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Tianyun International Holdings Limited

天韵國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 6836)

FULFILMENT OF ALL RESUMPTION GUIDANCE

AND

RESUMPTION OF TRADING

This announcement is made by the board (the “**Board**”) of directors of Tianyun International Holdings Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

References are made to (i) the Company’s announcements dated 31 March 2022 and 8 April 2022 in relation to the delay in publication of the unaudited and audited annual results of the Group for the year ended 31 December 2021 and suspension of trading in the Company’s shares (the “**Shares**”) since 1 April 2022; (ii) the Company’s announcement dated 29 April 2022 in relation to, amongst others, the establishment of an investigation committee to investigate into the unauthorized transaction(s); (iii) the Company’s announcement dated 12 May 2022 in relation to the Stock Exchange’s guidance to the Company for the resumption of trading in the Shares; (iv) the Company’s announcement dated 16 May 2022 in relation to the change of auditors of the Company; (v) the Company’s announcements dated 30 June 2022 and 30 September 2022 in relation to quarterly update on the progress of resumption of trading in the Shares; (vi) the Company’s announcement dated 29 July 2022 in relation to key findings of the independent forensic investigation and potential deconsolidation of subsidiaries of the Group; (vii) the Company’s announcement dated 5 August 2022 in relation to key findings of internal control review; (viii) the Company’s announcements dated 10 August 2022 and 19 August 2022 in relation to, amongst others, the deconsolidation of subsidiaries of the Company; (ix) the Company’s announcement dated 3 October 2022 in relation to the key findings of the extended forensic investigation report; and (x) the Company’s announcements dated 24 October 2022 in relation to the Company’s 2021 annual results and 2022 interim results; (xi) the Company’s announcement dated 25 October 2022 in relation to composition of the Board and Board committees; and (xii) the Company’s announcement dated 26 October 2022 in relation to the terms of reference of the Strategic Development and Investment Committee.

BACKGROUND

Trading in the Shares has been suspended on the Stock Exchange with effect from 9:00 a.m. on 1 April 2022 as required under Rule 13.50 of the Listing Rules due to delay in the

publication of the Company's audited annual results for the year ended 31 December 2021 ("FY2021 Annual Results").

The delay in the publication of FY2021 Annual Results was due to:

- (i) the necessity to clarify certain issues in connection with bank confirmations of two subsidiaries of the Group, namely Tiantong Food (Yichang) Limited* (天同食品(宜昌)有限公司) ("Tiantong Yichang") and Tiantong Yichang's wholly-owned subsidiary, Tiantong Food and Beverages (Yuanan) Limited* (天同食品飲料(遠安)有限公司) ("Tiantong Yuanan") (collectively referred as the "Tiantong Subsidiaries"); and
- (ii) the Directors' preliminary observation that there may be unauthorized transaction(s)

RESUMPTION GUIDANCE

As announced by the Company on 12 May 2022, the Company received a letter dated 11 May 2022 from the Stock Exchange setting out the following guidance for resumption of trading in the Shares ("**Resumption Guidance**"):

- (i) conduct an appropriate independent forensic investigation into the unauthorized transaction(s) carried out by subsidiary(ies) of the Group, announce the findings and take appropriate remedial actions;
- (ii) demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;
- (iii) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (iv) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;
- (v) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules; and
- (vi) announce all material information for the Company's shareholders and investors to appraise its position.

FULFILMENT OF RESUMPTION GUIDANCE

The Board is pleased to announce that the Company has fulfilled the Resumption Guidance, details of which are set out below:

Resumption Guidance 1 – conduct an appropriate independent forensic investigation into the unauthorized transaction(s) carried out by subsidiary(ies) of the Group, announce the findings and take appropriate remedial actions

On 23 April 2022, the Board resolved to establish an investigation committee (“**Investigation Committee**”), comprising two independent non-executive Directors, namely Mr. Liang Zhongkang and Mr. Shiu Shu Ming and an executive Director, Mr. Yeung Wan Yiu, for the purpose of investigating into the unauthorized transaction(s), reporting the findings and making recommendations to the Board.

Mazars Certified Public Accountants LLP (the “**Forensic Accountant**”) was engaged by the Investigation Committee to conduct the forensic investigation. The Forensic Accountant conducted a forensic investigation into the following issues raised by PricewaterhouseCoopers (“**PwC**”), the previous auditor of the Company, in its resignation letter to the Company.

