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ALL NATION INTERNATIONAL GROUP LIMITED

全 民 國 際 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8170)

KEY FINDINGS OF INDEPENDENT INVESTIGATION

This announcement is made by All Nation International Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 3 March 2023, 6 April 2023, 2 June 2023 and 3 September 2023 (together the “**Announcements**”) in relation to, among other matters, (i) the expected delay in publication of interim results and despatch of interim report for the six months ended 31 January 2023; (ii) the resumption guidance; (iii) quarterly updates on the resumption progress. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless otherwise stated.

BACKGROUND

As announced by the Company on 3 March 2023, the publication of the announcement of the interim results of the Group for the six months ended 31 January 2023 was delayed and the reason for such delay was that, based on the preliminary information available to the Company, it was suspected that certain funds of the Group in the amount of not less than RMB58 million had been misappropriated by Mr. Lin Ye (“**Mr. Lin**”), the former chairman of the Board and the former executive Director, as Mr. Lin had arranged for advancement of certain funds of the Group to other corporate entity without proper purpose and for certain commercial or lease transactions which did not exist (the “**Suspected Misappropriation**”). Due to the Suspected Misappropriation, a special investigation committee (“**SIC**”) was formed to undertake investigation on matters pertaining to the Suspected Misappropriation.

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 3 March 2023 and will continue to be suspended until further notice.

On 3 April 2023, the Company received a letter from the Stock Exchange setting out the Resumption Guidance, among others, to conduct an appropriate independent forensic investigation into the Suspected Misappropriation, announce the findings of the investigation and take appropriate remedial actions and the Company has engaged Frank Forensic and Corporate Recovery Limited (“**Frank Recovery**”) to, among others, identify the purported underlying transactions entered into by the Group constituting the Suspected Misappropriation, conduct investigation into the purported transactions and ascertain the details of the same including the amount of funds, the time of the purported transactions and how the transactions happened and so forth and issue the investigation report (the “**Independent Investigation**”).

Frank Recovery issued the report of the Independent Investigation dated 23 November 2023 (the “**Investigation Report**”).

Scope of the Independent Investigation

The primary scope of the Independent Investigation includes identifying the purported underlying transactions entered into by the Group constituting the Suspected Misappropriation, conducting investigation into the purported transactions and ascertaining the details of the same including the amount of funds, the time of the purported transactions and how the transactions happened and so forth.

Major investigation procedure

The major investigation procedures conducted by Frank Recovery included, but not limited to, the followings:

- (i) reviewing the available documents provided by the Company relevant to the Suspected Misappropriation (the “**Available Documents**”);
- (ii) conducting interviews with those relevant persons involved in or related to the Suspected Misappropriation including directors of the Company in the period from 1 January 2022 to 31 March 2023 (the “**Relevant Period**”);
- (iii) performing E-Discovery on the data cloned from one desktop computer located in the Company’s office in Hong Kong and four desktop computers located at the office of 深圳中深國投資產管理有限公司 (for transliteration purpose only, Shenzhen Zhongshengtuotou Assets Management Company Limited), a wholly-owned subsidiary of the Company (“**SZGT**”); and
- (iv) performing background searches on the relevant companies and individuals in the public domain.

SUMMARY OF THE KEY FINDINGS OF THE INDEPENDENT INVESTIGATION

Background

The Company is an investment holding company and its subsidiaries are principally engaged in (i) the provision of contracting, project management and civil engineering consulting businesses in Hong Kong; (ii) property subleasing and management business in the People's Republic of China (the "PRC"); (iii) interior design services and decoration works in both Hong Kong and the PRC; and (iv) commodity trading business in the PRC.

As announced by the Company on 3 March 2023, based on the preliminary information available to the Company, it was suspected that certain funds of the Group in the amount of not less than RMB58 million had been misappropriated by Mr. Lin as he had arranged for advancement of certain funds of the Group to other corporate entity without proper purpose and for certain commercial or lease transactions which did not exist.

As disclosed in the announcements of the Company dated 3 March 2023, 8 May 2023 and 3 July 2023, (i) the duties of Mr. Lin as chairman of the Board, an executive Director and directors of the relevant subsidiaries of the Company were suspended until further notice; (ii) Mr. Lin was in a state of lost contact and the Company could not reach him further since 6 April 2023; and (iii) the Company received a resignation letter from Mr. Lin that he tendered his resignation as an executive Director with effect from 27 June 2023.

