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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the "Board") of Guoan International Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2020, together with the comparative figures, as follows:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	**For the six months ended 30 June 2020 (Unaudited)** ***HK$'000***	For the six months ended 30 June 2019 (Unaudited) *HK$'000*
Revenue	*5*	**50,003**	88,958
Cost of sales		**(29,258)**	(70,529)
Gross profit		**20,745**	18,429
Other revenue	*6*	**2,818**	2,820
Other (losses)/gain	*7*	**(2,495)**	963
Selling and distribution expenses		**–**	(598)
Administrative expenses		**(30,273)**	(36,524)
Other operating expenses		**(95)**	(240)
Finance costs	*8*	**(17,278)**	(9,599)
Loss before taxation	*9*	**(26,578)**	(24,749)
Taxation	*10*	**(920)**	(585)

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

For the six months ended 30 June 2020

	Notes	**For the six months ended 30 June 2020 (Unaudited)** ***HK$'000***	For the six months ended 30 June 2019 (Unaudited) *HK$'000*
Loss for the period		**(27,498)**	(25,334)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(40)**	75
Other comprehensive income for the period, net of tax		**(40)**	75
Total comprehensive loss for the period		**(27,538)**	(25,259)
Loss for the period attributable to:			
Owners of the Company		**(27,404)**	(24,809)
Non-controlling interests		**(94)**	(525)
		(27,498)	(25,334)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(27,444)**	(24,734)
Non-controlling interests		**(94)**	(525)
		(27,538)	(25,259)
Loss per share attributable to owners of the Company			
Basic and diluted (HK cents)	*11*	**(0.35)**	(0.32)

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	**At 30 June 2020 (Unaudited) *HK$'000***	At 31 December 2019 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**297,508**	302,563
Right-of-use assets		**3,501**	4,976
Goodwill		**299,121**	299,121
Financial assets at fair value through profit or loss		**11,396**	13,560
Other assets		**3,020**	3,711
Deferred tax assets		**269**	269
		614,815	624,200
Current assets			
Inventories		**13,028**	13,239
Trade receivables	*13*	**187,908**	198,292
Prepayments, deposits and other receivables		**13,526**	12,946
Financial assets at fair value through profit or loss		**737**	1,173
Contract assets		**138**	1,155
Pledged time deposits		**10,151**	10,151
Cash and bank balances			
– Segregated accounts		**138,534**	121,789
– House accounts		**21,422**	47,833
		385,444	406,578
Current liabilities			
Trade payables	*14*	**193,873**	185,623
Accrued charges and other payables		**55,948**	68,895
Bank and other borrowings		**260,000**	160,000
Loan from the ultimate holding company		**3,201**	3,556
Convertible bonds	*15*	**98,055**	99,713
Contract liabilities		**603**	265
Deferred tax liabilities		**321**	47
Lease liabilities		**3,521**	3,570
Tax payable		**2,156**	2,448
		617,678	524,117

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2020

	Notes	**At 30 June 2020 (Unaudited) *HK$'000***	At 31 December 2019 (Audited) *HK$'000*
Net current liabilities		**(232,234)**	(117,539)
Total assets less current liabilities		**382,581**	506,661
Non-current liabilities			
Convertible bonds	*15*	**92,143**	186,390
Deferred tax liabilities		**1,946**	2,869
Lease liabilities		**96**	1,548
		94,185	190,807
Net assets		**288,396**	315,854
Equity			
Share capital		**77,489**	77,489
Reserves		**212,319**	239,683
Total equity attributable to owners of the Company		**289,808**	317,172
Non-controlling interests		**(1,412)**	(1,318)
Total equity		**288,396**	315,854

The accompanying notes form an integral part of these condensed consolidated financial statements.

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 at 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 2, Admiralty Centre, 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, investments in financial assets, money lending business and provision of securities brokerage services.

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 中信國安集團有限公司 (CITIC Guoan Group*), a company incorporated in the People's Republic of China as the ultimate holding company.

