Guoan International Limited
國安國際有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 143)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of Guoan International Limited (the "**Company**") hereby announces the audited and consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018, together with the comparative figures, as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018	*Notes*	**Year ended 31 December 2018** ***HK$'000***	Fifteen months ended 31 December 2017 *HK$'000*
Revenue	*4*	**109,712**	116,026
Cost of sales		**(86,630)**	(85,868)
Gross profit		**23,082**	30,158
Other revenue	*5*	**3,728**	1,381
Other losses	*6*	**(2,402)**	–
Selling and distribution expenses		**(1,063)**	(3)
Administrative expenses		**(66,814)**	(76,552)
Other operating expenses		**(121)**	(659)
Finance costs	*7*	**(251)**	(178)
Loss before taxation	*8*	**(43,841)**	(45,853)
Taxation	*9*	**4**	(39)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018	*Notes*	**Year ended 31 December 2018** ***HK$'000***	Fifteen months ended 31 December 2017 *HK$'000*
Loss for the year/period		**(43,837)**	(45,892)
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(21)**	133
Other comprehensive (loss)/income for the year/period, net of tax		**(21)**	133
Total comprehensive loss for the year/period		**(43,858)**	(45,759)
Loss for the year/period attributable to:			
Owners of the Company		**(43,690)**	(45,892)
Non-controlling interests		**(147)**	–
		(43,837)	(45,892)
Total comprehensive loss for the year/period attributable to:			
Owners of the Company		**(43,711)**	(45,759)
Non-controlling interests		**(147)**	–
		(43,858)	(45,759)
Loss per share attributable to owners of the Company			
Basic and diluted (HK cents)	*11*	**(0.56)**	(0.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018	*Notes*	**2018** **HK$'000**	2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**312,863**	322,763
Available-for-sale financial assets		**–**	5,950
Financial assets at fair value through profit or loss		**14,550**	–
Deposits for acquisition of subsidiaries		**21,873**	–
Loan and interest receivables	*12*	**–**	10,167
		349,286	338,880
Current assets			
Inventories		**34,566**	1,131
Trade receivables	*13*	**10,604**	4,114
Prepayments, deposits and other receivables		**11,651**	9,774
Loan and interest receivables	*12*	**13,043**	–
Financial assets at fair value through profit or loss		**1,840**	240
Tax recoverable		**–**	126
Pledged time deposits		**5,159**	5,084
Cash and bank balances		**34,199**	73,511
		111,062	93,980
Current liabilities			
Trade payables	*14*	**10,540**	1,209
Accrued charges and other payables		**52,663**	43,904
Bank borrowings		**34,500**	4,500
Loan from the ultimate holding company		**3,556**	3,602
		101,259	53,215
Net current assets		**9,803**	40,765
Total assets less current liabilities		**359,089**	379,645
Non-current liability			
Deferred tax liabilities		**604**	552
Net assets		**358,485**	379,093
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		**77,489**	77,489
Reserves		**267,643**	301,604
		345,132	379,093
Non-controlling interests		**13,353**	–
Total equity		**358,485**	379,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 9 December 1998 as an exempted company with limited liability and its shares have a primary listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and a secondary listing on Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

The registered office of the Company is P.O. Box 309, Ugland House, George Town, Grand Cayman KY1-1104, Cayman Islands and the principal place of business of the Company is located at 15th Floor of Tower II, Admiralty Centre, No.18 Harcourt Road, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in trading of telecommunications and other products, provision of repair services for telecommunications products, investment in financial assets and money lending business.

During the last financial period, the reporting period end date of the Group was changed from 30 September to 31 December because the Group would like to align its financial year end date with CITIC Guoan Group* ("**CITIC Guoan Group**") so as to facilitate the preparation of consolidated financial statements of the Company and those of CITIC Guoan Group, which is for the benefit of the overall development of the Group. Accordingly, the current financial period covers a twelve-month period from 1 January 2018 to 31 December 2018. The corresponding comparative amounts shown (which cover a period of fifteen months from 1 October 2016 to 31 December 2017) for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes are not entirely comparable with amounts shown for the current year.

The directors of the Company (the "**Directors**") regard Road Shine Developments Limited, a company incorporated in the British Virgin Islands as the immediate holding company, and CITIC Guoan Group, a company incorporated in the People's Republic of China (the "**PRC**") as the ultimate holding company.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") which is also the functional currency of the Company. All values are rounded to the nearest thousand ("**HK$'000**") except otherwise indicated.