The Suspected Misappropriation related to two transactions conducted by two wholly-owned subsidiaries of the Company, namely SZGT and 廣州市得昇科技有限公司 (for transliteration purpose only, Guangzhou Desheng Technology Company Limited) ("GZDS").

1. Purported Subleasing Transaction

SZGT was a company established on 14 December 2015 in the PRC with limited liability and it is principally engaged in provision of subleasing services in the PRC. Mr. Luo Jia Shun ("Mr. Luo") was appointed as the chief operating officer of the Group with effect from 11 June 2020 and he was responsible for overseeing the subleasing business of the Group.

As disclosed in the announcement of the Company dated 7 October 2022, SZGT as tenant and 深圳市前海沃辰科技有限公司 (for transliteration purpose only, Shenzhen Qianhai Wochen Technology Company Limited) ("SZYS") as landlord entered into a purported tenancy agreement (the "Purported Tenancy Agreement") in respect of a lease of a seven-storey building (the "Office Premises") for a term of five years commencing from 10 October 2022 (the "Purported Subleasing Transaction"). For more details of the Purported Subleasing Transaction, please refer to the announcement of the Company dated 7 October 2022.

Key findings of Frank Recovery on the Purported Subleasing Transaction

Based on the major investigative procedures as set out in the section headed “**Major investigation procedures**” above, Frank Recovery made the following key findings on the Purported Subleasing Transaction:

- (i) the Purported Subleasing Transaction was arranged by Mr. Lin as the business operation of SZGT was all along controlled and managed by Mr. Lin and the company chop of SZGT had been kept by Mr. Lin as alleged by Mr. Luo;
- (ii) pursuant to the Purported Tenancy Agreement, the monthly rent was agreed therein at RMB1,394,481.2, the rent was payable half-yearly and the tenant was required to pay a deposit to the landlord equivalent to three months’ rental. However, the rent of the first six months in the amount of RMB8,366,887.2 and the deposit in the amount of RMB4,183,443.6 had been paid (the “**SZGT Payments**”) before the entering into of the Purported Tenancy Agreement;
- (iii) Mr. Luo did conduct site visit to the Office Premises but did not conduct due diligence on the ownership of the Office Premises for the Purported Tenancy Agreement;
- (iv) the SZGT Payments had to be approved by Mr. Lin;
- (v) it was eventually found out that SZYS was not the owner of the Office Premises and SZYS failed to deliver possession of the Office Premises to SZGT;
- (vi) based on the review of the bank statements of the bank accounts, general ledger and accounting vouchers of SZGT, it was found out that SZGT made various payments to SZYS in the total amount of RMB14,450,000 during the period from 26 July 2022 to 30 September 2022 (the “**Payments to SZYS**”) and SZGT received certain payments from SZYS in the total amount of RMB2,899,669.2 during the period from August 2022 to January 2023 and the net payments made by SZGT to SZYS was in the amount of RMB11,550,330.8 (the “**Net Payments to SZYS**”);
- (vii) based on the financial management policy (財務管理制度) of SZGT, payments made by SZGT to third parties have to go through various procedures internally. However, it was noted that the financial management policy was not strictly adhered to by SZGT in approving the Payments to SZYS, in particular certain payment applications were lack of supporting documents, the payment condition of the rental deposit of RMB4,183,443.6 was not met as SZGT had not taken possession of the Office Premises and the overpaid amount was RMB6,083,112.80. It appeared that the financial management policy was overridden by Mr. Lin and Mr. Luo, the then management of SZGT for making the Payments to SZYS;

