TIANYUN INTERNATIONAL HOLDNGS LIMITED
天韵國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)
(Stock code: 6836)

SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTION SUBSCRIPTION OF SHARES

Reference is made to the announcements (the "**Announcements**") of Tianyun International Holdings Limited (the "**Company**") dated 20 November 2023 and 23 November 2023 in relation to the Company's acquisition of up to approximately 20% (but not more than 20%) effective interest in Jianlibao. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

The Company wishes to provide further information to Shareholders and potential investors in relation to the basis of determining the Subscription Consideration for the Subscription and to provide an update on the Further Subscription(s).

BASIS OF DETERMINING THE SUBSCRIPTION CONSIDERATION

The Subscription Consideration was determined after arm's length negotiations between the Company and Jianlibao Asia with reference to Jianlibao's recent financial performance, financial statements and audited reports for financial years from 2021 to 2022 as well as initial valuation information provided by an independent professional valuer (the "**Valuer**") on the fair value of 5% equity interest in Jianlibao as at 30 September 2023 (the "**Date of Valuation**"), which was valued at RMB320 million.

Key Assumptions

The key assumptions of the initial valuation were as follows:

- The audited consolidated financial statements of Jianlibao as at 31 December 2022 can reasonably represent its financial position as at the Date of Valuation since audited financial statements as at the Date of Valuation were unavailable;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which Jianlibao operates or intend to operate (i) would be officially obtained and renewable upon expiry; and (ii) were assumed to be successfully obtained and renewable upon expiry with minimal costs;

- There will be no major change in the current taxation laws in the localities in which Jianlibao operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which Jianlibao operates or intends to operate, which would adversely affect the revenues attributable to and profitability of Jianlibao; and

- Interest rates and exchange rates in the localities for the operation of Jianlibao will not differ materially from those then prevailing as at the Date of Valuation.

Valuation Method

For the valuation analysis, the market approach was adopted by the Valuer in deriving the fair value of 5% equity interest in Jianlibao as at the Date of Valuation taking into account of the following factors:

- The income-based approach was not adopted because the change in assumption would greatly impact the valuation result;

- The asset-based approach was also not adopted because it could not capture the future earning potential of Jianlibao and therefore it could not reflect its fair value; and

- The market-based approach was adopted as there are sufficient comparable companies that could be identified in the market to facilitate a meaningful comparison and to form a reliable opinion of value.

Market-based approach

The initial valuation adopted the market-based approach which values a company by comparing prices at which other companies engaged in similar business changed hands in arm's length transactions.

Out of the two common valuation methods under the market-based approach (namely, guideline public company method and guideline transaction method), the guideline public company method was more appropriate as there were sufficient comparable companies to be benchmark multiples which facilitated selection of a suitable multiple to derive the market value of Jianlibao.

The Valuer considered the commonly used comparable company valuation multiples under the guideline public company method**,** namely the price to book ("P/B") ratio, the price to sales ("P/S") ratio and the price to earnings ("P/E") ratio. The Valuer considered that the suitable benchmark for the initial valuation is the P/E ratio as the P/E ratio is the most relevant and commonly used valuation multiple for profit-making business and earnings is one of the most direct drivers of equity value. The P/E ratio is calculated by dividing the price of a stock by the company's annual earnings per share.

Comparable Companies

The Valuer identified six listed companies which are principally engaged in manufacturing and sales of energy drinks and serve their customers locally and internationally as comparable companies.

The criteria used by the Valuer to identify the comparable companies are

- listed company with sufficient listing and operating history as major energy drinks manufacturers; and

- principally engaged in the manufacturing and sales of energy drinks; and

- companies which have positive net profit.

The P/E multiple of the six comparable companies ranged from approximately 31.96x to approximately 52.58x and the average P/E multiple is approximately 40.44x. All six comparable companies are principally engaged in the manufacturing and sales of energy drinks which is consistent with the principal business activities of Jianlibao. Furthermore, the Valuer believes that these comparable companies are representative of leading sports drink manufacturer.

