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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)

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Guoan International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 24 March 2020 in relation to, among other matters, publication of unaudited annual results and possible delay in dispatch of the annual report for the year ended 31 December 2019 (“**2019 Annual Report**”). The unaudited consolidated annual results of the Company for the year ended 31 December 2019, together with the comparative figures, are set out in this announcement.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December 2019 (Unaudited) HK\$'000	Year ended 31 December 2018 (Audited) HK\$'000
For the year ended 31 December 2019	<i>Notes</i>		
Revenue	5	207,794	109,712
Cost of sales		<u>(161,032)</u>	<u>(86,630)</u>
Gross profit		46,762	23,082
Other revenue	6	4,973	3,728
Other losses, net	7	(336)	(2,402)
Selling and distribution expenses		(983)	(1,063)
Administrative expenses		(68,153)	(66,814)
Other operating expenses		(388)	(121)
Finance costs	8	<u>(25,649)</u>	<u>(251)</u>
Loss before taxation	9	(43,774)	(43,841)
Taxation	10	<u>(2,814)</u>	<u>4</u>

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

	Year ended 31 December 2019 (Unaudited) HK\$'000	Year ended 31 December 2018 (Audited) HK\$'000
For the year ended 31 December 2019	<i>Notes</i>	
Loss for the year	(46,588)	(43,837)
Other comprehensive loss		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(34)</u>	<u>(21)</u>
Other comprehensive loss for the year, net of tax	<u>(34)</u>	<u>(21)</u>
Total comprehensive loss for the year	<u>(46,622)</u>	<u>(43,858)</u>
Loss for the year attributable to:		
Owners of the Company	(45,417)	(43,690)
Non-controlling interests	<u>(1,171)</u>	<u>(147)</u>
	<u>(46,588)</u>	<u>(43,837)</u>
Total comprehensive loss for the year attributable to:		
Owners of the Company	(45,451)	(43,711)
Non-controlling interests	<u>(1,171)</u>	<u>(147)</u>
	<u>(46,622)</u>	<u>(43,858)</u>
Loss per share attributable to owners of the Company		
Basic and diluted (HK cents)	<i>12</i>	
	<u>(0.59)</u>	<u>(0.56)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019	<i>Notes</i>	2019 (Unaudited) <i>HK\$'000</i>	2018 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		302,563	312,863
Right-of-use assets		4,976	–
Goodwill	13	299,121	–
Financial assets at fair value through profit or loss		13,560	14,550
Other assets		3,711	–
Deferred tax assets		269	–
Deposits for acquisition of subsidiaries		–	21,873
		<u>624,200</u>	<u>349,286</u>
Current assets			
Inventories		13,239	34,566
Trade receivables	14	198,292	10,604
Prepayments, deposits and other receivables		12,946	11,651
Loan and interest receivables		–	13,043
Financial assets at fair value through profit or loss		1,173	1,840
Contract assets		1,155	–
Pledged time deposits		10,151	5,159
Cash and bank balances			
– Segregated accounts		121,789	–
– House accounts		47,833	34,199
		<u>406,578</u>	<u>111,062</u>
Current liabilities			
Trade payables	15	185,623	10,540
Accrued charges and other payables		68,895	52,663
Bank and other borrowings		160,000	34,500
Loan from the ultimate holding company		3,556	3,556
Convertible bonds		99,713	–
Contract liabilities		265	–
Deferred tax liabilities		47	–
Lease liabilities		3,570	–
Tax payable		2,448	–
		<u>524,117</u>	<u>101,259</u>
Net current (liabilities)/assets		<u>(117,539)</u>	<u>9,803</u>
Total assets less current liabilities		<u>506,661</u>	<u>359,089</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019	<i>Notes</i>	2019 (Unaudited) HK\$'000	2018 (Audited) HK\$'000
<hr/>			
Non-current liabilities			
Convertible bonds		186,390	–
Deferred tax liabilities		2,869	604
Lease liabilities		1,548	–
		190,807	604
		190,807	604
 Net assets		 315,854	 358,485
 Equity			
Share capital		77,489	77,489
Reserves		239,683	267,643
		317,172	345,132
Total equity attributable to owners of the Company		317,172	345,132
Non-controlling interests		(1,318)	13,353
		315,854	358,485

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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, Uglan 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, provision of brokerage services operation and money lending business.

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 unaudited 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

The accounting policies adopted in the unaudited consolidated financial statements for the year ended 31 December 2019 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018 except as described below.