2. BASIS OF PREPARATION

The announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

* *For identification purpose only*

Going concern

The Group incurred a net loss of approximately HK$27,498,000 (six months ended 30 June 2019: HK$25,334,000) during the six months ended 30 June 2020 and as of the date, the Group's current liabilities exceeded its current assets by approximately HK$232,234,000 (As at 31 December 2019: HK$117,539,000). The Directors have made an assessment and concluded that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

(i) The Company has been actively negotiating with the holders of the convertible bonds (including CB 2020 as defined in Note 15 to these condensed consolidated financial statements) for repayment of the an aggregate principal amount of HK$300,000,000, including their settlement arrangement.

(ii) The Company has placed its property with carrying amount of approximately HK$295,312,000 as at 30 June 2020 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 30 June 2020.

(v) The Group is negotiating with various financial institutions to refinance the short term borrowing of HK$160 million.

Consequently, the condensed consolidated financial statements have been prepared on a going concern basis. The condensed consolidated financial statements do not include any adjustments that would result from the failure of such measures.

3. SIGNIFICANT ACCOUNTING POLICIES

The measurement basis used in the preparation of these condensed consolidated financial statements is historical cost except for certain financial instruments that are measured at fair value.

The accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those used in the Annual Report 2019, except for the impact of the adoption of amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") described below.

In the current interim period, the Group has applied for the first time, the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

For management purpose, the Group is principally engaged in (i) trading of telecommunications and other products; (ii) provision of repair services for telecommunications products; (iii) investments in financial assets; (iv) money lending business and (v) provision of securities brokerage services.

The Group's operating businesses are almost exclusively with customers based in Hong Kong. Accordingly, no segment analysis by geographical area of operations is provided.

An analysis of the Group's reportable segments for the six months ended 30 June 2020 and 2019 is as follows:

(a) Segment revenue and results

	For the six months ended 30 June 2020					
	Trading of telecommunications and other products (Unaudited) *HK$'000*	**Provision of repair services for telecommunications products (Unaudited) *HK$'000***	**Investment in financial assets (Unaudited) *HK$'000***	**Provision of securities brokerage services (Unaudited) *HK$'000***	**Money lending business (Unaudited) *HK$'000***	**Consolidated (Unaudited) *HK$'000***
Total revenue	**14,615**	**20,861**	**14**	**14,513**	**–**	**50,003**
Segment results/(loss)	**739**	**(543)**	**16**	**8,998**	**(4)**	**9,206**
Other losses						**(2,164)**
Interest income						**1**
Finance costs						**(16,397)**
Unallocated income						**1,165**
Unallocated expenses						**(18,389)**
Loss before taxation						**(26,578)**
Taxation						**(920)**
Loss for the period						**(27,498)**

	For the six months ended 30 June 2019					
	Trading of telecommunications and other products (Unaudited) *HK$'000*	Provision of repair services for telecommunications products (Unaudited) *HK$'000*	Investment in financial assets (Unaudited) *HK$'000*	Provision of securities brokerage services (Unaudited) *HK$'000*	Money lending business (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Total revenue	56,036	20,925	–	11,340	657	88,958
Segment results/(loss)	(4,572)	(2,981)	1	7,694	646	788
Other gain						729
Interest income						33
Finance costs						(9,015)
Unallocated income						36
Unallocated expenses						(17,320)
Loss before taxation						(24,749)
Taxation						(585)
Loss for the period						(25,334)

Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the six months ended 30 June 2020 (six months ended 30 June 2019: 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, certain other (losses)/gain, certain other revenue, certain finance cost and taxation. This is the measure reported to the chief operating decision-makers for the purpose of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	At 30 June 2020					
	Trading of telecommunications and other products (Unaudited) *HK$'000*	**Provision of repair services for telecommunications products (Unaudited) *HK$'000***	**Investment in financial assets (Unaudited) *HK$'000***	**Provision of securities brokerage services (Unaudited) *HK$'000***	**Money lending business (Unaudited) *HK$'000***	**Consolidated (Unaudited) *HK$'000***
Segment assets	**28,153**	**4,561**	**4,565**	**633,462**	**371**	**671,112**
Financial assets at fair value through profit or loss						**12,113**
Unallocated corporate assets						**317,034**
Consolidated total assets						**1,000,259**
Segment liabilities	**(14,818)**	**(3,531)**	**(1,511)**	**(198,349)**	**(20)**	**(218,229)**
Convertible bonds						**(190,198)**
Unallocated corporate liabilities						**(303,436)**
Consolidated total liabilities						**(711,863)**