- (viii) the above findings suggest that the Purported Tenancy Agreement and the transactions contemplated thereunder were fictitious and merely a fraudulent scheme to disguise the misappropriation of funds in the sum of RMB11,550,330.8 (i.e. the Net Payments to SZYS);
- (ix) according to the background search of Mr. Lin, he has been a 99% shareholder of 深圳市振燁通信科技集團有限公司 (for transliteration purpose only, Shenzhen Zhenye Communication Technology Group Company Limited) (“SZCY”) since April 2022. Ms. Liu Guoping (“Ms. Liu”), the former director and legal representative of SZYS, was a 100% shareholder of SZCY and its supervisor until July 2019, the legal representative and director of SZYS until June 2019 and currently a substantial shareholder of the Company (holding approximately 13.3% of the issued share capital of the Company). She was also the responsible person of SZYS for the Purported Subleasing Transaction. Online findings also alleged that Ms. Liu was the sister-in-law of Mr. Lin. Given the above intricate relationships among SZYS, Ms. Liu and Mr. Lin and the Company, it is suspected that the Purported Subleasing Transaction and the SZGT Payments were orchestrated by Mr. Lin and Ms. Liu;
- (x) the Purported Subleasing Transaction was approved by a resolution of the Board signed by all the then Directors other than Ms. Guo Liying (the “**Relevant Directors**”) but the Relevant Directors did not make enquiry on the ownership of the Office Premises before approving the resolution and neither the Company nor SZGT had conducted a land search or other due diligence to confirm whether SZYS was the landlord of the Office Premises. It appeared that the Relevant Directors approved the Purported Tenancy Agreement on the ground that SZGT was managed by Mr. Lin and the Purported Tenancy Agreement was in line with the principal business of SZGT but they failed to make sufficient enquiries with the management of the Company and SZGT before approving the resolution and publishing the announcement of the Company dated 7 October 2022;
- (xi) the legal representative of SZGT was neither members of the Board nor employees of the Group and the appointment of legal representative of SZGT has not been approved by the Board; and
- (xii) the Company failed to exercise sufficient control over SZGT and had relied on Mr. Lin to oversee and manage the affairs of SZGT and there was lack of a system of checks and balances to ensure Mr. Lin to act faithfully and in the interest of the Company and reduce fraud risks.

2. Purported Silver Transaction

As disclosed in the annual report of the Company for the year ended 31 July 2022, the commodity trading business of the Group was and is still operated by GZDS, a wholly owned subsidiary of the Company established in the PRC.

On 25 July 2022, GZDS entered into an agreement with 天津炬龍工貿有限公司 (for transliteration purpose only, Tianjin Julong Industry and Trade Company Limited) (“**TJCL**”), a company established in the PRC with limited liability (the “**Purported Silver Agreement**”) to purchase a total of 11,400 kilogram of silver from TJCL at a total tentative consideration of RMB48,000,000 (inclusive of taxes) from TJCL (the “**Purported Silver Transaction**”, together with the Purported Subleasing Transaction, the “**Purported Underlying Transactions**”). According to the Purported Silver Agreement, the unit price of the silver would be further agreed between the parties on or before 18 August 2022.

Key findings of Frank Recovery on the Purported Silver Transaction

Based on the major investigative procedures as set out in the section headed “Major Investigation Procedures” above, Frank Recovery made the following key findings on the Purported Silver Transaction:

- (i) Mr. Lin was the responsible person to control and oversee the affairs and operation of GZDS;
- (ii) pursuant to the Purported Silver Agreement, GZDS paid RMB46,121,500 as prepayment, which was about 96% of the total purchase amount and the date of delivery of silver was not agreed in the Purported Silver Agreement. In addition, TJCL was established on 11 July 2022, which was only 14 days before the date of the Purported Silver Agreement. It is questionable that the then management of GZDS would agree to pay RMB46,121,500 to a newly established company prior to having the date of delivery and the unit price of the silver agreed;
- (iii) based on the review of the bank statements of the bank accounts of GZDS, it was noted that GZDS made payments to TJCL in the amount of RMB16,000,000, RMB4,000,000, RMB5,000,000 and RMB21,121,500 on 1 August 2022, 4 August 2022, 10 August 2022 and 13 September 2022 respectively (the “**GZDS Payments**”). It was further noted that there were deposits into the bank account of GZDS in the amount of RMB7,500,000, RMB10,000,000 and RMB7,500,000 on 29 July 2022 from 天津瑞達經貿有限公司, a company established in the PRC with limited liability (“**TJST**”); and RMB21,121,499.99 from 海南炬龍工貿有限公司, a company established in the PRC with limited liability (“**HNCL**”), the holding company of TJCL, on 30 August 2022 (the “**GZDS Deposits**”);
- (iv) the GZDS Deposits were described on the bank statements of GZDS as refund of prepayments from TJST (the “**Advance Payments**”);