* *For identification purpose only*

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The accounting policies adopted in the consolidated financial statements for the year ended 31 December 2018 are consistent with those followed in the preparation of the Group's annual financial statements for the fifteen months ended 31 December 2017 except as described below.

In the current period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial period beginning on 1 January 2018.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the consolidated financial statements.

The above new and revised HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	At 31 December 2017	Impact on initial application of HKFRS 9	At 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Available-for-sales financial assets	5,950	(5,950)	–
Financial assets at fair value through profit or loss	–	15,700	15,700
Total assets less current liabilities	379,645	9,750	389,395
Net assets	379,093	9,750	388,843
Capital and reserves			
Reserves	301,604	9,750	311,354
Total equity	379,093	9,750	388,843

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 i.e. applying the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) with the cumulative effect of initial application recognised at the date of initial application and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

(a) Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the FVTOCI criteria if by doing so it eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "revenue" line item.

Impairment under ECL model

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2 (b).

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, loan and interest receivables and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

(b) *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale financial assets *HKD'000*	**Financial assets at FVTPL** *HKD'000*
Closing balance at 31 December 2017 – HKAS 39	5,950	–
Effect arising from initial application of HKFRS 9:		
Reclassification		
From available-for-sale financial assets	(5,950)	5,950
Re-measurement		
Amounts remeasured through opening accumulated losses	–	9,750
Opening balance at 1 January 2018	–	15,700

From AFS debt investments to financial assets at FVTPL

Unlisted club debentures with a fair value of HK$15,700,000 were reclassified from available-for-sale financial assets to financial assets at FVTPL, as the investment is held as long-term strategic investments that do not represent solely payments of principal and interest, so they do not meet the HKFRS 9 criteria for classification at amortised cost. Related fair value gains of HK$9,750,000 was recognised in accumulated losses as at 1 January 2018.

Under the transition methods chosen, the Group recognises the cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The table below summarises the impact on the Group's reserves due to reclassification and remeasurement of financial instruments at the date of initial application:

	Accumulated losses *HK$'000*
As at 31 December 2017	(566,010)
Re-measurement from available-for-sales investments to financial assets at FVTPL	9,750
As at 1 January 2018	(556,260)

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers and the related Amendments

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current year does not result in any impact on the amounts reported in the consolidated financial information and/or disclosures set out in the consolidated financial information, except that the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

- Sales of telecommunications and other products

- Provision of repair services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note to the audited consolidated financial statement.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customers. As such, upon adoption, this requirement under HKFRS 15 resulted in immaterial impact to the financial statements as the timing of revenue recognition on sale of goods or services is nearly unchanged. Thus there was no impact on the Group's consolidated statement of financial position as of 1 January 2018.

Impact of application on HKAS 7 (Amendments) Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs that have been issued but are not yet effective

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[3]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures[1]
HKFRS (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HKFRS 3 (Amendments)	Definition of a business[2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1st January 2019.

[2] Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January 2020.

[3] Effective for annual periods beginning on or after 1st January 2020.

[4] Effective for annual periods beginning on or after 1st January 2021.

[5] Effective for annual periods beginning on or after a date to be determined.

3. SEGMENT INFORMATION

The Group's operating segments based on information reported to the chief operating decision maker (the "**CODM**") for the purpose of resource allocation and performance assessment are as follows:

(i) Trading of telecommunications and other products

(ii) Provision of repair services for telecommunications products

(iii) Investments in financial assets

(iv) Money lending business

Information regarding the Group's reportable segments for the year ended 31 December 2018 and the fifteen months ended 31 December 2017 is presented as follows:

(a) Segment revenue and results

	For the year ended 31 December 2018				
	Trading of telecommunications and other products	**Provision of repair services for telecommunications products**	**Investments in financial assets**	**Money lending business**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**43,409**	**64,678**	**385**	**1,240**	**109,712**
Segment results	**(4,500)**	**(11,134)**	**(864)**	**1,209**	**(15,289)**
Other losses					**(1,150)**
Bank interest income					**112**
Finance costs					**(251)**
Unallocated expenses					**(27,263)**
Loss before taxation					**(43,841)**
Taxation					**4**
Loss for the year					**(43,837)**

	For the fifteen months ended 31 December 2017				
	Trading of telecommunications and other products *HK$'000*	Provision of repair services for telecommunications products *HK$'000*	Investments in financial assets *HK$'000*	Money lending business *HK$'000*	Consolidated *HK$'000*
Revenue	18,392	97,431	36	167	116,026
Segment results	896	(10,395)	41	(9)	(9,467)
Interest income					136
Finance costs					(178)
Unallocated expenses					(36,344)
Loss before taxation					(45,853)
Taxation					(39)
Loss for the period					(45,892)

Revenue reported above represents revenue generated from external customers. There are no intersegment sales for the year ended 31 December 2018 (fifteen months ended 31 December 2017: HK$ Nil).