	At 31 December 2019					
	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*	Provision of securities brokerage services (Audited) *HK$'000*	Consolidated (Audited) *HK$'000*
Segment assets	64,759	6,290	6,646	249	612,488	690,432
Financial assets at fair value through profit or loss						13,560
Unallocated corporate assets						326,786
Consolidated total assets						1,030,778
Segment liabilities	(39,719)	(5,526)	(2,453)	(72)	(172,048)	(219,818)
Convertible bonds						(286,103)
Unallocated corporate liabilities						(209,003)
Consolidated total liabilities						(714,924)

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

i) All assets are allocated to reportable segments other than financial assets through profit or loss, certain property, plant and equipment and unallocated assets; and

ii) All liabilities are allocated to reportable segments other than current tax liabilities, deferred tax liabilities, convertible bonds, bank and other borrowings, loan from the ultimate holding company and unallocated corporate liabilities.

5. REVENUE

	For the six months ended 30 June 2020 (Unaudited) *HK$'000*	For the six months ended 30 June 2019 (Unaudited) *HK$'000*
Revenue from contracts with customers:		
Recognised at a point in time		
Sales of telecommunications and other products	**14,615**	56,036
Provision of repair services for telecommunications products	**20,861**	20,925
Provision of securities brokerage services		
– Commission and brokerage income	**4,568**	2,466
– Commission income from placing and underwriting	**900**	2,948
– Handling and settlement fee income	**993**	850
	41,937	83,225
Recognised overtime		
Assets management services income	**462**	525
Advisory fee income	**1,465**	130
	1,927	655
	43,864	83,880
Revenue from other sources:		
Interest income from loan financing	**–**	657
Interest income from brokerage financing	**6,125**	4,421
Realised gain from financial assets at fair value through profit and loss, net		
– Listed securities held for trading	**14**	–
	6,139	5,078
	50,003	88,958

6. OTHER REVENUE

	For the six months ended 30 June 2020 (Unaudited) *HK$'000*	For the six months ended 30 June 2019 (Unaudited) *HK$'000*
Dividend income	**245**	32
Bank interest income	**1**	34
Rental income	**947**	932
Sundry income	**1,251**	1,822
Government subsidies *(note (a))*	**374**	–
	2,818	2,820

note:

(a) During the current interim period, the Group recognised government subsidies of approximately HK$374,000 in respect of COVID-19 related subsidies, which relates to Employment Support Scheme provided by the Hong Kong government.

7. OTHER (LOSSES)/GAIN

	For the six months ended 30 June 2020 (Unaudited) *HK$'000*	For the six months ended 30 June 2019 (Unaudited) *HK$'000*
Change in the fair value of financial assets at fair value through profit or loss:		
– Unrealised (loss)/gain on fair value change on listed securities held for trading	**(341)**	613
– Fair value change of unlisted club debentures	**(2,164)**	350
– Reversal of allowance for expected credit loss on trade receivables	**10**	–
	(2,495)	963

8. FINANCE COSTS

	For the six months ended 30 June 2020 (Unaudited) *HK$'000*	For the six months ended 30 June 2019 (Unaudited) *HK$'000*
Interest expenses on bank and others borrowings wholly repayable within five years	**7,925**	2,014
Interest expenses on convertible bonds	**8,488**	6,947
Interest expenses on lease liabilities	**71**	104
Others interest expenses	**794**	534
	17,278	9,599

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):