- (v) from the above, it appeared that GZDS, after receiving the three payments in the total amount of RMB25,000,000 on 29 July 2022, remitted RMB16,000,000, RMB4,000,000 and RMB5,000,000 to TJCL on 1 August 2022, 4 August 2022 and 10 August 2022 respectively and GZDS, after receiving the payment in the amount of RMB21,121,499.99 from HNCL on 30 August 2022, remitted RMB21,121,499.99 to TJCL on 13 September 2022. This suggests that the GZDS Payments were sourced from the GZDS Deposits. It is believed that the GZDS Payments, the GZDS Deposits and the Advance Payments were likely part of the round robin fund flow scheme between GZDS, TJCL, HNCL and TJST;
- (vi) based on the above, Frank Recovery is of the view that the Purported Silver Agreement had no commercial substance and the Purported Silver Transaction is appeared to be fictitious;
- (vii) the legal representative of GZDS was neither members of the Board nor employees of the Group and the appointment of legal representative of GZDS has not been approved by the Board; and
- (viii) the Company failed to exercise sufficient control over GZDS and had relied on Mr. Lin to oversee and manage the affairs of GZDS and there was lack of a system of checks and balances to ensure Mr. Lin to act faithfully and in the interest of the Company and reduce fraud risks.

Other finding of Frank Recovery

Frank Recovery has been provided with an internal control review report of the Company dated 21 October 2022 (the “**IC Review Report**”) prepared by an independent internal control consultant, pursuant to which it has identified a deficiency in the payment procedures of GZDS as GZDS paid TJST a prepayment of approximately RMB21,000,000 which had been outstanding for 9 months. It was opined in the internal control review report that the prepayment paid to TJST would have a huge negative impact on the cashflow of the Group but no recommendation was made by the independent internal control consultant on how to mitigate the risk so identified. However, although the prepayment of approximately RMB21,000,000 had been returned in August 2022, there is no remedial steps or procedures undertaken by the Company after 21 October 2022 after receiving the red flags set out in IC Review Report.

Limitations of the Independent Investigation

Frank Recovery encountered certain limitations (the “**Investigative Limitations**”) during the investigation process which may have limited the extent of the Independent Investigation including the following:

- (i) the Independent Investigation is based on the documents and information provided by the Company and the accuracy of the Investigation Report is primarily dependent on the accuracy and completeness of the information provided by the Company and the representations given to Frank Recovery. The staff of Frank Recovery have not verified the accuracy of the information on which the Investigation Report is based. Frank Recovery is, therefore, not in a position to give assurance as to the accuracy or completeness of the Investigation Report given the limitations on scope and available information as disclosed therein;
- (ii) Frank Recovery has relied on the information, documentation and representations provided to it by the Company and its subsidiaries. Frank Recovery has assumed that such information and documentation are true and accurate at the time they were provided and continue to be so on the date of the Investigation Report, and that all available information relevant to addressing the issues has been provided to Frank Recovery. However, Frank Recovery offers no assurance as to the accuracy thereof;
- (iii) the information and documents including internal correspondence among the directors and staff are limited to the Available Documents;
- (iv) Frank Recovery has invited the then directors of the Company and those individuals involved in the Suspected Misappropriation at the material time whom they believe could provide information to attend interview. Only 8 invitees have attended interviews as at the date of the Investigation Report;
- (v) Frank Recovery assumes no responsibility for any legal matters including, but not limited to, legal or title concerns; and
- (vi) Frank Recovery's opinion and analyses given in the report are based on the limited and incomplete information and documentation made available to Frank Recovery and subject to time constraint. Should other new documents or additional information become available, Frank Recovery may need to reconsider its opinions expressed therein and this could lead to a revision of its opinions in whole or in part in the report. As such, Frank Recovery expressly reserves all its rights in this regard.