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year:–

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 9 (Amendments)	Clarification to HKFRS 9 Financial Instrument
HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Investments in associates and joint ventures
HK (IFRIC) – Int 23	Uncertainty over income tax treatments Transactions

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

Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 supersedes HKAS 17 “Leases” (“**HKAS 17**”), and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group has applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the date of initial application of HKFRS 16. Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:–

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the unaudited consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:–

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:–

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not to apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which had already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group has applied the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:–

- i. having relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. having elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. having excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognizing the lease liabilities for lease previously classified as operating lease, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is approximately 3.7%.

	As at 1 January 2019 HK\$’000
Operating lease commitments disclosed as at 31 December 2018	5,455
Lease liabilities discounted at relevant incremental borrowing rates	4,943
Less: Recognition exemption – short-term leases	(1,217)
Lease liabilities as at 1 January 2019	<u>3,726</u>
Analysed as	
Current	1,883
Non-current	1,843
	<u>3,726</u>

The recognised right-of-use assets relate to the following types of assets:–

	As at 31 December 2019 HK\$'000	As at 1 January 2019 HK\$'000
Rental premises	<u>4,976</u>	<u>3,726</u>

The Group recognised lease liabilities of approximately HK\$3,726,000 and right-of-use assets of approximately HK\$3,726,000 at 1 January 2019.

The following adjustments were made to the amounts recognised in the unaudited consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$'000 (audited)	Impact on adoption of HKFRS 16 HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	3,726	3,726
Current liabilities			
Lease liabilities	–	1,883	1,883
Non-current liabilities			
Lease liabilities	–	1,843	1,843

New and amendments to HKFRS in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:–

HKFRS 17	Insurance Contracts ¹
HKFRS 3 (Amendments)	Definition of a Business ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an investor and its Associate or Joint Ventures ³
HKAS 1 and HKAS 8 (Amendments)	Definition of Material ⁴
HKFRS 9, HKAS39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

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 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned in the unaudited consolidated financial statement, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The unaudited consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These unaudited consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

(b) Basis of preparation

The measurement basis used in the preparation of the unaudited consolidated financial statements is the historical cost convention except for certain financial assets at fair value through profit or loss.

Going concern

The Group incurred a net loss of approximately HK\$46,588,000 (unaudited) for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$117,539,000 (unaudited). Furthermore, amongst the total carrying amount of the bank and other borrowings and the convertible bonds of approximately HK\$446,103,000 (unaudited) as at 31 December 2019, bank and other borrowings and the convertible bonds of approximately HK\$259,713,000 (unaudited) are due for repayment within one year from 31 December 2019.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to ensure the Group's ability to operate as a going concern, the directors of the Company have implemented measures to deal with the conditions referred to above, as follows:

- (i) In relation to the convertible bonds with principal amount of HK\$100,000,000 (unaudited) due on 28 February 2020, subsequent to the reporting period, on 28 February 2020, the Company has entered into a deed of extension to extend the maturity date for repayment of the principal amount of the convertible bonds from 28 February 2020 to 28 November 2020.

The Company has been actively negotiating with the holders of the remaining convertible bonds with an aggregate principal amount of HK\$200,000,000 (unaudited), regarding the settlement arrangement of those convertible bonds.

- (ii) The Company has placed its buildings with carrying amount of approximately HK\$299,763,000 (unaudited) as at 31 December 2019 for sale.
- (iii) The directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.
- (iv) The immediate holding company, Road Shine Developments Limited, has agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2019.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting date taking into account the impact of the above measures, and believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the unaudited consolidated financial statements for the year ended 31 December 2019 have been prepared on a going concern basis.

Should the Group be unable to continue its business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these unaudited consolidated financial statements.

4. SEGMENT INFORMATION

The Group's operating segments based on information reported to the chief operating decision maker (the "CODM") for the purpose of resources 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
- (v) Provision of securities brokerage services

Information regarding the Group's reportable segments for the year ended 31 December 2019 and 2018 is presented as follows:–

(a) Segment revenue and results

	For the year ended 31 December 2019					
	Trading of telecommunications and other products (Unaudited) HK\$'000	Provision of repair services for telecommunications products (Unaudited) HK\$'000	Investments in financial assets (Unaudited) HK\$'000	Money lending business (Unaudited) HK\$'000	Provision of securities brokerage services operation (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Total revenue	<u>130,116</u>	<u>42,548</u>	<u>495</u>	<u>657</u>	<u>33,978</u>	<u>207,794</u>
Segment results/(loss)	<u>(6,836)</u>	<u>(4,402)</u>	<u>516</u>	<u>625</u>	<u>25,174</u>	<u>15,077</u>
Other losses						(1,376)
Interest income						35
Finance costs						(24,238)
Unallocated income						1,878
Unallocated expenses						(35,150)
Loss before taxation						(43,774)
Taxation						(2,814)
Loss for the year						<u>(46,588)</u>