- (i) the fact that the bank had no record of handling the bank confirmations;
- (ii) the difference in address of the sender of the bank confirmations and the official address of the bank;
- (iii) the sender of the bank confirmations was not a staff of the bank confirmation processing department;
- (iv) bank seal affixed on the bank confirmations appeared to be different from the seal used by the bank for its bank confirmations;
- (v) the material discrepancy in the bank balance of Tiantong Yichang between the records of the bank and the accounting records of Tiantong Yichang; and
- (vi) the Directors’ preliminary observation that there may be unauthorized transaction(s) carried out by Tiantong Yichang.

On 29 July 2022, the Company received from the Forensic Accountant a report (“**Initial Investigation Report**”) of the forensic investigation (“**Initial Investigation**”). The Forensic Accountant is of the view that Tiantong Yichang had conducted an unauthorized transaction in the amount of approximately RMB34.40 million (“**Unauthorized Transfer**”) by way of a loan granted to Mr. Gu Qinghua*(谷清華) (“**Mr. Gu**”). Mr. Li Jinrong* (李金榮) (“**Mr. Li**”) entered into a loan agreement for and on behalf of Tiantong Yichang with Mr. Gu without reporting and seeking the required approvals in accordance with the Group’s investment management and payment approval procedures.

Mr. Li provided PwC with his cousin’s address, which is near the official address of the bank, for the bank confirmation circulation procedures, and the bank confirmations were sent from such address. The Tiantong Subsidiaries maintained their bank accounts with the same bank, and so Mr. Li forged the bank confirmations of the Tiantong Subsidiaries and the bank seals on the bank confirmations. Mr. Li also forged the bank statement of Tiantong Yichang provided to PwC. The forged bank statement showed that Tiantong Yichang maintained the proceeds of the Unauthorised Transfer as cash balance in its account.

Key findings on the Initial Investigation and details of the actions taken by the Company and the difficulties it faced in regaining control of the Tiantong Subsidiaries were disclosed in the Company’s announcement dated 29 July 2022.

Subsequently on 24 August 2022, the Investigation Committee resolved to mandate the Forensic Accountant to conduct further investigation into electronic data and other matters to supplement the Initial Investigation (“**Supplemental Investigation**”, together with the Initial Investigation, the “**Forensic Investigation**”).

On 23 September 2022, the Forensic Accountant issued to the Investigation Committee a supplemental report on the key findings of the Supplemental Investigation (the “**Supplemental Report**”, together with the Initial Investigation Report, the “**Forensic Investigation Reports**”). Details of the findings of the Supplemental Investigation were disclosed in the Company’s announcement dated 3 October 2022.

During the course of the Supplemental Investigation, the Forensic Accountant interviewed two executive Directors and some senior management of the Group not previously interviewed in the Initial Investigation. The additional interviews revealed and supported that none of the Directors and senior management of the Group other than those of the Tiantong Subsidiaries identified in the Initial Investigation Report had prior knowledge of, or was involved in, the Unauthorized Transfer.

View of the Board and the Investigation Committee

Having considered the findings and conclusion in the Forensic Investigation Reports, the Investigation Committee noted that the Unauthorized Transfer was conducted by Mr. Li and was primarily caused by:

- (i) Mr. Li entering into the loan agreement for and on behalf of Tiantong Yichang with Mr. Gu without the required authorization; and
- (ii) Mr. Li having overridden the Company’s investment management and payment internal control procedures and instructed the financial staff of Tiantong Yichang to transfer the loan proceeds to Mr. Gu without proper authorization.

In view of the above, the Investigation Committee is of view that Mr. Li has failed to discharge his fiduciary duties as a director of Tiantong Yichang, in particular, he failed to act honestly and in good faith in the overall interests of the Company and to exercise reasonable care, skill, and diligence. Accordingly, the Investigation Committee is of the view that Mr. Li should be responsible for the consequential losses suffered by the Group.

The Investigation Committee has recommended that the Board adopt the findings of the Forensic Investigation and the Board concurs with the Investigation Committee.

Remedial Action

Immediately after learning the audit issues raised by PwC in relation to the bank confirmations and the Unauthorized Transaction, the Company had relieved Mr. Li from management duties of the Tiantong Subsidiaries. The Company had on 7 April 2022 appointed Mr. Jiang Yubao* (蔣余寶) (“**Mr. Jiang**”) and Mr. Yu Haoran* (于昊冉) to replace Mr. Li as the legal representative, director and general manager of Tiantong Yichang and Tiantong Yuanan, respectively.