Segment result represents the result generated from each segment without allocation of central administrative costs including directors' salaries, staff costs, legal and professional fees and taxation. This is the measure reported to the CODM for the purpose of resources allocation and assessment of segment performance.

(b) Segment assets and liabilities

	As at 31 December 2018				
	Trading of telecommunications and other products *HK$'000*	Provision of repair services for telecommunications products *HK$'000*	Investments in financial assets *HK$'000*	Money lending business *HK$'000*	Consolidated *HK$'000*
Segment assets	**52,904**	**10,850**	**3,135**	**13,404**	**80,293**
Financial assets at fair value through profit or loss					**14,550**
Unallocated corporate assets					**365,505**
Consolidated total assets					**460,348**
Segment liabilities	**(9,879)**	**(8,763)**	**–**	**(20)**	**(18,662)**
Unallocated corporate liabilities					**(83,201)**
Consolidated total liabilities					**(101,863)**

	As at 31 December 2017				
	Trading of telecommunications and other products *HK$'000*	Provision of repair services for telecommunications products *HK$'000*	Investments in financial assets *HK$'000*	Money lending business *HK$'000*	Consolidated *HK$'000*
Segment assets	11,628	12,477	3,374	10,234	37,713
Available-for-sale financial assets					5,950
Unallocated corporate assets					389,197
Consolidated total assets					432,860
Segment liabilities	(618)	(8,479)	–	(20)	(9,117)
Unallocated corporate liabilities					(44,650)
Consolidated total liabilities					(53,767)

For the purpose of monitoring segment performance and allocating resources between segments:

i) All assets are allocated to reportable segments other than available-for-sale financial assets, financial assets at fair value through profit or loss under non-current assets, tax recoverable and unallocated corporate assets; and

ii) All liabilities are allocated to reportable segments other than deferred tax liabilities and unallocated corporate liabilities.

(c) Other segment information

	For the year ended 31 December 2018					
	Trading of telecommunications and other products ***HK$'000***	**Provision of repair services for telecommunications products** ***HK$'000***	**Investments in financial assets** ***HK$'000***	**Money lending business** ***HK$'000***	**Unallocated** ***HK$'000***	**Consolidated** ***HK$'000***
Capital expenditure*	**–**	**154**	**63**	**–**	**686**	**903**
Depreciation	**52**	**435**	**–**	**–**	**10,323**	**10,810**
Loss on written off or property, plant and equipment	**–**	**6**	**–**	**–**	**–**	**6**

	For the fifteen months ended 31 December 2017					
	Trading of telecommunications and other products	Provision of repair services for telecommunications products	Investments in financial assets	Money lending business	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure*	11	317	–	–	327,437	327,765
Depreciation	67	734	–	–	7,424	8,225
Loss on written off or property, plant and equipment	–	10	–	–	111	121

* Capital expenditure consists of additions to property, plant and equipment and assets from the acquisition of subsidiary.

(d) Geographical segments

During the year ended 31 December 2018, all (fifteen months ended 31 December 2017: 91%) of the Group's revenue and more than 99% (fifteen months ended 31 December 2017: more than 99%) of the Group's total assets were derived from and located in Hong Kong. Therefore, no geographical segment for the year/period is presented.

