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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)

KEY FINDINGS OF THE EXTENDED FORENSIC INVESTIGATION REPORT

This announcement is made by Tianyun International Holdings Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) and Rule 13.25(1)(c) 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 the Company’s announcements (i) 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) dated 29 April 2022 in relation to, amongst others, the establishment of an investigation committee to investigate into the unauthorized transaction(s); (iii) dated 12 May 2022 in relation to the Stock Exchange’s guidance to the Company for the resumption of trading in the Shares; (iv) dated 16 May 2022 in relation to the change of auditors of the Company; (v) dated 30 June 2022 in relation to quarterly update on the progress of resumption of trading in the Shares; (vi) dated 29 July 2022 in relation to key findings of the independent forensic investigation and potential deconsolidation of subsidiaries; (vii) dated 5 August 2022 in relation to key findings of the internal control review; (viii) dated 10 August 2022 and 19 August 2022 in relation to deconsolidation of subsidiaries and voluntary winding-up of a subsidiary; and (ix) dated 4 August 2022, 15 August 2022, 18 August 2022 and 26 August 2022 in relation to a board meeting to be held for, inter alia, approving the audited annual results of the Group for the year ended 31 December 2021 and the unaudited consolidated interim results of the Group for the six months ended 30 June 2022 (collectively, the “**Previous Announcements**”). Capitalised terms used in this announcement have the same meanings as defined in the Previous Announcements unless defined otherwise herein.

BACKGROUND

As disclosed in the Company’s announcement dated 29 July 2022, the Investigation Committee had engaged the Forensic Accountant as the Company’s forensic accountant to conduct the Forensic Investigation and that the Company received the initial Forensic Investigation Report from the Forensic Accountant on 29 July 2022 (the “**Initial Investigation**”).

On 24 August 2022, the Investigation Committee resolved to mandate the Forensic Accountant to conduct further investigation into the electronic data and other matters (the “**Extended Scope**”) in relation to the Forensic Investigation.

On 23 September 2022, the Forensic Accountant issued to the Investigation Committee a supplemental report on the key findings on the Extended Scope of the Forensic Investigation (the “**Supplemental Report**”, together with the report of the Initial Investigation, the “**Extended Forensic Investigation Report**”). The Investigation Committee reviewed and presented the Supplemental Report, together with the opinion of the Investigation Committee, to the Board for approval on 29 September 2022.

SCOPE OF THE EXTENDED SCOPE OF INVESTIGATION

For the purpose of the Extended Scope of the Forensic Investigation, the Forensic Accountant had performed the following procedures:

- (i) identifying and taking forensic images of the electronic devices available to the employees of the Company (the “**Investigated Devices**”), including taking photos of the operating environment of the Investigated Devices and cross-checking the device information recorded by the system and the labels on the Investigated Devices;
- (ii) using a variety of forensic imaging copiers and extraction tools to collect data on the hard disks of the Investigated Devices and e-mail servers of the relevant personnel, create electronic evidence files and verify the integrity of such data;
- (iii) processing and reviewing the electronic evidence files with a variety of discovery platforms to recover, restore, filter, index and decrypt the data therein;
- (iv) matching keywords in the data extracted from the Investigated Devices with those relevant to the Extended Scope of the Forensic Investigation;
- (v) conducting interviews with relevant personnel of the Group which were not interviewed during the Initial Investigation; and
- (vi) reviewing and verifying bank statements and records of members of the Group in the PRC.

SUMMARY OF FINDINGS

The Company hereby discloses the key findings of the Extended Scope of the Forensic Investigation together with the view of the Investigation Committee and the Board.

Electronic data investigation

The Forensic Accountant did not discover any inconsistencies between the device information recorded by the system of the Company and the labels on the Investigated Devices.

Moreover, subsequent to his oral admission to the Group on 1 April 2022, Mr. Li signed and acknowledged with his thumbprint a written admission on 5 April 2022, admitting that:

- (i) without seeking permission in accordance with the Group’s policy, he lent on behalf of the Group approximately RMB34.40 million to other third party, namely Mr. Gu and such amount has not been repaid; and

- (ii) he arranged an unauthorized adjustment in the annual financial statements for the year ended 31 December 2021, which caused the discrepancy between the internal financial records and the bank account balance.