OPINIONS OF THE SPECIAL INVESTIGATION COMMITTEE

The SIC has reviewed and considered the Investigation Report. Subject to the various limitations which Frank Recovery encountered or observed as reported in the Investigation Report, the SIC is of the view that Frank Recovery had performed appropriate and comprehensive procedures in respect of the Independent Investigation. In light of the aforesaid, the SIC has the following recommendations:

Seeking professional advice

The Board shall seek legal or other professional advice on the following:

- (i) whether to report to the police and other relevant regulatory authority in respect of the Purported Underlying Transactions;
- (ii) the available legal remedy to recover the relevant amount paid by the Group under the Purported Underlying Transactions including the Net Payments to SZYS under the Purported Subleasing Transaction and the prepayment in the amount of RMB46,121,500 paid by GZDS under the Purported Silver Transaction; and
- (iii) the possible claim(s) by the Company and/or its subsidiaries against Mr. Lin and others who arranged for the Purported Underlying Transactions.

Re-organisation of the senior management

The Board may consider the re-organisation of the senior management of the Company, including the necessity of management clean-up and the appointment of new officers.

Enhancement of internal corporate governance

The Board may implement effective corporate governance structure at the senior levels of the Company, such as the appointment of suitable qualified personnel to advise the relevant senior management of the Group with regard to the compliance with the relevant regulatory requirements in all of the Company's business endeavours.

Strengthening internal control

The Board should implement enhancements to the Company's internal controls designed to address and resolve all loopholes, weaknesses or issues identified in the course of the Company's continuous efforts on reviewing and enhancing its internal controls, in particular, the following:

- (i) strengthen the payment authorisation processes;
- (ii) supervise material contract approval and signing, and segregate the approval and supervision thereof; and
- (iii) strengthen governance and operational control over the supervision of the office operations and the Group. In particular, (a) policies, protocols and supervision at the listed company level and the operational companies' levels must be consistent with one another and allow for review and monitoring of all applicable areas, (b) there ought to be formal requirements for record-keeping, including the retention of relevant supporting materials; and (c) adequacy of compliance with formal record-keeping requirements to be monitored on an ongoing or regular basis; and

- (iv) designate the roles and responsibilities within senior executive management and the Board.

OPINIONS OF THE BOARD

The Board has reviewed the content and the findings of the Independent Investigation in the Investigation Report. The Board is of the view that despite the limitations as set forth above, the content and the findings of the Independent Investigation in the Investigation Report are reasonable and acceptable.

In the assessment of the Board, the Board is of the view that the Purported Underlying Transactions do not have material adverse impact on the business operation and financial position of the Group as those transactions concerned two standalone transactions and measures will be taken by the Company to ensure that the Purported Underlying Transactions will not reoccur again in the future.

In addition, the Purported Underlying Transactions only concern the Group's PRC subleasing business and commodity trading business, but not its other principal businesses of the Group including the contracting, project management and civil engineering consulting business. The Group's business operations have continued as usual despite the suspension of trading in the shares of the Company since 3 March 2023.

Based on the recommendations of the SIC, the Board will take all necessary remedial actions to safeguard the interests of the Company and its shareholders in timely manner, in light of the issues identified. The remedial actions involved include but are not limited to the following:

- (i) the Board will seek legal advice and continue to expend efforts on all available methods to exercise its rights in relation to the recovery of the outstanding amounts and pursue damages in relation to the relevant individuals' wrongdoing;
- (ii) to strengthen the management of the Company, the Board will look for appropriate experienced personnel to join the Board and designate the roles and responsibilities within senior management and the Board;
- (iii) the Company will enhance its internal controls measures to address and resolve all issues identified in the course of the Company's continuous efforts on reviewing and enhancing its internal controls;
- (iv) the Company will implement measures to segregate the approval and supervision process for material contract approval and signing; and
- (v) the Company will implement measures to strengthen its governance and operational control over the supervision of its office operations and the Group.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on Friday, 3 March 2023 and will continue to be suspended until further notice.

By order of the Board
All Nation International Group Limited
Su Baocheng
Chairman

Hong Kong, 23 November 2023

As at the date of this announcement, the executive Directors are Mr. Su Baocheng (Chairman), Mr. Au Siu Chung, Mr. Bat-Ochir Purevdemberel, Mr. Jiang Taotao, Mr. Si Man and Mr. Si Chong Su; and the independent non-executive Directors are Ms. Sun Ho Ting, Mr. Huang Yu and Mr. Gu Zheng.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.allnationinternational.com.