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Touyun Biotech Group Limited
透雲生物科技集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1332)

GRANT OF SHARE OPTIONS
SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of Touyun Biotech Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 September 2024 (the “**Announcement**”) in relation to the grant of Options to the Grantees (the “**Grant**”). Unless otherwise defined herein, capitalised terms used in the announcement shall have the same meaning as those defined in the Announcement.

The Board would like to provide the following additional information regarding the Grant.

THE NATURE OF THE GROUP’S BUSINESS’S OPERATIONS AND ITS OPERATIONAL RELATIONSHIP WITH THE SERVICE PROVIDERS

The Group is principally engaged in, among others, the production and sale of *Chlamydomonas reinhardtii*, micro-algae and related products (the “**Group’s Products**”).

Among the 14 service providers (the “**Service Providers**”), 12 of them are managers of certain key opinion leaders (“**KOLs**”) and are responsible for making overall arrangements in providing the Group with live-streaming marketing services, including but not limited to liaising and organising marketing initiatives with KOLs for promoting and selling the Group’s Products through live-streaming. The other two service providers are Ms. Shum King Ki (沈瓊璣) who is responsible for handling contractual and administrative matters for the KOLs and their managers, and Mr. Chan Chi Cheong (陳志昌) who assist the Group with procurement of the Group’s Products and liaise with business operators who are interested in selling the Group’s Products in their stores.

FURTHER INFORMATION ON THE SERVICES

The Service Providers provide services to the Group on a continuing basis for at least 20 hours per week and each KOL generally host more than 10 live-stream sessions per month for the promotion of the Group's Products. Furthermore, the KOLs hold their live-stream sessions at the time-slot designated by the Group and promote the Group's Products in accordance with the Group's instructions. These 14 service providers have entered into service agreements with the Group for the provision of the abovementioned services for a term of five years.

In view of the above, the continuity and frequency of the services of the Service Providers are akin to those of employees of the Group in providing management services, marketing and promotion services for the business in relation to the Group's Products.

SELECTION CRITERIA

The Service Providers are selected based on their experience, knowledge and connection in the service fields and/or the popularity of the KOLs under each of them (if applicable), in particular: (a) number of followers of the KOLs; (b) number of viewers of the KOL's live stream sessions; (c) sales amount generated from the KOLs' live stream sessions; and (d) expected number of live stream sessions that will be hosted by the KOLs per month.

As disclosed in the interim report of the Company for the six months ended 30 June 2024, the Group is exploring the market in Mainland China for sales of the Group's Products (the "**Product Sales Business**") to improve the liquidity, profitability and revenue of the Group. The Company consider that the launch of online marketing campaign through KOLs will help promote the Group's brand image and the Group's Products to the potential customers in Hong Kong and Mainland China, and help the Group capture new customers for the development of the Product Sales Business in the long run.

The respective experience, knowledge and connection in the service fields of the Service Providers could affect their level of performance and amount of contribution which could contribute to the Group's business performance, growth and sustainable development. Besides, with the increase of mobile device penetration and popularity of social media, there has been vigorous growth in the internet KOL economy. Further, the popularity of a KOL could have a significant impact on the KOL's power to influence opinions, shape trends and drive consumer behaviours, increasing online sales of the Group's Products to followers of the KOLs through live stream sessions which could bring in prominent revenue increases for the Group. With the "KOLs Marketing" become increasingly popular and important in health-product sales market nowadays, the Company considers the selection criteria are in line with the Company's business needs, market trend and the industry norm.

Taking into account the above, the Service Providers take an equally important role in promoting the development and success of the Group. Being marketing and sales service providers, the Service Providers do not entitle to any basic salaries provided by the Group but only commission subject to the revenue they could bring to the Group. While the Group generally does not engage marketing service providers for its other core businesses (including QR code business, packaging products business and treasury investment business), the engagement of the 14 service providers for the launch of marketing campaign for the Product Sales Business is a new attempt of the Group. As such, upon negotiation, the 14 Service Providers agreed not to charge fixed service fees on the Group but to be remunerated if they manage to increase the brand awareness of the Group's Products and attract new customers to the Group. Therefore, the Company believes that the grant of Options to the 14 service providers could motivate them to optimise their performance efficiency for the benefit of the Group and reinforce their commitment to long-term services to the Group. Unlike the Service Providers, since (i) the Group does not engage marketing and sales service providers for its other core businesses (including QR code business, packaging products business and treasury investment business) (the "Other Business") and (ii) the Group's suppliers/service providers in relation to the Other Business generally charge the Group on fixed and pre-determined fees, the Company is not required to provide them with extra remuneration through the grant of Options. As such, the Board is of the view that such grant of Options to the 14 Service Providers aligns with the purpose of the Share Option Scheme and the long-term interests of the Company and its shareholders.

By order of the Board
Touyun Biotech Group Limited
Wang Liang
Chairman

Hong Kong, 16 October 2024

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

Executive Directors

Mr. Wang Liang (*Chairman*)
Mr. Du Dong

Non-executive Directors

Mr. Chen Hui
Ms. Tian Yuze
Mr. Jia Wenjie
Mr. Zhang Lele

Independent Non-executive Directors

Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen
Mr. Hu Guohua