(e) Information about major customer

Revenue from customers over 10% of the Group's total revenue is as follows:

	Year ended 31 December 2018	Fifteen months ended 31 December 2017
	HK$'000	*HK$'000*
Customer A	**37,070**	60,865

4. REVENUE

	Year ended 31 December 2018 HK$'000	Fifteen months ended 31 December 2017 HK$'000
Revenue from contracts with customers:		
Recognised at a point in time		
Sales of telecommunications and other products	**43,409**	18,392
Provision of repair services for telecommunications products	**64,678**	97,431
	108,087	115,823
Revenue from other sources:		
Interest income from loan financing	**1,240**	167
Realised gain from financial assets at fair value through profit or loss, net – listed securities held for trading	**385**	36
	1,625	203
	109,712	116,026

All revenue from contracts with customers are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. OTHER REVENUE

	Year ended 31 December 2018 HK$'000	Fifteen months ended 31 December 2017 HK$'000
Dividend income	**87**	5
Bank interest income	**112**	136
Rental income	**1,099**	–
Sundry income	**2,430**	1,240
	3,728	1,381

6. OTHER LOSSES

	Year ended 31 December 2018 *HK$'000*	Fifteen months ended 31 December 2017 *HK$'000*
Change in the fair value of financial assets at fair value through profit or loss		
– Unrealised loss on fair value change on listed securities held for trading	**1,252**	–
– Fair value change of unlisted club debentures	**1,150**	–
	2,402	–

7. FINANCE COSTS

	Year ended 31 December 2018 *HK$'000*	Fifteen months ended 31 December 2017 *HK$'000*
Interest expenses on bank borrowings wholly repayable within five years	**251**	178

8. LOSS BEFORE TAXATION

	Year ended 31 December 2018 *HK$'000*	Fifteen months ended 31 December 2017 *HK$'000*
Auditors' remuneration:		
Auditors of the Company	**1,427**	2,076
Other auditor	**410**	458
Cost of trading inventories sold	**37,777**	14,051
Employee benefit expenses	**35,568**	44,248
Retirement benefit costs	**1,388**	1,763
Depreciation	**10,810**	8,225
Bad debts written off*	**101**	362
Loss on written off of property, plant and equipment*	**6**	121
Allowance for inventories	**17**	48
Reversal of allowance for inventories	**(70)**	(20)
Written off of inventories	**–**	47
Operating lease rental in respect of rental premises	**5,769**	6,709

* Items included in other operating expenses.

9. TAXATION

	Year ended 31 December 2018 *HK$'000*	Fifteen months ended 31 December 2017 *HK$'000*
Current tax:		
Hong Kong Profits Tax:		
– Current year	**–**	–
– Over provision in prior years	**(56)**	–
Deferred tax	**52**	39
	(4)	39

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018 (fifteen months ended 31 December 2017: HK$ Nil).

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK$43,690,000 (fifteen months ended 31 December 2017: HK$45,892,000) and the weighted average number of 7,748,960,899 ordinary shares for the year ended 31 December 2018 (fifteen months ended 31 December 2017: 6,713,483,343).

The diluted loss per share for the year ended 31 December 2018 and for the fifteen months ended 31 December 2017 were the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year/period.

12. LOAN AND INTEREST RECEIVABLES

The maturity profile of the loan and interest receivables at the end of the reporting periods, analysed by the maturity date, is as follows:

	At 31 December 2018	At 31 December 2017
	HK$'000	*HK$'000*
Loan receivables:		
Within one year	**13,000**	–
Two to five years	**–**	10,000
	13,000	10,000
Interest receivables:		
Within one year	**43**	–
Two to five years	**–**	167
	43	167
Carrying amount analysed for reporting purpose:		
Current assets	**13,043**	–
Non-current assets	**–**	10,167
	13,043	10,167

Note:

No impairment loss was recognised during the year ended 31 December 2018 (fifteen months ended 31 December 2017: HK$ Nil).

The Group's loan receivable which arises from the money lending business of providing corporate loan in Hong Kong is denominated in Hong Kong dollars.

The loan receivable is secured by collaterals provided by a customer, bears interest and repayable with fixed terms agreed with that customer.

Before approving any loans to new borrowers, the Group assesses the potential borrower's credit quality and defines credit limits individually. The Group has policy for allowance of doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each customer.

13. TRADE RECEIVABLES

At the end of the reporting periods, the aging analysis of the trade receivables, based on the invoice date, is as follows:

	At 31 December 2018 *HK$'000*	At 31 December 2017 *HK$'000*
Current	**4,270**	3,736
One to three months overdue	**5,822**	272
More than three months, but less than twelve months overdue	**499**	92
Over twelve months overdue	**139,303**	139,319
	149,894	143,419
Less: Impairment loss recognised	**(139,290)**	(139,305)
	10,604	4,114

Note: The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers.

