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)

CLARIFICATION & SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION- ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN THE TARGET COMPANY

Reference is made to the announcement (the "**Announcement**") of Tianyun International Holdings Limited (the "**Company**") dated 12 June 2024 in relation to the Company's acquisition of 100% equity interest in the Target Company. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

The Company would like to clarify certain inadvertent clerical errors in the Announcement. The clarifications set out in subparagraphs 1 to 4 below supersede the corresponding information in the Announcement. The information set out in the section headed "Basis of Determining the Consideration" in this announcement is supplemental to the Announcement. This announcement should be read in conjunction with the Announcement. All other information and content set out in the Announcement remain unchanged and shall continue to be valid for all purposes.

1. The information set out on page 8 of the Announcement under the heading "Financial Information of the Target Company" should read as follow:

	For the year ended 31 December 2023 HK$ (audited)	**For the year ended 31 December 2022 HK$ (audited)**
Turnover	67,823,150	46,439,251
Profit before taxation	5,508,205	2,907,542
Profit after taxation	5,508,205	2,907,542
Net asset value	11,449	3,011,449

2. The information set out on page 9 of the Announcement under the heading "Reason For And Benefits of the Acquisition" should read as follow:

   The Target Company is principally engaged in catering service-related businesses and has about 130 employees. Its main business is operating hot food supply stalls pursuant to the Concessionaire Agreement within the stores of 7-ELEVEN, a convenience retailer in Hong Kong. The Target Company currently operates 44 hot food supply stalls within the 7-ELEVEN network in Hong Kong.

   The Group actively seeks industrial partnership opportunities and potential acquisitions under the premise that cooperation can maximize the overall operating efficiency and achieve synergies.

   The Target Company has operated 7-ELEVEN hot food supply stalls for over 20 years. Due to the characteristics of convenience retail, consumers usually purchase goods at nearby convenience stores, generating demand throughout various times of the day and contributing to the revenue of the Target Company.

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

   Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

3. The definition of the term "Concessionaire Agreement" set out on page 11 of the Announcement under the heading "Definitions" should read as follow:

"Concessionaire Agreement"	the concessionaire agreement entered into between the Target Company and The Dairy Farm Company Limited (trading as 7-Eleven) on or before 30 June annually for renewal of the use of designated space within 7-Eleven stores for catering service-related businesses for the period commencing from 1 July 2023 and ending on 30 June 2024

4. The definition of the term "7-ELEVEN" set out on page 13 of the Announcement under the heading "Definitions" should read as follow:

"7-ELEVEN"	The Dairy Farm Company, Limited (牛奶有限公司) trading as 7-ELEVEN

BASIS OF DETERMINING THE CONSIDERATION

The Company would like to provide further information to Shareholders and potential investors in relation to the basis of determining the Consideration for the Acquisition.

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the Target Company's recent financial performance; (ii) the Guaranteed Profit of the Target Company given by the Vendor; and (iii) the valuation report provided by an independent professional valuer, Valplus Consulting Limited, which was engaged by the Company to value the fair value of 100% equity interest in the Target Company as at 31 March 2024 (the "**Valuation Date**"), which was valued at approximately HK$29.2 million.

Key Assumptions

The key assumptions of the valuation were as follows:

(a) The Target Company is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to the Target Company;

(b) To continue as a going concern, the Target Company will successfully carry out all necessary activities for the development of its business;

(c) The contractual parties of relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;

(d) The audited/unaudited financial and operational information of the Target Company as supplied to the valuer have been prepared in a manner which truly and accurately reflect the financial position of the Target Company as at the respective balance sheet dates;

(e) Market trends and conditions where the Target Company operates will not deviate significantly from the economic forecasts in general;

(f) Key management, competent personnel and technical staff will all be retained to support ongoing operations of the Target Company;

(g) There will be no material changes in the business strategy of the Target Company and its expected operating structure;

(h) Interest rates and exchange rates in the localities for the operations of the Target Company will not differ materially from those presently prevailing;

(i) All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target Company operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

(j) There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target Company.