	For the year ended 31 December 2018					
	Trading of telecommunications and other products (Audited) HK\$'000	Provision of repair services for telecommunications products (Audited) HK\$'000	Investments in financial assets (Audited) HK\$'000	Money lending business (Audited) HK\$'000	Consolidated (Audited) HK\$'000	
Total revenue	<u>43,409</u>	<u>64,678</u>	<u>385</u>	<u>1,240</u>	<u>109,712</u>	
Segment results/(loss)	<u>(4,500)</u>	<u>(11,134)</u>	<u>(864)</u>	<u>1,209</u>	<u>(15,289)</u>	
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					<u>(43,837)</u>	

Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the year ended 31 December 2019 and 2018.

Segment result represents the result generated from each segment without allocation of central administrative costs including directors' salaries, staff costs, legal and professional fees, certain other losses/gain, certain other revenue, certain finance cost 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 2019					
	Trading of telecommunications and other products (Unaudited) HK\$'000	Provision of repair services for telecommunications products (Unaudited) HK\$'000	Investments in financial assets (Unaudited) HK\$'000	Money lending business (Unaudited) HK\$'000	Provision of securities brokerage services operation (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment assets	<u>64,759</u>	<u>6,290</u>	<u>6,646</u>	<u>249</u>	<u>612,488</u>	690,432
Financial assets at fair value through profit or loss						13,560
Unallocated corporate assets						<u>326,786</u>
Consolidated total assets						<u>1,030,778</u>
Segment liabilities	<u>(39,719)</u>	<u>(5,526)</u>	<u>(2,453)</u>	<u>(72)</u>	<u>(172,048)</u>	(219,818)
Convertible bonds						(286,103)
Unallocated corporate liabilities						<u>(209,003)</u>
Consolidated total liabilities						<u>(714,924)</u>

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

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

- i) All assets are allocated to reportable segments other than financial assets at fair value through profit or loss, tax recoverable and certain property, plant and equipment; and
- ii) All liabilities are allocated to reportable segments other than convertible bonds, deferred tax liabilities, bank and other borrowings, loan from the ultimate holding company and certain accrued charges and other payables.

(c) Other segment information

	For the year ended 31 December 2019						
	Trading of telecommunications and other products (Unaudited) HK\$'000	Provision of repair services for telecommunications products (Unaudited) HK\$'000	Investments in financial assets (Unaudited) HK\$'000	Money lending business (Unaudited) HK\$'000	Provision of securities brokerage services operation (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Capital expenditure*	8	26	84	–	27	13	158
Depreciation of properties, plant and equipment	50	244	108	–	51	9,841	10,294
Depreciation of right-of-use assets	–	601	1,558	–	1,166	676	4,001
Loss on written off or property, plant and equipment	–	–	–	–	–	305	305

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

* Capital expenditure consists of additions to property, plant and equipment.

(d) Geographical segments

During the year ended 31 December 2019, 89% (2018: all) of the Group's revenue and all (2018: more than 99%) of the Group's total assets were derived from and located in Hong Kong. The geographical segments of the Group's revenue for the year ended 31 December 2019 and the 2018 is presented as follows:–

	Year ended 31 December 2019 (Unaudited) HK\$'000	Year ended 31 December 2018 (Audited) HK\$'000
Hong Kong	184,228	109,712
Southeast Asia	23,566	–
	<u>207,794</u>	<u>109,712</u>

(e) Information about major customers

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

	Year ended 31 December 2019 (Unaudited) HK\$'000	Year ended 31 December 2018 (Audited) HK\$'000
Customer A	26,612	37,070
Customer B	23,566	–*
Customer C	23,055	–*
	<u>23,055</u>	<u>–</u>

* No information on revenue is disclosed for this customer since it contributed less than 10% to the Group's revenue for the year ended 31 December 2018.