	For the six months ended 30 June 2020 (Unaudited) *HK$'000*	For the six months ended 30 June 2019 (Unaudited) *HK$'000*
Cost of trading inventories sold	**14,933**	54,945
Employee benefit expenses (including directors' emoluments)	**11,084**	17,188
Retirement benefit costs (including directors' benefit costs)	**433**	569
Depreciation of property, plant and equipment	**4,991**	5,607
Depreciation on right-of-use assets	**2,002**	1,894
Bad debts written off*	**2**	27
Loss on written off of property, plant and equipment*	**80**	–
Allowance for inventories	**–**	3
Reversal of allowance for inventories	**–**	(1)
(Reversal of)/allowance for expected credit loss on trade receivables	**(10)**	233
Exchange losses/(gain), net*	**13**	(20)
Operating lease rental related to short-term lease	**–**	1,265

* Items included in other operating expenses.

10. TAXATION

	For the six months ended 30 June 2020 (Unaudited) *HK$'000*	For the six months ended 30 June 2019 (Unaudited) *HK$'000*
Current tax:		
Hong Kong Profits Tax	**1,569**	1,104
Deferred tax:		
Current period charge	**(649)**	(519)
	920	585

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The amendments proposed in the Bill have come into operation on 29 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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$27,404,000 (six months ended 30 June 2019: HK$24,809,000) and the weighted average number of 7,748,960,899 ordinary shares for the six months ended 30 June 2020 (six months ended 30 June 2019: 7,748,960,899 shares).

The diluted loss per share for the six months ended 30 June 2020 and 2019 were the same as basic loss per share as the effect of the Company's convertible bonds was anti-dilutive.

12. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK$ Nil).

13. TRADE RECEIVABLES

	At 30 June 2020 (Unaudited) *HK$'000*	At 31 December 2019 (Audited) *HK$'000*
Trade receivables arising from the ordinary course of business of dealing in securities transactions:		
– Cash clients	**3,390**	3,152
– Margin clients	**127,320**	125,099
– Futures and options clients	**20,424**	1,166
– Clearing houses	**22,770**	37,849
	173,904	167,266
Less: Allowance for excepted credit loss	**(413)**	(286)
	173,491	166,980
Trade receivables from the ordinary course of business, except for business dealing in securities transactions	**153,794**	170,818
Less: Allowance for excepted credit loss	**(139,377)**	(139,506)
	14,417	31,312
Total trade receivables	**187,908**	198,292

The settlement terms of account receivables arising from the ordinary course of business of dealing in securities transactions are within two days after trade date.

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

	At 30 June 2020 (Unaudited) *HK$'000*	At 31 December 2019 (Audited) *HK$'000*
Current	**13,885**	15,802
One to three months overdue	**112**	9,686
More than three months, but less than twelve months overdue	**480**	6,014
Over twelve months overdue	**139,317**	139,316
	153,794	170,818
Less: Impairment loss recognised	**(139,377)**	(139,506)
	14,417	31,312

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 30 June 2020 (Unaudited) *HK$'000*	At 31 December 2019 (Audited) *HK$'000*
Trade payables arising from the ordinary course of business of dealing in securities transactions:		
– Cash clients	**34,264**	37,447
– Margin clients	**93,329**	77,318
– Futures and options clients	**49,200**	50,548
– Clearing houses	**15,300**	–
– Others	**853**	717
	192,946	166,030
Trade payables from the ordinary course of business, except for business dealing in securities transactions	**927**	19,593
Total trade payables	**193,873**	185,623

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

	At 30 June 2020 (Unaudited) *HK$'000*	At 31 December 2019 (Audited) *HK$'000*
Current and within one month	**927**	11,797
One to three months overdue	**–**	7,787
Over three months overdue	**–**	9
	927	19,593

15. CONVERTIBLE BONDS

On 28 February 2019, the Company issued convertible bonds with an aggregate principal amount of HK$300,000,000 which bear an interest rate of 3.8% per annum ("Convertible Bonds") as a part of the consideration for the acquisition of all the issued of Yicko Securities Limited. The holders of the Convertible Bonds are entitled to convert the Convertible Bonds into ordinary shares of the Company at a conversion price of HK$0.26 per ordinary share and assuming a full conversion a total of 1,153,846,153 ordinary shares of the Company will be issued. Conversion may occur at any time during the term of the Convertible Bonds.