Additional interviews with the executive Directors and certain senior management

During the Initial Investigation, the Forensic Accountant had interviewed Mr. Li, Mr. Zhao (Deputy Finance General Manager of Tiantong Yichang) and Ms. Gong (cashier of Tiantong Yichang), Mr. Jiang (replacement legal representative of Tiantong Yichang) and the Chief Financial Officer of the Group, in May 2022. Between 6 September to 14 September 2022, as part of the Extended Scope, the Forensic Accountant interviewed the two executive Directors and two non-executive Directors, the Financial Controller - PRC of the Group and the Deputy Finance General Manager of Shandong Tiantong (the “**Additional Interviews**”). The Additional Interviews revealed and supported that none of the Directors and senior management of the Group other than those of the Subsidiaries identified in the report of the Initial Investigation had prior knowledge of, or was involved in, the Unauthorised Transfer. This is consistent with the findings of the Initial Investigation.

Obtaining additional information and records from third parties

It was set out in the report of the Initial Investigation, those large amount payments of the operating subsidiaries of the Group during the period from 1 January to 31 December 2021 to address the audit issues raised by PwC with the related approval records and some statements from third party banks appended. In order to ensure completeness of the data from third parties, the Forensic Accountant appended in the appendix to the Supplemental Report those remaining statements of the Remaining Group obtained from third party banks. Save for the bank statements of the Subsidiaries, the Forensic Accountant had obtained all bank statements of the Remaining Group during the period and checked records of payment with an amount exceeding RMB10 million against the bank statements and no irregularity was found.

Verifying that Mr. Li has no role in the Group other than the Subsidiaries

Further to the background check on Mr. Li conducted by the Forensic Accountant, the Forensic Accountant had confirmed that, pursuant to the interviews with the Directors and senior management, it did not find Mr. Li holding any other positions in the Group, save and except as the legal representative, director and general manager of the Subsidiaries. As such, Mr. Li never had the authority to be involved in the operations of other members of the Group and to conduct other transactions in the Group other than those concerning the Subsidiaries.

MAJOR LIMITATIONS OF THE EXTENDED SCOPE OF THE INVESTIGATION

The findings of the Extended Scope of the Forensic Investigation are subject to certain limitations, including but not limited to the Forensic Accountant not being able to collect data from the electronic devices and e-mail servers of Mr. Li, Mr. Zhao and Ms. Gong.

VIEWS OF THE INVESTIGATION COMMITTEE

Having considered the Extended Forensic Investigation Report, the Investigation Committee noted the following:

- (i) Mr. Li's override of the Company's internal payment control procedures was the cause of the Unauthorized Transfer; and
- (ii) the current senior management of the Company had no knowledge of the Unauthorized Transfer until PwC raised concerns to the audit issues in relation to the Company's audited annual results for the financial year ended 31 December 2021.

In view of the above, the Investigation Committee maintains the view that Mr. Li has failed to discharge his fiduciary duties as a director of Tiantong Yichang by failing 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 reviewed the Supplemental Report (including the limitations of the Extended Investigations). After due and detailed discussion, the Investigation Committee is of the view that the content and findings in the Extended Forensic Investigation Report are reasonable and acceptable. Accordingly, the Investigation Committee has recommended the Board to adopt the findings of the Extended Investigations.

Further, the Investigation Committee also recommends the Company to continue working with the PRC Legal Adviser and other professional parties to minimize and limit the impact of the loss as a result from Mr. Li's failure to discharge his fiduciary duties.

OVERALL RESPONSES FROM THE BOARD

The Board has reviewed the Extended Forensic Investigation Report and the recommendations made by the Investigation Committee. The Board agreed with the recommendations of the Investigation Committee and has resolved that the recommendations of the Investigation Committee be implemented as soon as practicable.

The Board is of the view that the issues identified in the Extended Forensic Investigation Report do not have material adverse impact on the business operations of the Group. The Group's business operations continue as usual despite the suspension of trading in the Shares since 1 April 2022.

REMEDIAL ACTIONS TAKEN BY THE BOARD

As disclosed in the Company's announcement dated 5 August 2022, the Company had engaged Elite Partners Risk Advisory to conduct the IC Review and that (i) the key internal control deficiencies have been remediated 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 address the key findings of the IC Review Report and the internal control concerns raised by PwC.

As disclosed in the Company's announcement dated 10 August 2022 and supplemented by the Company's announcement dated 19 August 2022, the Company had resolved to proceed with the Deconsolidation and wind up Strong Won HK to entrench the Group from any further potential tangible and intangible losses and damage arising from the loss of control of the Subsidiaries.

CONTINUED TRADING SUSPENSION OF THE SHARES OF THE COMPANY

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 am on 1 April 2022 as required under Rule 13.50 of the Listing Rules and will remain suspended until further notice.

The Company will make further announcement(s) to keep its shareholders and potential investors informed of any progress on the fulfilment of the Resumption Guidance as and when appropriate.

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
Yang Ziyuan
Chairman and Executive Director

Hong Kong, 3 October 2022

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

** For identification purposes only*