5. REVENUE

	Year ended 31 December 2019 (Unaudited) HK\$'000	Year ended 31 December 2018 (Audited) HK\$'000
<u>Revenue from contracts with customers:</u>		
<i>Recognised at a point in time</i>		
Sales of telecommunications and other products	130,116	43,409
Provision of repair services for telecommunications products	42,548	64,678
Provision of securities brokerage services		
– Commission and brokerage income	6,353	–
– Commission income from placing and underwriting	8,832	–
– Handling and settlement fee income	2,249	–
	<u>190,098</u>	<u>108,087</u>
<i>Recognised over time</i>		
Asset management services income	4,811	–
Advisory fee income	944	–
	<u>5,755</u>	<u>–</u>
	<u>195,853</u>	<u>108,087</u>
<u>Revenue from other sources:</u>		
Interest income from loan financing	657	1,240
Interest income from brokerage financing	10,768	–
Net realised gain on financial assets at fair value through profit or loss, net		
– Listed securities held for trading	516	385
	<u>11,941</u>	<u>1,625</u>
	<u>207,794</u>	<u>109,712</u>

All revenue from contracts with customers are for a 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.

6. OTHER REVENUE

	Year ended 31 December 2019 (Unaudited) <i>HK\$'000</i>	Year ended 31 December 2018 (Audited) <i>HK\$'000</i>
Dividend income	44	87
Bank interest income	455	112
Rental income	1,835	1,099
Sundry income	2,639	2,430
	<u>4,973</u>	<u>3,728</u>

7. OTHER LOSSES, NET

	Year ended 31 December 2019 (Unaudited) <i>HK\$'000</i>	Year ended 31 December 2018 (Audited) <i>HK\$'000</i>
Change in the fair value of financial assets at fair value through profit or loss		
– Net unrealised (gain)/loss on fair value change on listed securities held for trading	(19)	1,252
– Fair value change of unlisted club debentures	990	1,150
Reversal of allowance for expected credit loss on trade receivables	(1,021)	–
Loss on lease modification	386	–
	<u>336</u>	<u>2,402</u>

8. FINANCE COSTS

	Year ended 31 December 2019 (Unaudited) <i>HK\$'000</i>	Year ended 31 December 2018 (Audited) <i>HK\$'000</i>
Interest expenses on bank and others borrowings wholly repayable within five years	7,175	251
Interest expenses on convertible bonds	17,426	–
Interest expenses on lease liabilities	200	–
Other interest expenses	848	–
	<u>25,649</u>	<u>251</u>

9. LOSS BEFORE TAXATION

	Year ended 31 December 2019 (Unaudited) HK\$'000	Year ended 31 December 2018 (Audited) HK\$'000
Auditors' remuneration:		
Auditor of the Company	1,554	1,427
Other auditors	368	410
Cost of trading inventories sold	129,221	37,777
Employee benefit expenses	31,549	35,568
Retirement benefit costs	1,118	1,388
Depreciation of property, plant and equipment	10,294	10,810
Depreciation of right-of-use assets	4,001	–
Expenses relating to short-term lease	1,174	–
Bad debts written off*	27	101
Loss on written off of property, plant and equipment*	305	6
Reversal of allowance for expected credit loss on trade receivables	(1,021)	–
Allowance for inventories	9	17
Reversal of allowance for inventories	(5)	(70)
Operating lease rental in respect of rental premises	–	5,769
	<u> </u>	<u> </u>

* Items included in other operating expenses.

10. TAXATION

	Year ended 31 December 2019 (Unaudited) HK\$'000	Year ended 31 December 2018 (Audited) HK\$'000
Current tax:		
Hong Kong Profits Tax:		
– Current year	4,072	–
– Over provision in prior years	–	(56)
Deferred tax	(1,258)	52
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: HK\$ Nil).

12. 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\$45,417,000 (unaudited) (2018: HK\$43,690,000 (audited)) and the weighted average number of 7,748,960,899 ordinary shares for the year ended 31 December 2019 (2018: 7,748,960,899).

The diluted loss per share for the year ended 31 December 2019 and 2018 were the same as basic loss per share as the outstanding convertible bonds had an anti-dilutive effect on the basic loss per share (2018: there were no potential dilutive ordinary shares outstanding during the year.)

13. GOODWILL

	(Unaudited) HK\$'000
Cost:	
At 1 January 2019	–
Acquisition of subsidiaries (<i>note 16</i>)	<u>299,121</u>
At 31 December 2019	<u>299,121</u>
Accumulated impairment:	
At 1 January 2019 and 31 December 2019	<u>–</u>
Carrying amount:	
At 31 December 2019	<u><u>299,121</u></u>

Note:

Goodwill arose from the acquisition of Yicko Securities Limited which was completed on 28 February 2019. Goodwill was allocated to the groups of cash-generating units identified according to the operations, which was substantially allocated to the investment in provision of securities brokerage services operation.

At the end of the reporting period, the Group assessed the recoverable amount of cash generating unit to which the goodwill was allocated by appointing an independent professional valuer, who has staff members with appropriate experience and qualifications. The assessment conformed to the Hong Kong Institute of Surveyors (“HKIS”) Valuation Standards 2017 published by the Hong Kong Institute of Surveyors and the International Valuation Standards 2017 published by International Valuation Standards Council.