Despite the series of actions taken by the Company as disclosed in the Company's announcement dated 29 July 2022 in relation to key findings of the Initial Investigation, the Company has failed to regain and recover the control of the Tiantong Subsidiaries. In light of that, the Board resolved to deconsolidate the financial results of the Tiantong Subsidiaries from the Group's financial statements for the reason that the Company has lost control of the Tiantong Subsidiaries. Further, following the loss of control of the Tiantong Subsidiaries, the Board considers that it is prudent and in the best interest of the Company to segregate the Tiantong Subsidiaries from the Group as soon as possible in order to entrench the Group from any further potential tangible and intangible losses and damages arising from the loss of control of the Tiantong Subsidiaries, including reputational risks and potential third-party claims. Hence, as disclosed in the Company's announcement dated 10 August 2022, the Group decided to wind up its indirect wholly-owned subsidiary Strong Won Investment Hong Kong Limited ("**Strong Won HK**"), which in turn is the immediate holding company of Tiantong Yichang, by way of member's voluntary winding up. Dr. Wan Ho Yuen Terence and Mr. Yeung Chun Wa of Zhonghui Anda CPA Limited have been appointed as the joint voluntary liquidators ("**Liquidators**") of Strong Won HK. Leveraging the Liquidators' extensive commercial network and wealth of experience in handling liquidations and distressed assets disposal, the Board believes that the Liquidators would provide the best solution to the Group in dealing with the assets and liabilities of Strong Won HK.

On 3 November 2022, Hunan Sanxiong Law Office* (湖南三雄律師所), upon being instructed by the Liquidators, issued a demand letter to Mr. Li and staff of Tiantong Yichang, namely the cashier Ms. Gong Shaoqin* (龔少琴) and deputy finance manager Mr. Zhao Yanchun* (趙艷春) to request, amongst others, the return of control, company and finance chops and accounts of the Tiantong Subsidiaries within 7 days of the demand letter. In the event that the request is not complied with within the specified time limit, the Liquidators shall report the matter to law enforcement agencies in the PRC without further notice, and all rights to pursue against them are reserved.

Following the issue of the demand letter, Mr. Li returned control over Tiantong Yichang to the Liquidators. Representatives of the Liquidators and Mr. Jiang visited Tiantong Yichang's plant on 14 November 2022 and regained control of Tiantong Yichang as well as its company and finance chops and accounts. The Liquidators are assessing the status of Tiantong Yichang's plant and operations and are reviewing the books and records of Tiantong Yichang to ascertain its financial status. Acting in the best interest of the shareholder and creditors of Strong Won HK, the Liquidators will run a tender for disposal of the Tiantong Subsidiaries as a going concern so far as possible and to wind up Strong Won HK. The tender is expected to be published in December 2022. In the meantime, the Liquidators are also seeking buyers to acquire the Tiantong Subsidiaries. It is targeted that the disposal could be completed by March 2023 if there is an interested buyer.

The Company's investment management internal control stipulates that for investments over RMB20 million, approvals from the board of directors of the relevant subsidiary, the executive director and the chief executive officer of the Group and the Board are required. The Company's payment internal control also stipulates that for non-operational payment over RMB3 million, approval of the board of directors of the relevant subsidiary is required. The Unauthorized Transfer fall within the aforementioned thresholds and was non-operational payment. Therefore, the relevant approvals were required. However, Mr. Li did not report nor obtain such approvals for the Unauthorized Transfer, and hence it was a major breach of the investment management and payment control procedures of the Group. As a result, the

Company had appointed Elite Partners Risk Advisory Services Limited (“**Elite Partners Advisory**”) as internal control consultant to conduct an assessment of the Company’s relevant internal controls and procedures and provide recommendations to strengthen compliance with its internal systems and procedures. Please refer to “Resumption Guidance 5” below for further details.

Taking into account the remedial actions adopted and implemented by the Group as disclosed above and under the paragraph headed Resumption Guidance 5 in this announcement, the Investigation Committee and the Board are both of the view that the Group’s internal control systems and procedures, as strengthened by the remedial actions taken, are sufficient and adequate to address the issues which caused the Unauthorized Transfer and to prevent similar issues from arising in the future.