14. TRADE PAYABLES

At the end of the reporting periods, the aging analysis of the trade payables, based on the invoice date, is as follows:

	At 31 December 2018 *HK$'000*	At 31 December 2017 *HK$'000*
Current and within one month	**3,843**	861
One to three months overdue	**3,491**	337
Over three months overdue	**3,206**	11
	10,540	1,209

15. EVENT AFTER REPORTING PERIOD

On 13 February 2018, Exquisite Honor Holdings Limited, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement for the acquisition of Yicko Securities Limited for a consideration of HK$420,000,000, to be satisfied as to HK$120,000,000 in cash and as to HK$300,000,000 by the Company issuing convertible bonds with an initial conversion price of HK$0.26 per conversion share. The completion of the acquisition took place on 28 February 2019.

Up to the date on the approval of these consolidated financial statements, the Directors are still assessing the fair values of Yicko Securities Limited's assets and liabilities to be recognised at the date of the Acquisition. The fair value assessment of goodwill and intangible assets, if any, of Yicko Securities Limited had not been finalized and thus, the recognition of Yicko Securities Limited's assets and liabilities may subject to change upon finalisation of the valuation. The Directors expect the valuation will be finalised in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Company is 53.78% owned by CITIC Guoan Group* ("**CITIC Guoan Group**"), a conglomerate in the People's Republic of China (the "**PRC**"), headquartered in Beijing. CITIC Guoan Group* has an extensive scope of business worldwide, in particular in the PRC, spanning finance, telecommunications, culture tourism and hospitality, mineral resources development, chemical plants operation, agriculture, real estate, entertainment and media, and healthcare services.

The Group announced on 2 June 2017 a change in the financial year end date of the Company from 30 September to 31 December in order to coincide with that of CITIC Guoan Group. As a result, the comparative financial figures as stated in this annual announcement cover a period of fifteen months from 1 October 2016 to 31 December 2017.

During the year, the Group was principally engaged in the trading of an array of telecommunications, electronic parts and other products, provision of repair services for telecommunications products, investments in financial assets, and money lending business.

The Group also moved forward with plans to expand into the financial services business through the acquisition of Yicko Securities Limited ("**Yicko**"), a well-established securities brokerage in Hong Kong. Completion of the acquisition took place on 28 February 2019. As at the date of this report, Yicko is an indirect wholly-owned subsidiary of the Company.

The Group has initiated to drive sustainability in its corporate headquarters and step by step into its overall business operations. In 2017, the Group established a set of Environmental, Social and Governance ("**ESG**") policies, which were subsequently adopted by the board of directors (the "**Board**"). These policies cover the areas of environmental protection, employment, workplace quality, health and safety, responsible product and supply chain, and governance. A taskforce was also set up, overseen by the Board, to implement the policies and drive improvement in sustainability performance. In 2018, the Group took further steps to improve the ESG reporting system.

As the Group is not engaged in manufacturing or business activities with heavy consumption of resources or pollution, its environmental impact is considered relatively immaterial. During the course of its business operation, the Group takes measures to ensure compliance with applicable laws and regulations in waste treatment, labour, occupational health and safety, data privacy and prevention of corruption.

* *For identification purpose only*

The Group is committed to maintaining positive relationships with its key stakeholders, which include employees, customers and suppliers. During the year, there were no significant disputes nor any legal case brought against the Group with regard to employee relationships, customer rights, or dealings with suppliers.

Further details of the Group's sustainability policies and performance are set out in the ESG Report contained in the 2018 annual report.

Performance

The Group reported a 5.2% period on period decrease in revenue to approximately HK$110.0 million during the year ended 31 December 2018 (fifteen months ended 31 December 2017: HK$116.0 million). A gross profit of approximately HK$23.1 million (fifteen months ended 31 December 2017: HK$30.2 million) was generated.

A net loss of approximately HK$43.8 million (fifteen months ended 31 December 2017: loss of HK$45.9 million) was incurred, mainly attributable to the increase in amortisation on office premises, operating costs and administrative expenses.

By segment, revenue generated from the provision of repair services declined 33.6% period over period to approximately HK$64.7 million (fifteen months ended 31 December 2017: HK$97.4 million), as a result of shrinking demand for smartphone upgrading and maintenance services during the year. The segment incurred a loss as its gross profit margin was negatively impacted by rising operating and staff costs.

The trading segment, covering telecommunications products, electronic parts and other items, delivered a revenue of approximately HK$43.4 million during the year (fifteen months ended 31 December 2017: HK$18.4 million). However, the trading business braced for eroding margins amid overall lacklustre hardware sales and fierce competition. A segment loss was thus incurred.