14. TRADE RECEIVABLES

	At 31 December 2019 (Unaudited) <i>HK\$'000</i>	At 31 December 2018 (Audited) <i>HK\$'000</i>
Trade receivables arising from other ordinary course of business of dealing in securities transactions:		
– Cash clients	3,152	–
– Margin clients	125,099	
– Futures and options clients	1,166	–
– Clearing houses	37,849	–
	<hr/>	<hr/>
	167,266	–
Less: Allowance for expected credit loss	(286)	–
	<hr/>	<hr/>
	166,980	–
	<hr/>	<hr/>
Trade receivables from the ordinary course of business, except for business of dealing in securities transactions	170,818	149,894
Less: Allowance for expected credit loss	(139,506)	(139,290)
	<hr/>	<hr/>
	31,312	10,604
	<hr/>	<hr/>
Total trade receivables	<u>198,292</u>	<u>10,604</u>

Trade receivables from the ordinary course of business of dealing in securities transactions

The settlement terms of trade receivables from cash clients, futures and options clients and clearing houses arising from the ordinary course of business of dealing in securities are normally due within two trading days after the trade date. The trade receivables from cash clients, margin clients and futures and option clients are recognised on trade date and recoverable on settlement date or according to agreed repayment schedules, and bearing an interest rate at prime rate plus 5%, prime rate plus 4.5% and prime rate plus 1% per annum respectively. Trade receivables from margin clients are secured by the underlying pledged securities. Credits are extended to securities margin clients subject to the marginable value of the listed securities pledged with the Group. The margin ratios are reviewed and determined periodically. At the end of the reporting period, fair value of marketable securities pledged by securities margin clients was HK\$536,599,000 (unaudited).

The Group offsets certain trade receivables and trade payables as the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of business in margin financing.

Trade receivables from the ordinary course of business, except for business of dealing in securities transactions

At the end of the reporting periods, the aging analysis of the trade receivables from the ordinary course of business, except for business of dealing in securities transactions, based on the invoice date, is as follows:–

	At 31 December 2019 (Unaudited) <i>HK\$'000</i>	At 31 December 2018 (Audited) <i>HK\$'000</i>
Current and within one month	15,802	4,270
One to three months	9,686	5,822
More than three months, but less than twelve months	6,014	499
Over twelve months	139,316	139,303
	170,818	149,894
Less: allowance for expected credit loss	(139,506)	(139,290)
	31,312	10,604

Notes:

- (a) The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers.
- (b) Included in the trade receivables balances are debtors with an aggregate carrying amount of approximately HK\$7,449,000 (unaudited) (31 December 2018: HK\$6,334,000 (audited)) which are overdue at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.
- (c) The movement of the allowance for expected credit loss of trade receivables from the ordinary course of business, except for business dealing in securities transactions trade receivables is as follows:-

	At 31 December 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
At the beginning of the year	139,290	139,305
Allowance for expected credit loss	211	–
Exchange difference	5	(15)
	<u>139,506</u>	<u>139,290</u>
At the end of the year	<u>139,506</u>	<u>139,290</u>

15. TRADE PAYABLES

	At 31 December 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Trade payables arising from other ordinary course of business of dealing in securities transactions:		
– Cash clients	37,447	–
– Margin clients	77,318	–
– Futures and options clients	50,548	–
– Others	717	–
	<u>166,030</u>	<u>–</u>
Trade payables from the ordinary course of business, except for business of dealing in securities transactions	<u>19,593</u>	<u>10,540</u>
Total trade payables	<u>185,623</u>	<u>10,540</u>

Trade payables arising from the ordinary course of business of dealing in securities transactions

The settlement terms of trade payables from the business of dealing in securities are two days after trade date, and those of trade payables arising and recognising from the business of dealing in options contracts are the trade date. Interest is payable to any individual cash client with the balance over HK\$100,000 at 0.01% per annum. No aging analysis is disclosed as in the opinion of directors of the Company, the aging analysis does not give additional value in view of the nature of this business.

Trade payables to clients arising from the business of dealing in options are cash deposits received from clients for their trading of these contracts. The required cash deposits are repayable upon the closure of the corresponding options position. The excess of the outstanding amounts over the required cash deposits stipulated are repayable to clients on demand.

Except for the trade payables to clients arising from the business of dealing in securities which bear interest at a fixed rate, all the trade payables are non-interest bearing.