As disclosed in the Company’s announcement dated 29 July 2022, pursuant to a loan repayment plan entered into on 7 April 2022, Mr. Gu agreed to repay the sum involved in the Unauthorized Transfer (i.e. RMB34.40 million) to Tiantong Yichang. Under the loan repayment plan, Mr. Li agreed to guarantee Mr. Gu’s repayment of the loan. Further, pursuant to a share charge (“**Share Charge**”) entered into in or around May 2022 between Long Advance Investments Limited (“**Long Advance**”) as chargor, Mr. Li as covenantor and Tianyi Holding Hong Kong Limited (“**Tianyi Holding**”), a wholly-owned subsidiary of the Company as chargee, Long Advance and Mr. Li charged to Tianyi Holding by way of first fixed charge over 6.05 million Shares (the “Charged Shares”) and as a continuing security for the payment and discharge of Mr. Li’s obligation to repay all monies and discharge all obligations and liabilities due to the Group, incurred as principal or surety resulting from the Unauthorized Transfer.

As Mr. Li had defaulted on fulfilling his foregoing obligations which constituted an event of default under the Share Charge, Tianyi Holding appointed a receiver on 8 November 2022 to enforce the whole of the Charged Shares. The receiver will dispose of the Charged Shares after resumption of trading in the Shares.

Based on the foregoing, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 1.

Resumption Guidance 2 – demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence

As disclosed in the Company’s announcements dated 29 July 2022 and 3 October 2022 in relation to the Forensic Investigation, the Unauthorized Transfer was caused by (i) Mr. Li’s override of the Company’s internal investment management and payment control procedures; and (ii) the improper and unlawful conduct and acts carried out by some members of the senior management of Tiantong Yichang who intentionally neglected the order and authority of the Group’s management and the Board. The Company, upon discovery of the audit issues and the Unauthorized Transaction, relieved Mr. Li from his management positions in the Tiantong Subsidiaries.

Further, as revealed by the Supplemental Report, none of the Directors and senior management of the Group other than those of the Tiantong Subsidiaries identified in the Initial Investigation Report had prior knowledge of, or was involved in the Unauthorized Transfer. Further, the

Forensic Accountant had confirmed during the interviews with the Directors and senior management and did not find Mr. Li to hold any other positions in the Group but only served as the legal representative, director and general manager of the Tiantong Subsidiaries. As such, Mr. Li never had the right to be involved in the operations of other members of the Group.

Subsequent to the Unauthorized Transfer and in order to strengthen internal control, the Company has appointed four new directors to bring in a wealth of experience in corporate governance, industrial expertise, business operation and management and entrepreneurship to the Board to enhance the Board's supervision and monitoring of operation.

In particular, the appointments of (i) executive Director Mr. Yeung Wan Yiu, who is conversant with corporate governance and internal control with his background of being the co-founder of a licensed corporation licensed to carry out regulated activities under the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (“SFO”) and senior management of companies listed on the Main Board of the Stock Exchange; (ii) executive Director Ms. Lv Chunxia, who is the deputy general manager of the Group taking charge of quality assurance and products development and has a high standing in the canned food industry; and (iii) independent non-executive Director Mr. Shiu Shu Ming, who is a licensed person under the SFO and have held directorships with companies listed on the Stock Exchange.

After the new appointments, four out of the nine Directors are new directors who were appointed after the Unauthorised Transfer. With reference to the relevant business experience and the qualification of the Directors and the findings of the Forensic Investigation, the Company considers that they are competent and suitable to act as directors of the Company.

In light of the above, the Company is of the view that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence.

Based on the foregoing, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 2.

Resumption Guidance 3 – publish all outstanding financial results required under the Listing Rules and address any audit modifications

The Company had published the FY2021 Annual Results and the unaudited consolidated results of the Group for the six months ended 30 June 2022 (“FY2022 Interim Results”) on 24 October 2022. The Company has published all outstanding financial results in compliance with the requirements of the Listing Rules. The current auditor of the Company, Elite Partners CPA Limited (the “Auditor”), issued a disclaimer of opinion in relation to the limitation of audit scope in respect of (i) deconsolidation of the Tiantong Subsidiaries; and (ii) opening balance and corresponding figures.

