ranking of the Guarantee or the rights or remedies of the Bondholder under the Convertible Bond
“Maturity Date”	has the meaning as defined in “ Principal terms of the Convertible Bond — Maturity Date ” in this announcement
“PRC”	The People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of PRC
“Shares”	ordinary shares of par value of HK\$0.10 each in the share capital of the Company
“Shareholder”	the holder of any one or more Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	DONGHAI INTERNATIONAL FINANCIAL HOLDINGS COMPANY LIMITED (東海國際金融控股有限公司), a company incorporated in Hong Kong with limited liability and the subscriber of the Convertible Bond
“Subscription”	the subscription of the Convertible Bond by the Subscriber in accordance with the terms of the Subscription Agreement

“Subscription Agreement”	the conditional subscription agreement dated 18 January 2018 entered into between the Company and the Subscriber, with the Guarantor joined in as guarantor, in respect of the subscription of the Convertible Bond
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buybacks in Hong Kong
“Trading Day”	a day when the main board of the Stock Exchange is open for business of dealing in securities
“Transaction Documents”	the Subscription Agreement, the Guarantee and the CB Certificate
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent.

The translation of US\$ to HK\$ in this announcement is based on the exchange rate of US\$1 to HK\$7.8 and is provided for information purposes only.

By order of the Board
Youyuan International Holdings Limited
Ke Wentuo
Chairman

Hong Kong, 18 January 2018

As at the date of this announcement, the executive Directors are Mr. Ke Wentuo, Mr. Ke Jixiong, Mr. Cao Xu and Mr. Zhang Guoduan and the independent non-executive Directors are Prof. Zhang Daopei, Prof. Chen Lihong and Mr. Chow Kwok Wai.