Trade payables from the business of dealing in securities amounting to HK\$121,789,000 (unaudited) are payable to external clients in respect of the segregated bank balances received and held for clients in the course of the conduct of the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Trade payables from the ordinary course of business, except for business of dealing in securities transactions

At the end of the reporting periods, the aging analysis of the trade payables from the ordinary course of business, except for business of dealing in securities transactions, based on the invoice date, is as follows:—

	At 31 December 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Current and within one month	11,797	3,843
One to three months	7,787	3,491
Over three months	9	3,206
	19,593	10,540

16. ACQUISITION OF A SUBSIDIARY

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 100% of the issued share capital of Yicko Securities Limited (“**Yicko**”) at a total consideration HK\$420,000,000, which was satisfied as to HK\$120,000,000 in cash and HK\$300,000,000 by the issue of the convertible bonds by the Company. Yicko provides financial services to the clients which consist of securities brokerage services (including securities and stock option broking), placing and underwriting services (such as acting as underwriter and placing agent for equity securities, which include initial public offerings on the Main Board (the “**Main Board**”) or the Growth Enterprise Market (“**GEM**”) of the Stock Exchange respectively, and placements/rights issue/open offers in Hong Kong), securities margin financing service and asset management service. The acquisition was completed on 28 February 2019. Please refer to the Company’s announcements dated 14 February 2018 and 28 February 2019 and the Company’s circular dated 24 May 2018.

Details of the purchase consideration and the net assets acquired are as follows:–

Purchase consideration

	(Unaudited) HK\$’000
Cash consideration	120,000
Fair value of convertible bonds issued	<u>299,295</u>
Total consideration	<u><u>419,295</u></u>

The assets and liabilities recognised as a result of the acquisition are as follows:–

	Fair value (unaudited) HK\$'000
Property, plant and equipment	133
Other assets	2,309
Deferred tax assets	295
Financial assets at fair value through profit or loss	4
Trade and other receivables	178,050
Tax recoverable	421
Bank balances – Segregated accounts	123,547
Bank balances – House accounts	16,150
Cash on hand	3
Bank overdraft	(7,819)
Trade and other payables	(179,917)
Contract liabilities	(1,002)
Loans from a related party	(12,000)
	<hr/>
Net identifiable assets acquired	120,174
Goodwill arising on acquisition (<i>Note 13</i>)	299,121
	<hr/>
Total fair value of consideration paid:	<u><u>419,295</u></u>

The acquisition contributed revenues of HK\$33,978,000 (unaudited) and net profit of HK\$21,161,000 (unaudited) to the Group for the period from 1 March 2019 to 31 December 2019. If the acquisition had occurred on 1 January 2019, the pro-forma revenue and profit for the year ended 31 December 2019 would have been HK\$42,337,000 (unaudited) and HK\$27,429,000 (unaudited) respectively. The Directors consider that these pro-forma numbers represent an approximate measure of the performance of the combined group on an annualised basis and provide a reference point for comparison in future periods.

Purchase consideration – cash outflow:

	(unaudited) HK\$'000
Cash consideration	120,000
Less: Bank balance – House accounts	(16,150)
Less: Cash on hand	(3)
Add: Bank overdraft	<u>7,819</u>
Net outflow of cash	<u><u>111,666</u></u>

Acquisition-related costs amounting to HK\$3,218,000 (unaudited) have been recognised as an expense in the period, within the “administrative expenses” line item in the unaudited consolidated statement of profit or loss and other comprehensive income.

17. EVENT AFTER REPORTING PERIOD

- (i) On 28 February 2020, the Company and Mr. CHONG Chin and Ms. YAO Sze Ling, the holders of the convertible bonds due 28 February 2020 (the “**1st Tranche Convertible Bonds**”), entered into a deed of extension to extend the maturity date for repayment of the principal amount of the 1st Tranche Convertible Bonds from 28 February 2020 to 28 November 2020. The transaction is in essence a mere extension of time for repayment of a debt, which is the principal amount of these convertible bonds being HK\$100,000,000, and there is no extension of the conversion period for Mr. CHONG Chin and Ms. YAO Sze Ling to exercise their right to convert the 1st Tranche Convertible Bonds into shares of the Company. Save for the aforesaid alteration, all other terms and conditions of the convertible bonds shall remain unchanged and in full force and effect.
- (ii) Since January 2020, the outbreak of Novel Coronavirus (“**COVID-19**”) has impacted the global business environment. Up to the date of these financial statements, COVID-19 has not resulted in material impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of these consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the year ended 31 December 2019 (the “**Year**”), the Group was principally engaged in the financial services business, trading, and the provision of maintenance services. The Company is 53.79% owned by CITIC Guoan Group, a conglomerate headquartered in Beijing, the People’s Republic of China (the “**PRC**”).