Valuation Method and Reasons for Adoption

There are three generally accepted approaches to value a company, namely the market approach, the asset approach and the income approach. The market approach was adopted by the valuer in deriving the fair value of 100% equity interest in the Target Company as at the Valuation Date for the following reasons:

(a) The income-based approach was not adopted because projections of the Target Company were not available and accessible to the valuer. Also, the use of projections would involve a high level of uncertain, long-term forecast estimates and underlying assumptions;

(b) The asset-based approach was also not adopted because valuation of the company was conducted on a going concern basis; therefore, the cost of reproducing and replacing its assets is inappropriate as such method ignores the future economic benefits of the business as a whole; and

(c) The market-based approach was adopted as there are certain publicly traded companies which are engaged in the same or similar line of business as the Target Company that can be identified to facilitate a meaningful comparison and to form a reliable opinion of value.

Market-based approach

The market-based approach values a company by comparing prices at which other companies engaged in similar business changed hands in arm's length transactions. The guideline public company method is adopted as there were sufficient comparable publicly traded companies which are engaged in the same or similar line of business as the Target Company that can be identified.

Among various value and price multiples, the valuer has adopted the enterprise value-to-earnings before interest, taxes, depreciation & amortization ("**EV/EBITDA**"), the enterprise value-to-earnings before interest ("**EV/EBIT**") and the price-to-earnings ratio ("**P/E**") for the valuation based on the following reasons:

(a) the Target Company is a retail sales service provider with a light asset business model which had intangibles of economic value that were not measured and reported on its latest accounts. The use of current net book value ignores the potential economic benefit brought by such non-reported intangible assets and possibly underestimates the true value of the Target Company and thus the price-to-net book ratio is not a good and relevant indicator; and

(b) sales does not capture the operating expenses which is not necessarily and truly indicating the profitability of the subject, and thus enterprise value-to-sales ratio and the price-to-sales ratio are not good and relevant indicators.

In light of the above, the valuer considered the EV/EBITDA ratio, the EV/EBIT ratio and the P/E ratio as more appropriate and reasonable for this valuation.

Comparable Companies

The valuer identified six listed companies from an exhaustive list of comparable companies based on the following criteria:

(a) listed company in Hong Kong with financial information available as at the Valuation Date;

(b) principal place of business based in Hong Kong; and

(c) over 50.0% of revenue generated from selling food, beverage, and snacks in grocery store or convenience store.

Parameters of the Valuation

Based on the multiples, after excluding outliers, the valuer selected (i) the mean EV/EBITDA of 2.3; (ii) the mean EV/EBIT of 5.3; and (iii) the mean P/E of 6.7. The valuer then applied the multiple ratios to the corresponding measurement base of the Target Company, which is (i) EBITDA of approximately HK$6.2 million, (ii) EBIT of approximately HK$6.2 million and (ii) net profit of approximately HK$5.6 million for the year ended 31 December 2023.

By applying the above multiple ratios to the corresponding measurement base of the Target Company, the valuer further adjusted the valuation according to (i) the control premium ("**CP**”) of approximately 18.7% for the EV/EBITDA and the EV/EBIT ratios and approximately 30.3% for the P/E ratio, which are benchmarked to Mergerstat Control Premium Study; and (ii) the marketability discount (“**DLOM**”) of approximately 20.5% for the Target Company, which is benchmarked to the Stout Restricted Stock Study Companion Guide. Both CP and DLOM are common and widely used parameters for the valuation profession.

Based on the above parameters and inputs and the valuer’s analysis, the implied value of the Target Company ranged from approximately HK$15.5 million to HK$38.9 million as at the Valuation Date, implying an average of approximately HK$29.2 million.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 26 March 2024. On 12 April 2024, the Securities and Futures Commission has, under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules, directed the Stock Exchange to suspend all dealings in the shares of the Company from 9:00 a.m. on 15 April 2024. Trading in the shares will remain suspended until further notice. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 3 July 2024

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