The Convertible Bonds contain two components: liability and equity components. The equity element is presented in equity heading "Convertible bonds reserve".

The Convertible Bonds information are presented as follows:

	Convertible Bond due 2020 ("CB 2020")	**Convertible Bond due 2021 ("CB 2021")**	**Convertible Bond due 2022 ("CB 2022")**
Principal amount:			
– as at 28 February 2019	HK$100,000,000 in HK$ settlement 3.8% p.a. payable annually	HK$100,000,000 in HK$ settlement 3.8% p.a. payable annually	HK$100,000,000 in HK$ settlement 3.8% p.a. payable annually
Issue date:	28 February 2019	28 February 2019	28 February 2019
Maturity date:	28 February 2020	28 February 2021	28 February 2022
Conversion price per share	HK$0.260	HK$0.260	HK$0.260

The Convertible Bonds recognised in the condensed consolidated statement of financial position were calculated as follows:

	CB 2020	**CB 2021**	**CB 2022**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liability component	98,222	94,149	85,837	278,208
Equity component	1,064	5,858	14,165	21,087
Nominal value of convertible bonds on issue date	99,286	100,007	100,002	299,295

Liability component:

	CB 2020	**CB 2021**	**CB 2022**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At issue date on 28 February 2019 (Audited)	98,222	94,149	85,837	278,208
Imputed interest charge	4,668	5,626	7,132	17,426
Coupon interest payable	(3,177)	(3,177)	(3,177)	(9,531)
At 31 December 2019 and 1 January 2020 (Audited)	99,713	96,598	89,792	286,103
Imputed interest charge	900	3,347	4,241	8,488
Coupon interest payable	(613)	(1,890)	(1,890)	(4,393)
Derecognition upon maturity *(note (a))*	(100,000)	–	–	(100,000)
At 30 June 2020 (Unaudited)	**–**	**98,055**	**92,143**	**190,198**
Current portion				
At 30 June 2020 (Unaudited)	**–**	**98,055**	**–**	**98,055**
At 31 December 2019 (Audited)	99,713	–	–	99,713
Non-current portion				
At 30 June 2020 (Unaudited)	**–**	**–**	**92,143**	**92,143**
At 31 December 2019 (Audited)	–	96,598	89,792	186,390

The effective interest rate of the liability component of CB 2020, CB 2021 and CB 2022 on initial recognition was 5.68%, 7.15% and 9.94% respectively.

note:

(a) On 28 February 2020, the Company and Mr. CHONG Chin and Ms. YAO Sze Ling, the holders of the convertible bonds, have entered into the deed of extension to extend the maturity date for repayment of the principal amount of CB 2020 from 28 February 2020 to 28 November 2020. The transaction is in essence a mere extension of time for repayment of the principal amount of CB 2020 and there is no extension of the conversion period for the convertible bonds holders to exercise their right to convert the CB 2020 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. Further the details of the extension, please refer to the Company's announcement dated 28 February 2020.

The CB 2020 are presented as 'other borrowing' after the deed of extension come into effect as the CB 2020 no longer have conversion options after that date.

BUSINESS REVIEW AND OUTLOOK

Overview

During the six months ended 30 June 2020 (the "Period"), 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").

Performance

The Group reported a revenue of approximately HK$50.0 million (2019: approximately HK$89.0 million) during the Period, a decline of 43.8% year on year. The decrease was mainly attributable to significantly lower revenue from the trading segment as a result of trade activity disruptions after the outbreak of COVID-19.

Gross profit increased 12.5% year-on-year to approximately HK$20.7 million (2019: approximately HK$18.4 million). However, with an increase in finance costs, a net loss of approximately HK$27.5 million (2019: Loss of approximately HK$25.3 million) was incurred.

