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Guoan International Limited

國安國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 143)

SUPPLEMENTAL INFORMATION IN RELATION TO RETIREMENT OF AUDITORS

References are made to the announcements of Guoan International Limited (the “**Company**”) dated 12 April 2021, 29 June 2021, 27 August 2021 and 1 September 2021 in relation to, among other matters, the delay in publication of the 2020 Annual Results, the delay in despatch of the 2020 Annual Report, the quarterly update on status of resumption of the Company and the retirement of auditors respectively (the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Board wishes to provide further supplemental information in relation to the retirement of the auditors of the Company as mentioned in the Announcements, in particular regarding the matters set out in the HLB Letter that HLB would like to bring to the attention of the Shareholders or creditors of the Company, as follows:

1. As disclosed in the announcement of the Company dated 1 September 2021, the Company received the HLB Letter on 31 August 2021. In the HLB Letter, HLB restated the details and circumstances of the outstanding matters in their audit, which have been previously mentioned in the announcements of the Company.
2. Such circumstances include:
 - (a) The audit of the 2020 Annual Results was suspended in March 2021 due to certain major outstanding matters claimed in the HLB Letter.
 - (b) As disclosed in the announcement of the Company dated 28 February 2021, the Company conducted an investigation (the “**Investigation**”) and had discovered certain irregularities in the Acquisition which the Company intends to challenge its validity. The relevant findings of the Investigation were disclosed in the announcement of the Company dated 2 July 2021.

- (c) As disclosed in the announcement of the Company dated 12 April 2021, the Company received a letter from HLB on 26 March 2021 requesting, inter alia, the Board to conduct an independent investigation and to provide explanation, information and documentation in relation to the Acquisition and the Investigation for the purpose of determining whether the Acquisition had been properly accounted for by the Group in the consolidated financial statements for the years ended 31 December 2019 and 2020.
 - (d) As disclosed in the announcements of the Company dated 14 and 26 May 2021, the Company has engaged a law firm in Hong Kong to advise and act for the Company in relation to, among others, an independent internal inquiry to be conducted in respect of the Acquisition and/or any other matters which the Company considers necessary; five new directors were also appointed to the board of directors of the Target Company with effect from 25 May 2021.
 - (e) As disclosed in the announcements of the Company dated 24 December 2020, 22 January 2021, 1 March 2021 and 29 March 2021, the Summary Judgment was handed down on 1 March 2021 in favour of the Plaintiffs against the Company in the sum of HK\$100,000,000 together with interests. The Company lodged the Appeal against the Summary Judgment on 29 March 2021.
 - (f) As disclosed in the announcement of the Company dated 28 February 2021, the repayment date of the 2nd Tranche Convertible Bonds has matured and the Company expects that the principal amount of HK\$100,000,000 of the 2nd Tranche Convertible Bonds will not be repaid.
3. HLB claimed that up to the date of the HLB Letter, they did not obtain (a) the finalised and signed reports of the Investigation; (b) the views of the independent internal inquiry member and the Board on the findings of the Investigation and the consequential impact on the Group's consolidated financial statements for the years ended 31 December 2019 and 2020; (c) the remedial actions in response to the findings of the Investigation and the timeline of the remedial actions to be taken by the Company; and (d) the legal advice on any legal implications on the Group regarding the findings of the Investigation.
4. Based on the above, HLB stated that their audit work is not completed and claimed that they have not obtained sufficient evidence to determine whether the Acquisition had been properly accounted for and the relevant implications of the findings included in the Investigation on the Group's consolidated financial statements for the years ended 31 December 2019 and 2020.

5. Further, based on certain figures in the management accounts of the Group, the alleged default of payment of the 1st Tranche Convertible Bonds, certain ongoing litigations and the abovementioned circumstances, HLB stated that their audit work is not completed and claimed that they have not obtained sufficient audit evidence to conclude on the appropriateness of the management's use of the going concern basis of accounting in the preparation of the Group's consolidated financial statements, including but not limited to the detailed analysis on the plans and measures for future actions included in the Group's going concern assessment prepared by the management of the Group, the uncertainty of outcome of these plans and measures and how variability in the outcome of the plans and measures would affect the future cash flows of the Group.
6. Save for the above matters which are set out in full in the HLB Letter, HLB confirmed that there are no circumstances connected with their retirement which they consider should be brought to the attention of the Shareholders or creditors of the Company.

As mentioned in the Announcements, the Company wishes to stress that it had endeavoured to cooperate with and assist HLB in completing their audit work, including liaising with HLB from time to time and providing such explanation, information and documentation as requested by HLB. In particular, regarding the matters set out in item 3 above, the Company would like to point out that:

- (i) The Company had provided the finalised reports of the Investigation to HLB but was not able to provide signed copies because the Company had not received the same from the issuer of the reports.
- (ii) The Company had discussed with HLB regarding the scope and terms of reference of an independent board committee (if any) and had explained why the Company did not consider it necessary to set up the same for the time being. The request for the views of the independent internal inquiry member was subsequently communicated to the Company for the first time in the HLB Letter.
- (iii) The Company had explained to HLB why it was not able to confirm its views, proposed actions and/or advice sought on the findings of the Investigation as the same is subject to ongoing litigation and/or investigations. However, the Company had also asked HLB to refer to the disclosures in the Company's announcements made in accordance with the Listing Rules from time to time for further information.

However, despite the Company's endeavours as mentioned above, the negotiations with HLB had not been fruitful and the Company and HLB had not been able to reach a consensus on the status of the audit of the 2020 Annual Results prior to the retirement of HLB.

For certain outstanding matters set out in the HLB Letter, the Company considers that such information and details are currently not appropriate to be disclosed as they involve financial information extracted from the management accounts which are yet to be finalised and other matters which are subject to ongoing investigations and legal proceedings. However, the Company will endeavour to keep the Shareholders and potential investors of the Company updated on the latest developments by way of announcement as and when appropriate in accordance with the Listing Rules.

By order of the Board
Guoan International Limited
LIU Deng
Chairman

Hong Kong, 29 October 2021

As at the date of this announcement, the Board comprises 8 Directors, of which 1 is an executive Director, namely Mr. LIU Deng, 4 are non-executive Directors, namely Ms. BAI Wei, Mr. WEI Wen Jun, Mr. ZHOU Deng Yue and Mr. TSUI Tan Ning, and 3 are independent non-executive Directors, namely Mr. CHEUNG Wai Man Raymond, Mr. NGAN Yu Loong and Mr. TSE Tsun Ling Febus.