In an effort to implement sustainability measures at its corporate headquarters and step by step throughout its overall business operations, the board of directors (the “**Board**”) of the Company has adopted a set of Environmental, Social and Governance (“**ESG**”) policies. These policies cover the areas of environmental protection, employment, workplace quality, health and safety, responsible product and supply chain parameters, and corporate governance. A taskforce, overseen by the Board, is responsible for implementing these policies and driving overall improvement in sustainability performance. In 2019, the Group expanded the scope of ESG reporting to incorporate the newly acquired financial services business.

As the Group is not engaged in manufacturing or business activities involving heavy consumption of resources or the creation of pollution, its environmental impact is considered relatively limited. 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 the prevention of corruption.

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 was 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 will be set out in the ESG Report contained in the 2019 Annual Report.

Performance

During the Year, the Group’s business was adversely affected by both global trade tensions and local social unrest.

During the Year, the Group recorded a 89.4% year-on-year increase in revenue to approximately HK\$207.8 million (2018: approximately HK\$109.7 million). A gross profit of approximately HK\$46.8 million (2018: approximately HK\$23.1 million) was delivered.

The revenue for the Year has incorporated the results of Yicko upon completion of its acquisition on 28 February 2019.

Nevertheless, a net loss of approximately HK\$46.6 million (2018: approximately HK\$43.8 million) was incurred, mainly attributable to an increase in finance costs of approximately HK\$25.4 million during the Year (2018: approximately HK\$0.1 million).

By segment, the financial services business recorded revenue of approximately HK\$34.0 million for the ten months ended 31 December 2019, contributing a segment profit of approximately HK\$25.2 million.

Revenue generated from the maintenance services segment decreased 34.3% year-on-year to approximately HK\$42.5 million (2018: approximately HK\$64.7 million), as a result of disruptions to business operation during the second half of the Year amid social incidents causing road blockages in the district where the maintenance centre is located. Consequently the segment's performance was affected and incurred a loss.

The trading segment, mainly covering electronic products and parts, delivered a revenue of approximately HK\$130.1 million during the Year (2018: approximately HK\$43.4 million). As the trading business encountered eroding margins, a segment loss was incurred.

Business Review

Financial Services Business

The Group, through the indirect wholly owned subsidiary Yicko, was engaged in the securities brokerage business. The segment's results were incorporated into the Group's financial statements for the Year subsequent to completion of the acquisition on 28 February 2019. According to the participants' records of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the total turnover for Yicko amounted to approximately HK\$9 billion in 2019.

Yicko is a well-established brokerage company, licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) activities regulated under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Its business consists of investment advising, stock trading, margin financing, corporate placements and underwriting.

The management remains optimistic about the future prospect of the financial services business. As Hong Kong benefits further from the Mainland's drive to develop the Greater Bay Area and the Belt and Road initiative, its financial sector will be able to strengthen its status as an international financial centre.

Trading Business

The trading business segment covered a range of merchandise including electronic products and parts.

Beyond their direct effects, the trade conflicts have heightened general uncertainty and contributed to the slowdown in the global economy. China's economic engine has been cooling down with GDP growth slowing to 6% in 2019. World merchandise export and import growth has also slowed across most regions.

As the operating environment has become less predictable, the Group has adopted a more prudent business strategy for the trading segment. The strength of the US dollar throughout 2019 also had a negative impact on this business stream. Trading in certain products slowed in accordance with market changes, and consequently the Group is considering its options as regards these product lines.

In light of the ongoing operating difficulties and the new challenges associated with the spread of the novel coronavirus epidemic, the management envisages that the profit margins for the trading segment will stay under pressure. The Group will continue to review the product portfolio and make necessary adjustments in line with market developments.

Maintenance Services

The maintenance services segment continued to face challenges as the economy showed signs of slowing. During the second half of the Year, the maintenance services segment recorded a decline in revenue as local social incidents caused serious disruptions to its operations.

The Group 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\$624.2 million as at 31 December 2019 (31 December 2018: approximately HK\$349.3 million).

As at 31 December 2019, the Group held an inventory of approximately HK\$13.2 million (31 December 2018: approximately HK\$34.6 million).