By segment, the financial services business delivered a revenue of approximately HK$14.5 million, compared to approximately HK$11.3 million recorded during the four months ended 30 June 2019. A segment profit of approximately HK$9.0 million was produced during the Period (2019: approximately 7.7 million).

Revenue generated from the provision of maintenance services recorded approximately HK$20.9 million (2019: approximately HK$20.9 million). The segment incurred a segment loss of approximately HK$0.5 million (2019: approximately HK$3.0 million) as a result of stringent cost control measures applied by the Group.

The trading segment, mainly covering electronic products and parts during the Period, generated a revenue of approximately HK$14.6 million (2019: HK$56.0 million), down by 73.9% year-on-year. This substantial drop was mainly caused by the pandemic which has disrupted supply-chain logistics and dampened demand. Nevertheless, the segment recorded a segment profit of approximately HK$0.7 million (2019: segment loss of approximately HK$4.6 million) as its gross profit margin improved by stringent cost control measures adopted by the Group.

With a view to improving its financial position, the Group has placed its property, with a carrying amount of approximately HK$295,312,000 as at 30 June 2020, for sale. The Group has engaged in negotiation with a number of potential buyers, but with little progress in light of the sluggish office property market in Hong Kong under the impact of the unsettled social sentiments and the COVID-19 pandemic. The sale of the property had not been concluded as at the Period-end date.

In relation to the convertible bonds with a principal amount of HK$100,000,000 due on 28 February 2020 ("CB 2020"), the Company has entered into a deed of extension with the holders of the convertible bonds to extend the maturity date for repayment of this principal amount of the convertible bonds to 28 November 2020. The transaction is in essence a mere extension of time for repayment of the principal amount of CB 2020 and there is no extension of the conversion period for the convertible bonds holders to exercise their right to convert the CB 2020 into shares of the Company. The CB 2020 was reclassified as other borrowing.

The Company has also been actively negotiating with the holders of the convertible bonds including CB 2020 with an aggregate principal amount of HK$300,000,000, regarding their settlement arrangement.

Business Review

Financial Services Business

The Group, through its indirectly wholly owned subsidiary, Yicko Securities Limited ("Yicko"), is engaged in the securities brokerage business. The acquisition of Yicko was completed on 28 February 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.

Despite a firmer local bourse towards the latter part of the Period on optimism brought by heavyweight initial public offerings and performance of new economy stocks, Hong Kong's medium-to-small brokerages continued to face a difficult operating environment. Challenges including falling commissions and rising compliance and technology costs are compounded by new regulatory requirements on margin financing business.

The segment was able to deliver a reasonably stable performance despite the market volatility, and the management remains positive about its long-term development.

Trading Business

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

The ongoing conflict between China and the United States, along with rising geopolitical tensions, has already been negatively impacting global trade activity. As the COVID-19 pandemic upended global economic activity, world trade fell even more steeply in the first half of the year.

The Group's trading segment therefore experienced a sharp fall in business during the Period. The revenue decline was partly attributed to the Group's adoption of a more conservative business strategy since the outbreak of COVID-19. As the global supply chain continues to be plagued by the pandemic, the Group will operate this business segment with caution.

Maintenance Services

The maintenance services segment continued to face challenges as the economy of Hong Kong contracted further. During the Period, the maintenance services segment incurred a segment loss of approximately HK$0.5 million despite a relatively stable revenue.

The board of directors of the Company (the "Board") regularly reviews the operating conditions of this business. As this segment has been operating at a loss for a long period with no compelling prospect of a turnaround, the Board is considering various alternatives with the aim of preserving the Group's financial resources.

Options under consideration include a possible management buyout of the business, while the possibility of liquidating the relevant subsidiary cannot be ruled out. The Board has been assessing the situation with no concrete plans or timetable yet.

The Board will give due consideration to the range of options available to the Group before coming to a decision. The Group will exercise great caution in the handling of this matter.