The prospect of the energy drinks industry in the PRC was also considered in the initial valuation. According to Euromonitor International, Jianlibao is the leading player in the energy drinks market and Jianlibao has substantial market potential and prospect as (i) there is rising public demand for staying active and healthy lifestyle and (ii) the daily consumption of sports drinks is rising, rather than only being consumed in sports. The customers of sports drinks is therefore moving from professional athletes to a broader mass consumer market. Accordingly, in view of the foregoing, the six comparable companies constitute fair and representative samples for the initial valuation.

Computation

With reference to the 2022 audited accounts of Jianlibao, the average of the P/E multiples of the six comparable companies (being approximately 40.44x) and taking into account of discounts for lack of marketability (‘‘**LOMD**’’) and minority, the fair value of 5% equity interest in Jianlibao was valued at RMB320 million as at the Date of Valuation.

The major difference between a closely-held private company’s common shares and those of its publicly traded comparable companies is its lack of marketability. The Valuer made reference to the 2022 December edition of the Stout Restricted Stock Study, which indicates an average LOMD of 15.70% based on empirical study, which is adopted in the initial valuation.

The minority discount represents a downward adjustment to the fair value of a minority and non-controlling investment to reflect its reduced level of control. With reference to the Mergerstat Control Premium Study, a minority discount of 23.3% was adopted in arriving at the fair value of 5% equity interest in Jianlibao as at the Date of Valuation.

Upon completion of the Subscription, the Company will indirectly hold an effective interest of approximately 4.58% in Jianlibao through its interest in Jianlibao Asia. The Subscription Consideration will be utilized to increase the Company’s indirect interest in Jianlibao through enlargement of the share capital of Jianlibao and/or the acquisition of existing Jianlibao Shares from other Jianlibao shareholders. Depending on the manner of increasing the Company’s effective interest in Jianlibao, the Company’s effective interest in Jianlibao will range from approximately 4.76% to 5.0%.

The Subscription Consideration represents a discount of approximately 6.29% (assuming that the Company will hold 4.76% effective interest in Jianlibao) or a discount of approximately 6.25%

(assuming that the Company will hold 5% effective interest in Jianlibao) to the initial valuation on the fair value of 5% equity interest in Jianlibao i.e.RMB320 million. In view of the foregoing, the Board is of the view that the Subscription Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FURTHER SUBSCRIPTION(S)

The Company and Jianlibao Asia, with a view to streamline Subscription Completion, mutually agreed with legal effect that the grant of the Subscription Mandate as a condition precedent is inapplicable to Subscription Completion. The Company's discloseable transaction to subscribe for approximately 9.18% Jianlibao Asia Shares (approximately 8.40% of the enlarged issued share capital of Jianlibao Asia and an effective interest of approximately 4.58% in Jianlibao) can be completed in accordance with the Subscription Agreement once all other conditions precedent are fulfilled by the Long Stop Date and without seeking Shareholders' approval in EGM for the Subscription Mandate.

The Company will not seek the Subscription Mandate from Shareholders for the Further Subscription(s) at the current juncture. The Company intends to conduct the Further Subscription(s) and will comply with the applicable Listing Rules requirements and despatch a circular containing, amongst other things, further details of the Further Subscription(s) and the Subscription Mandate and convene an EGM to seek the Subscription Mandate from Shareholders for the Further Subscription(s) as and when appropriate.

Save as disclosed above, all other information in the Announcements remains the same.

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

Hong Kong, 1 March 2024

As at the date of this announcement, the Board comprises (i) Mr. Yang Ziyuan (Chairman), Mr. Yeung Wan Yiu (Vice Chairman), Mr. Sun Xingyu and Ms. Lv Chunxia as executive Directors; (ii) Ms. Chu Yinghong and Mr. Wong Yim Pan as non-executive Directors; and (iii) Mr. Liang Zhongkang, Mr. Shiu Shu Ming and Prof. Ye Xingqian as independent non-executive Directors.