Business Review

Trading Business

The scope of the Group's trading segment covered telecommunications products, electronic parts and a range of other items during the year.

According to the latest available statistics, electronics exports from Hong Kong, especially those related to telecommunications equipment, semiconductors and computer items, accounted for the majority of the city's total exports. Mainland China continues to be both the key source and the major destination of Hong Kong's trading in electronic products. With the trade issues between China and the United States (the "**US**") remain to be resolved completely, management will stay alert to potential disruptions in the supply chain for the telecommunications and electronics sectors.

In the midst of tougher market conditions, the telecommunications and electronics trading business has been faced with many challenges. Increased competitive pressure, faster technology obsolescence, and declining volumes for certain smartphone brands and electronic gadgets, have forced vendors and network operators to trim costs. This in turn impacted the profit margin of the business.

There will continue to be pressure on profit margins in the trade environment of telecommunications and electronic products. Management constantly reviews the product mix and will prudently seek opportunities to expand or shift the portfolio in line with market trends.

Financial Services Business

The Board believes that a diversification of business will be to the long-term benefit of shareholders, and the financial services business in Hong Kong presents one promising area for such initiatives.

The Board announced that, on 13 February 2018, Exquisite Honor Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for the acquisition of Yicko for a consideration of HK$420,000,000, to be satisfied as to HK$120,000,000 in cash and as to HK$300,000,000 by the Company issuing convertible bonds with an initial conversion price of HK$0.26 per conversion share.

The transaction was approved by shareholders at an extraordinary general meeting held on 14 June 2018. The Securities and Futures Commission's (the "**SFC**") approval of the change in substantial shareholders of Yicko was received on 1 February 2019, and completion of the acquisition took place on 28 February 2019. Upon completion, Yicko has become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

Yicko is a well-established brokerage company founded in 1992 in Hong Kong. It is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). In order to ensure continuity in the management, business and operations of Yicko, the senior management team of its key business units will stay with Yicko upon completion of the acquisition.

The acquisition will enable the Group to make a meaningful step in its strategic direction towards business diversification, and will allow the Group to leverage on the past experiences of CITIC Guoan Group and Yicko to create synergies on brokerage and other financial services business in Hong Kong.

The Group also holds a money lender's licence for conducting financial services related business. This money lending business was developed with an aim to better utilise the Group's financial resources to generate a stable stream of interest income. Management will stay alert to related market uncertainties, while proceeding with prudence.

Maintenance Services for Telecommunications Products

The segment of provision of maintenance services for telecommunications products continued to operate in a challenging business environment underlined by price competition among mobile network operators amid rising costs. The prevailing price war in the local crowded market will pose continuing threats to this servicing segment.

The management will continue to monitor the operating conditions of the segment and will formulate measures to cope with the associated challenges.

Liquidity, Financial and Working Capital Resources

The Group's total non-current assets amounted to approximately HK$349.3 million as at 31 December 2018 (31 December 2017: HK$338.9 million).

As at 31 December 2018, inventory for the telecommunications and electronics business line remained at a relatively low level of approximately HK$0.9 million (31 December 2017: HK$1.1 million). The newly established fine wine trading business maintained an inventory of HK$33.7 million (31 December 2017: N/A) as the Group strategizes to hold a reasonable stock of fine wines that have potential to increase in value.

As at 31 December 2018, the Group had net trade receivables of approximately HK$10.6 million (31 December 2017: HK$4.1 million). The Group's bank borrowings stood at HK$34.5 million (31 December 2017: HK$4.5 million), while its gearing ratio, expressed as a percentage of total borrowings over total assets, was 8.3% (31 December 2017: 1.9%). The office property and a fixed deposit of approximately HK$5.2 million (31 December 2017: HK$5.1 million) was pledged to secure banking facilities. The current ratio was approximately 1.10 (31 December 2017: 1.77) while the liquid ratio stood at approximately 0.75 (31 December 2017: 1.74).

The Group's cash and cash equivalents as at 31 December 2018 amounted to HK$34.2 million (31 December 2017: HK$73.5 million).

The objective of the Group's cash management policy is to optimise liquidity to gain a better return for shareholders in a risk-averse manner. At 31 December 2018, the value of the Group's investment in listed securities which is classified as financial assets at fair value through profit or loss amounted to approximately HK$1.8 million (31 December 2017: HK$0.2 million).