Financial Review

As at 30 June 2020, the Group held an inventory of approximately HK$13.0 million (31 December 2019: HK$13.2 million).

As at 30 June 2020, the Group held net trade receivables of approximately HK$187.9 million (31 December 2019: approximately HK$198.3 million) which included trade receivables of approximately HK$173.5 million (31 December 2019: HK$167.0 million) arising from the financial services business. The Group's bank and other borrowings stood at approximately HK$260 million (31 December 2019: approximately HK$160.0 million), while its gearing ratio, expressed as a percentage of total borrowings over total assets, was 45.7% (31 December 2019: 44.1%). The property with a carrying amount of approximately HK$295,312,000 (31 December 2019: HK$299,763,000) and a fixed deposit of approximately HK$10.2 million (31 December 2019: approximately HK$10.2 million) were pledged to secure other borrowings and banking facilities respectively. The current ratio was approximately 0.62 (31 December 2019: approximately 0.78) while the liquid ratio stood at approximately 0.60 (31 December 2019: approximately 0.75).

The Group's cash and cash equivalents as at 30 June 2020, excluding approximately HK$138.5 million in segregated accounts (31 December 2019: approximately HK$121.8 million), amounted to approximately HK$21.4 million (31 December 2019: approximately HK$47.8 million).

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

Outlook

The economic outlook for the remainder of the year will remain highly uncertain. In light of a new wave of COVID-19 outbreak in Hong Kong, local business activity is subject to additional challenges. The Group's outlook for its business will to a large extent depend on the pace and strength of economic recovery.

As macroeconomic turbulence and US-China tensions continue, the financial market in Hong Kong will likely face heightened volatility in the second half of the year. The stockbroking industry will remain under pressure from declining trading commissions, rising compliance and technology costs, and stricter margin-financing regulations. In view of this, the Group will maintain a prudent course for its financial services segment.

On the trading front, despite global governments' active responses to temper the economic contraction, it is expected that world trade volume will register a steep decline for the full year of 2020. The Group does not expect the trading environment to post a rapid recovery. It will therefore exercise extreme caution in the ongoing development of its trading business.

The operating landscape of the maintenance services segment will continue to be challenging. The Group will carefully weigh the pros and cons of various options with regard to this business so as to safeguard the shareholders' interests.

Overall, the way forward will be extremely challenging for the Group. Recognising the unprecedented levels of risk and vulnerability in the macroeconomic environment, the Group will strive to maintain resilience as it prudently navigates through the operating difficulties. The Board will continue to act in the best interests of the Group and its shareholders, while exercising close supervision over the management of its business operations.

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 six months ended 30 June 2020, 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 30 June 2020.

Material Acquisition or Disposal of Subsidiaries

Save as disclosed above, there was no material acquisition or disposal of subsidiaries during the six months ended 30 June 2020.

Employee Information

At 30 June 2020, the Group employed a workforce of 88 (30 June 2019: 100). Staff costs for the Period, including salaries, bonuses, and allowances, were approximately HK$11.5 million (30 June 2019: HK$17.8 million).

The Group will review and maintain a competitive remuneration policy to attract, motivate and retain talents. 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 their staff benefits.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 six months ended 30 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the period of the six months ended 30 June 2020, the Company has complied with the code provisions ("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 the code for dealing in securities of the Company by the Directors. Having made specific enquiry, the Company has obtained confirmation from all Directors that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020.

REVIEW OF INTERIM 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 condensed consolidated interim results of the Group for the six months ended 30 June 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 2020 interim 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, 27 August 2020

As at the date of this announcement, the Board comprises 7 directors, of which 1 is executive director, namely Mr. DU Jun, 3 are non-executive directors, namely Mr. CUI Ming Hong, Ms. BAI Wei and Mr. WEI Wen Jun, and 3 are independent non-executive directors, namely Mr. NG Man Kung, Mr. LEE Kwok Leung and Mr. CHEUNG Ngai Lam.