Audit Modification 1-Limitation of scope on deconsolidation of the Tiantong Subsidiaries

Upon the revealing of the Unauthorised Transfer, the Group attempted to exercise its control over the Tiantong Subsidiaries by requesting the necessary documents for the Unauthorised Transfer and access to the books and records of the Tiantong Subsidiaries for the purpose of preparing the FY2021 Annual Results. However, the management of the Group and the Group'

legal representative were denied access to the premises of Tiantong Yichang and failed to obtain necessary books and records despite repeated demands and requests. In the opinion of the Directors, the Company could not exercise effective control over the Tiantong Subsidiaries due to the continuing uncooperative behavior of their senior management.

In view of the foregoing and for the purpose of more fairly presenting the performance and financial position of the Group, the Board resolved to deconsolidate the financial information of the Tiantong Subsidiaries from the FY2021 Annual Results with effect from 1 January 2021.

Under the circumstances, the Auditor was unable to carry out sufficient appropriate audit procedures to satisfy themselves as to (i) whether the deconsolidation of the Tiantong Subsidiaries, including its timing was appropriate; (ii) whether the loss arising from the deconsolidation of the Tiantong Subsidiaries was free from material mis-statements; and (iii) whether the segment information and other related disclosure in relation to the profit or loss item in the FY2021 Annual Results were free from material misstatements.

Action plan of the Group to address the audit modification

Following the loss of control of the Tiantong Subsidiaries, the Board considers it prudent and in the best interest of the Company to segregate the Tiantong Subsidiaries from the Group as soon as possible in order to entrench the Group from any further potential tangible and intangible losses and damages arising from the loss of control of the Tiantong Subsidiaries, including reputational risks and potential third-party claims.

Following the deconsolidation, on 10 August 2022, Strong Won Investment Limited (“**Strong Won BVI**”), the sole shareholder of Strong Won HK resolved to wind up Strong Won HK by way of member’s voluntary winding-up under the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong). Strong Won BVI and Strong Won HK are indirect wholly-owned subsidiaries of the Company and Strong Won HK holds 100% equity interest in Tiantong Yichang, which in turn holds 100% equity interest in Tiantong Yuanan. For further details and reasons for the member’s voluntary winding up, please refer to the announcement of the Company dated 10 August 2022 and “Resumption Guidance 1” above.

By appointing the Liquidators, the Group’s legal control over Strong Won HK and the Tiantong Subsidiaries had been transferred to them. The Group no longer had legal control over the Tiantong Subsidiaries after appointment of the Liquidators.

Impact of the audit modification

The Board and the Audit Committee are of the view that the limitation of scope on deconsolidation of the Tiantong Subsidiaries was a one-off, non-recurring incident, which will affect the opening balance on the FY2021 Annual Results. The carrying value of the net assets of the Tiantong Subsidiaries and the amount due from the Tiantong Subsidiaries to the Group were fully impaired in the FY2021 Annual Results.

The Board, the Audit Committee and the Auditor agree that the audit qualification on the limitation of scope on deconsolidation of the Tiantong Subsidiaries, following the commencement of the member’s voluntary winding-up of Strong Won HK, will be resolved in the consolidated financial statements of the Company for the year ending 31 December 2022 (“**2022 Financial Statements**”) with no disclaimer of opinion expected to be issued for the

2022 Financial Statements, except for the qualification on the opening balances and corresponding figures (i.e. figures for the FY2021 Annual Results) due to the carrying forward effect from the audit qualification on the FY2021 Annual Results.

Audit Modification 2- Limitation of scope on opening balances and corresponding figures

Due to the limitation in accessing the underlying accounting records of the Tiantong Subsidiaries, the Auditor was unable to obtain sufficient appropriate audit evidence in respect of the opening balances as at 1 January 2021. In addition, the Auditor was unable to review the work papers of the predecessor auditor of the Group's consolidated financial statements for the year ended 31 December 2020.

As a result, the Auditor was unable to determine whether the opening balances in respect of the Tiantong Subsidiaries contain misstatements that materially affect the FY2021 Annual Results and whether the corresponding figures included in the FY2021 Annual Results have been presented, in all material respects, in accordance with Hong Kong Financial Reporting Standard.

Action plan of the Group to address the audit modification & impact of the audit modification

The Company will continue to provide all available audit evidence and support to the Auditor for the purposes of the audit of the financial statements of the Group.