Amid the prevailing financial volatility, the Group is committed to maintaining a conservative cash management policy and to increasing operating efficiency.

Prospects and Strategic Outlook

Global economic and geopolitical uncertainty has dampened the outlook of the Hong Kong business sector on trade and overall confidence. According to a bank survey, less than two thirds of local businesses feel optimistic about the trading environment and their own success. Those with a negative outlook consider rising protectionism and tariffs as the main reasons for pessimism.

On the other hand, while the economic growth of Mainland China has slowed, the country is in transition from an investment and industry led growth model to a more stable economy based on domestic consumption. The same survey also reveals that Hong Kong businesses see opportunities from China's growing domestic consumption, which is backed by an expanding middle class.

In the Hong Kong SAR Government's latest economic report, the local economy expanded by 2.9% in the third quarter of 2018, which has moderated from the 4.1% growth in the first half of the year. Similarly, global economic growth remained visible in the third quarter, but has lost some momentum as compared to the first six months. The US-Mainland trade conflicts have clearly weighed on global economic sentiment and activities.

The government observed some impact of the US-Mainland trade tensions on Hong Kong's overall export performance. Management will stay alert to the many uncertainties that lie ahead.

Risk management is always an essential concern and work target for the Group. Against a backdrop of heightened uncertainty, management will exercise caution in taking forward its business plans. The Group will nevertheless continue to explore viable investment or business development opportunities to build a more balanced revenue base to support healthy ongoing development.

The management is of the view that the telecommunications products trading and servicing business lines will be subject to continued difficulties that may push margins down. The Group will closely monitor the ongoing conditions of these businesses and will formulate responsive measures. In light of the tough market environment for these segments, the Group will also seek further business diversification.

In line with the diversification strategy, the Group has acquired Yicko as a step to participate in the financial services sector. Given the solid background of CITIC Guoan Group, the Group believes that Yicko can leverage its finance experience and extensive network and resources in the PRC to create an integration of skills, knowledge and expertise.

As the Group pursues diversification, it will prudently evaluate the potential risks associated with new business developments or investments. Its goal remains to strengthen long-term prospects and returns to shareholders. The Group will place a focus on growth opportunities that may create synergy with the businesses of its parent company, and which may leverage its dual listing platform in Hong Kong and Singapore.

To support long-term development, the Group also will continue to review and strengthen its financial position and asset base. The Board believes that the Group's business portfolio realignment efforts have placed it in a more stable and advantageous position for long-term development.

Currencies

The Group conducts its core business transactions mainly in Hong Kong dollars, New Taiwan dollars and United States dollars. The majority of the Group's cash and bank balances are also denominated in these three currencies. During the year, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. As a result, the Group did not enter into any material foreign exchange contracts, currency swaps or other financial derivatives.

Contingent Liability

The Group did not have any significant contingent liability at 31 December 2018.

Material Acquisition or Disposal of Subsidiaries

Except the acquisition of Yicko, there was no material acquisition or disposal of subsidiaries during the year ended 31 December 2018.

Employee Information

At 31 December 2018, the Group employed a work force of 117 (2017: 125). Staff costs, including salaries, bonuses and allowances, were approximately HK$37.0 million (2017: HK$46.0 million).

The Group maintains a competitive remuneration policy to motivate, retain and attract talent. The remuneration packages mainly comprise salary payments, group medical insurance plans and discretionary bonuses awarded on a performance basis. The Group provides pension schemes for employees as part of the staff benefits.

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2018 (2017: HK$ Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

COMPLIANCE WITH CORPORANCE GOVERANCE CODE

Throughout the year ended 31 December 2018, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made to all Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the audited consolidated annual results of the Group for the year ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.guoanintl.com), the Stock Exchange (www.hkexnews.hk) and SGX-ST (www.sgx.com). The 2018 annual report containing all the information required by the Listing Rules will be published on the above websites and dispatched to the shareholders of the Company in due course.

On behalf of the Board
Guoan International Limited
DU Jun
Chairman

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprises 9 Directors, of which 2 are Executive Directors, namely Mr. HUANG Zhen Qian and Mr. SO Haw Herman, 4 are Non-executive Directors, namely Mr. DU Jun, Mr. LI Xiang Yu, Mr. CUI Ming Hong and Ms. BAI Wei and 3 are Independent Non-executive Directors, namely Mr. WONG Chun Man, Mr. TSE Yung Hoi and Mr. NG Man Kung.