As at 31 December 2019, the Group held net trade receivables of approximately HK\$198.3 million (31 December 2018: approximately HK\$10.6 million) which included trade receivables of approximately HK\$167.0 million (31 December 2018: N/A) arising from the financial services business. The Group's bank and other borrowings stood at approximately HK\$160.0 million (31 December 2018: approximately HK\$34.5 million), while its gearing ratio, expressed as a percentage of total borrowings over total assets, was 44.1% (31 December 2018: 8.3%). The office property and a fixed deposit of approximately HK\$10.2 million (31 December 2018: approximately HK\$5.2 million) were pledged to secure other borrowings and banking facilities respectively. The current ratio was approximately 0.78 (31 December 2018: approximately 1.10) while the liquid ratio stood at approximately 0.75 (31 December 2018: approximately 0.75).

The Group's cash and cash equivalents as at 31 December 2019, excluding approximately HK\$121.8 million in segregated accounts (31 December 2018: N/A), amounted to approximately HK\$47.8 million (31 December 2018: approximately HK\$34.2 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 2019, the value of the Group's investment in listed securities classified as financial assets at fair value through profit or loss amounted to approximately HK\$1.2 million (31 December 2018: approximately HK\$1.8 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

Hong Kong recorded negative GDP growth in 2019, representing the first annual decline in a decade. Retail sales contracted at a sharper pace as the local social unrest took a toll on consumption-and tourism-related sectors, dealing a severe blow to a city already weakened by synchronised global economic slowdown and ongoing trade tensions.

The latest economic report issued by the Hong Kong SAR Government pointed to a 2.9% year-on-year contraction in the third quarter of 2019, indicating that the economy had entered a technical recession during the quarter.

Heading into 2020, the global economic outlook remains bleak. After recording the largest decline in export in a decade in 2019, Hong Kong's shipment volumes are expected to continue to be weak this year. The local outlook will be affected by softening global demand and lingering trade frictions, with the effects of the epidemic likely to see the economy slow further.

It is also likely that the external environment will become more austere, with mounting downside risks facing the economic outlook. Amid weakening trade and investment, global growth is projected by the World Bank to be 2.5% in 2020, up just slightly from the post-crisis low registered last year. While some recent alleviation in trade tensions may mitigate uncertainty, risks continue to be tilted to the downside.

The Group will stay alert to the economic impact of the spread of the novel coronavirus. While the epidemic may only bring temporary disruption to business activity, the scale of China's slowdown and the pace of recovery will, in part, be determined by the effectiveness of infection control in the country.

As regards the financial services segment, local markets will likely be exposed to greater uncertainty stemming from global economic turbulence and the new epidemic. The performance of the segment will also be affected by potentially weaker investment sentiment.

However, the Group remains confident in the long-term prospects for the financial services segment, and will continue to deploy management resources and attention to the development of this new business stream.

On the other hand, the trading and servicing business lines will continue to be subject to operating challenges and eroding margins. The Group will closely monitor the ongoing conditions of these businesses in order to weigh and formulate responsive measures.

The Group will cautiously navigate the currently highly uncertain environment, applying stringent risk management principles in its business operations and development. At the same time, the Board will stay alert to signs of turning points in the current economic cycle, in order to identify and capture new growth opportunities that may emerge. The Group's long-term goal remains to create value for its shareholders.

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 2019.

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 2019.

Employee Information

At 31 December 2019, the Group employed a work force of 108 (2018: 117). Staff costs, including salaries, bonuses and allowances, were approximately HK\$32.7 million (2018: HK\$37.0 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 2019 (2018: 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 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2019, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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 2019.

REVIEW OF UNAUDITED 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 unaudited consolidated annual results of the Group for the year ended 31 December 2019.

The Audit Committee has also conducted communication with HLB Hodgson Impey Cheng Limited, the Group's auditor, to understand their audit work progress to date. Based on the current progress, it is expected that the audit process will be completed on or before 30 April 2020.

A potential audit opinion with Emphasis of Matter paragraph arising from material uncertainty related to going concern on the Group's consolidated financial statements may be issued subject to the completion of the audit and/or the development of the Group's business and the financial resources available to the Group.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited consolidated annual results for the year ended 31 December 2019 and material differences, if any, as compared with the unaudited consolidated annual results contained herein.

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 timing of announcement of the audited annual results of the Group for the year ended 31 December 2019 and dispatch of the 2019 Annual Report will be postponed to a date to be further announced.

The financial information contained herein in respect of the annual results of the Group for the year ended 31 December 2019 have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when interpreting the unaudited consolidated annual results and when dealing in the securities of the Company.

On behalf of the Board
Guoan International Limited
DU Jun
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises 8 Directors, of which 2 are Executive Directors, namely Mr. HUANG Zhen Qian and Mr. DU Jun, 3 are Non-executive Directors, namely 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.