The Board and the Audit Committee understand, after discussion with the Auditor, the possible consequential effect on the 2022 Financial Statements, resulting from the disclaimer of opinion on the FY2021 Annual Results and in accordance with the applicable Hong Kong accounting standards, would possibly be a modified opinion on the corresponding figures (i.e. figures for FY2021 Annual Results) of the Group's 2022 Financial Statements.

Accordingly, the Board and the Audit Committee consider that no further action is required to remove the disclaimer of opinion in this regard.

Based on the foregoing, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 3.

Resumption Guidance 4 – demonstrate the Company's compliance with Rule 13.24 of the Listing Rules

The Group is principally engaged in the production and sales of processed fruit products and the trading of fresh fruit, with most of its sales conducted in the PRC. The Group has expanded into the manufacturing and sales of beverage products since November 2020.

Tiantong Yichang, a company principally engaged in the manufacturing and sales of processed fruit products and trading of fresh fruits in the PRC, was acquired by the Company from a company wholly-owned by Mr. Li in January 2018.

Tiantong Yuanan was incorporated after the acquisition. Tiantong Yichang was operating its own production and distribution base in central PRC and the Company acquired Tiantong Yichang to expand the Group's product portfolio with subtropical fruit processed products and

to increase the Group's production capacity for new products and existing processed fruit products.

Upon deconsolidation of the Tiantong Subsidiaries, the Group (excluding the Tiantong Subsidiaries) will continue to be principally engaged in the same line of business as before through Shandong Tiantong Food Co., Ltd* (山東天同食品有限公司) and Tiantong Food (Mile) Co., Ltd* (天同食品(彌勒)有限公司) as it has always been prior to the acquisition of Tiantong Yichang.

Sufficient Operations

The deconsolidation of the Tiantong Subsidiaries took effect from 1 January 2021. As disclosed in the FY2021 Annual Results and the FY2022 Interim Results, the Group, upon deconsolidation of the Tiantong Subsidiaries, recorded:

- (i) revenue of approximately RMB871.6 million and RMB 328.7 million for the financial year ended 31 December 2021 (“**FY 2021**”) and the six months ended 30 June 2022 (“**1H 2022**”), respectively;
- (ii) gross profit of approximately RMB235.1 million and RMB 87.2 million for FY 2021 and 1H 2022, respectively; and
- (iii) net loss of approximately RMB0.9 million and net profit of approximately RMB53.3 million for FY 2021 and 1H 2022, respectively.

The fact that the Group recorded a net loss for FY 2021 was attributable to a one-time loss arising from the deconsolidation of the Tiantong Subsidiaries of approximately RMB135.3 million.

As at the date of this announcement, the business operations of the Group are operating as usual in all material respects.

Sufficient Assets

As disclosed in the FY2021 Annual Results and the FY2022 Interim Results, the Group recorded:

- (i) total assets of approximately RMB1.30 billion and RMB1.37 billion as at 31 December 2021 and 30 June 2022, respectively;
- (ii) net asset value of approximately RMB1.03 billion and RMB1.09 billion as at 31 December 2021 and 30 June 2022, respectively;
- (iii) cash and cash equivalents of approximately RMB490 million and RMB566 million as at 31 December 2021 and 30 June 2022, respectively; and
- (iv) property, plant and equipment of approximately RMB306 million and RMB308 million as at 31 December 2021 and 30 June 2022, respectively.

The property, plant and equipment are mainly equipment used in the manufacturing of processed fruit products. With net current assets and cash and cash equivalents of approximately RMB530 million and RMB566 million, respectively, the Group has sufficient working capital to support its daily operation.

In light of the above, the Company is of the view that the Group has a viable and sustainable business with sufficient level of operations and assets of sufficient value to support its operations to meet the requirements of Rule 13.24 of the Listing Rules and warrant the continued listing of the Shares on the Stock Exchange.

Based on the foregoing, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 4.

Resumption Guidance 5 – conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules

The Company engaged Elite Partners Advisory as an independent internal control review consultant on 18 May 2022 to carry out internal control review (“**IC Review**”) over the internal control system and procedures of the Group from 1 July 2021 to 30 June 2022 and to make recommendations of remedial measures.

The scope of the IC Review performed by Elite Partners Advisory is as follows:

- (i) reviewing the control policies and procedures over the subsidiaries of the Company;
- (ii) reviewing the control policies and procedures over the payment of the Group;
- (iii) reviewing the control policies and procedures over the financial reporting procedures of the Group; and
- (iv) reviewing crucial internal control procedures of the Group, namely risk management, corporate governance, financial recording procedures, investment procedures, treasury function, sales and receipts, capital expenditure and human resources management.

On 5 August 2022, Elite Partners Advisory issued a report of the IC Review (the “**IC Review Report**”) covering its findings, recommendations, the Board’s response and the remedial status of the internal control deficiency. The Company has published an announcement on the same day of the issuance of the report. For details of the IC Review Report, limitation on the scope of the IC Review, key internal control weaknesses of the Group and the views of the Audit Committee and the Board, please refer to the announcement of the Company dated 5 August 2022.

Elite Partners Advisory identified seven key internal control deficiencies, with two deficiencies categorized as high risk and the remaining five deficiencies categorized as medium risk. High risk internal control deficiencies means that the Company does not have main control over the deficiency identified and immediate action is required to address the issue. Medium risk means that the Company should address the internal control deficiency to complete the internal control system and action should be taken to address the issue within reasonable time.

Risk Level	Internal Control Deficiencies identified
High risk	<ul style="list-style-type: none"> (i) Loss of control of the Tiantong Subsidiaries (ii) Non-Compliance with Listing Rules regarding publication of the FY2021 Annual Results
Medium risk	<ul style="list-style-type: none"> (iii) High reliance on external leadership on risk management (iv) Absence of Corporate Governance Manual and Comprehensive Induction Package for newly appointed directors (v) Lack of regular updates on the internal control manual (vi) Comprehensive investment policies and procedures are required to improve investment decision (vii) Insufficient segregation of duty to process payments of significant amounts

The Company has taken rectification measures to address the key internal control deficiencies identified by Elite Partners Advisory. The Company has revamped the Strategic Development Committee of the Board and renamed it as Strategic Development and Investment Committee with new terms of reference. The Strategic Development and Investment Committee is tasked with monitoring new investments of the Group to strengthen the Group's control and monitoring of new acquiree companies and businesses. Please refer to the announcements of the Company dated 25 October 2022 and 26 October 2022 for composition of the Strategic Development and Investment Committee and the committee's new terms of reference, respectively.

Further, to enhance the knowledge of internal control and to outline the recent updates and changes in the Group's internal control system following adoption of the recommendations in the IC Review Report, the Directors and senior management of the Group in the compliance, internal control and finance departments attended a 3-hours training on 17 October 2022 covering areas including but not limited to corporate governance, risk management, internal control and director's responsibilities.

After reviewing the implementation by the Company of the recommendations set out in the IC Review Report, Elite Partners Advisory considered that their recommendations have been implemented and the Company has in place adequate internal controls and procedures to prevent and detect incidents similar to the Unauthorized Transfer and to meet its obligations under the Listing Rules.

Both the Board and the Audit Committee, having considered the IC Review Report, the recommendations therein and the remedial steps taken, consider that the enhanced internal control system implemented by the Group has addressed (i) the key internal control deficiencies and the related risks have been managed to a reasonable level; and (ii) the remedial actions and improvement measures implemented by the Company are adequate and sufficient to prevent and detect incidents similar to the Unauthorized Transfer and to meet its obligations under the Listing Rules.

Based on the foregoing, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 5.

Resumption Guidance 6 – announce all material information for the Company’s shareholders and investors to appraise its position

Since the suspension of the trading of the Shares on 1 April 2022, the Company has, in accordance with the requirements of the Listing Rules, informed the market the latest situation of the Company by way of publication of announcements including (i) quarterly update on resumption progress; (ii) inside information; (iii) key findings of forensic investigation; (iv) internal control review findings; (v) financial results; and (vi) other matters relating to the Company.

Based on the foregoing, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 6.

RESUMPTION OF TRADING

By reason of the above, the Company confirms that it has remedied the issues causing the trading suspension and fully complied with the Listing Rules to the Stock Exchange’s satisfaction. The Company also confirms that it has fulfilled all the conditions set out in the Resumption Guidance.

Trading in the Shares on the Stock Exchange has been suspended since 1 April 2022. As all the conditions under the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 23 November 2022.

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

Hong Kong, 22 November 2022

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.

**For identification purposes only*