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 2018

The board of directors (the "Board") of Guoan International Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018, 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 2018

	Notes	**For the six months ended 30 June 2018 (Unaudited)** ***HK$'000***	For the nine months ended 30 June 2017 (Unaudited) *HK$'000*
Revenue	*5*	**43,633**	63,257
Cost of sales		**(33,078)**	(45,075)
Gross profit		**10,555**	18,182
Other revenue	*6*	**1,762**	516
Selling and distribution expenses		**(6)**	(2)
Administrative expenses		**(30,928)**	(43,282)
Other operating expenses		**(135)**	(614)
Finance costs		**(81)**	(106)
Loss before taxation	*7*	**(18,833)**	(25,306)
Taxation	*8*	**30**	(14)
Loss for the period		**(18,803)**	(25,320)

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

For the six months ended 30 June 2018

	Notes	**For the six months ended 30 June 2018 (Unaudited) *HK$'000***	For the nine months ended 30 June 2017 (Unaudited) *HK$'000*
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**27**	84
Changes in the fair value of financial assets at fair value through other comprehensive income		**9,750**	–
Other comprehensive income for the period, net of tax		**9,777**	84
Total comprehensive loss for the period		**(9,026)**	(25,236)
Loss for the period attributable to:			
Owners of the Company		**(18,684)**	(25,320)
Non-controlling interests		**(119)**	–
		(18,803)	(25,320)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(8,907)**	(25,236)
Non-controlling interests		**(119)**	–
		(9,026)	(25,236)
Loss per share attributable to owners of the Company			
Basic and diluted (HK cents)	9	**(0.241)**	(0.421)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*11*	**317,846**	322,763
Financial assets at fair value through other comprehensive income		**15,700**	–
Available-for-sale financial assets		**–**	5,950
Deposits for acquisition of subsidiaries		**21,613**	–
Loan and interest receivables	*12*	**–**	10,167
		355,159	338,880
Current assets			
Inventories		**25,792**	1,131
Loan and interest receivables	*12*	**13,039**	–
Trade receivables	*13*	**2,157**	4,114
Prepayments, deposits and other receivables		**9,224**	9,774
Financial assets at fair value through profit or loss		**4,409**	240
Tax recoverable		**–**	126
Pledged time deposits		**5,106**	5,084
Cash and bank balances		**26,081**	73,511
		85,808	93,980
Current liabilities			
Trade payables	*14*	**4,741**	1,209
Accrued charges and other payables		**44,025**	43,904
Bank borrowings		**4,500**	4,500
Loan from the ultimate holding company		**3,556**	3,602
		56,822	53,215
Net current assets		**28,986**	40,765
Total assets less current liabilities		**384,145**	379,645

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2018

	Notes	At 30 June 2018 (Unaudited) *HK$'000*	At 31 December 2017 (Audited) *HK$'000*
Non-current liability			
Deferred tax liabilities		**578**	552
Net assets		**383,567**	379,093
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		**77,489**	77,489
Reserves		**292,697**	301,604
		370,186	379,093
Non-controlling interests		**13,381**	–
Total equity		**383,567**	379,093

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. CORPORATE INFORMATION

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

The registered office of the Company is P.O. Box 309, Ugland House, George Town, Grand Cayman KY1-1104, Cayman Islands and the principal place of business of the Company is located at 15th Floor of Tower 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 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 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 reporting period end date of the Group changed from 30 September to 31 December to align the Company's financial year end with CITIC Guoan Group*, the ultimate holding company of the Company. Accordingly, the unaudited condensed consolidated financial statements for the current period cover the six months period ended 30 June 2018. The corresponding comparative amounts shown cover the nine months period from 1 October 2016 to 30 June 2017.

The interim results announcement contains unaudited 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 2017 annual financial statements. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for 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 unaudited 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 (the "Listing Rules") on the Stock Exchange and the Hong Kong Companies Ordinance.

* *For identification purpose only*

3. SIGNIFICANT ACCOUNTING POLICIES

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the fifteen months ended 31 December 2017. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the fifteen months ended 31 December 2017 with addition for the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which have become effective.

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

The new and revised IFRSs have been applied in accordance with the relevant transition provision in the respective standards and amendments which results in changes in accounting policies, amount reported and/or disclosures as described in Note 4.

4. CHANGE IN ACCOUNTING POLICIES

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

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

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

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

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

<u>Classification and measurement</u>

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

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

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

Impairment under ECL model

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 4(b).

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

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

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

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

Significant increase in credit risk

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

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

Measurement and recognition of ECL

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

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

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

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

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

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

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

	Available -for-sale	**Financial assets at FVTOCI**
	HKD'000	*HKD'000*
Closing balance at 31 December 2017 – HKAS 39	5,950	–
Effect arising from initial application of HKFRS 9:		
Reclassification		
From available-for-sale	(5,950)	5,950
Re-measurement		
From amortised cost to fair value	–	9,750
Opening balance at 1 January 2018	–	15,700

From AFS debt investments to FVTOCI

Club debentures with a fair value of HK$15,700,000 were reclassified from available-for-sale investments to financial assets at FVTOCI, as the investment is held as long-term strategic investments that are not expected to be sold in the short to medium term. Related fair value gains of HK$9,750,000 accumulate in the revaluation reserve as at 1 January 2018.

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

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Revenue from sale of goods

  The Group sells telecommunication and other products. Sales are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products.

- Service income

  The Group engaged in provision of repair services for telecommunication products. Revenue from providing repair services is recognised in the accounting period in which the services are rendered.

- Interest income

  The Group is also engaged in money lending business. Interest income is recognised and accrued using the effective interest method.

- The Group's dividend income and sales of financial assets is not within the scope of HKFRS 15.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

(a) Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group has concluded that the initial application of HKFRS 15 does not have a significant impact on the Group's revenue recognition.

Except as described above, the application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	At 31 December 2017 *HK\$'000*	**HKFRS15** *HK\$'000*	**HKFRS9** *HK\$'000*	**At 1 January 2018** *HK\$'000*
Non-current assets				
Available-for-sale financial assets	5,950	–	(5,950)	–
Financial assets at fair value other comprehensive income	–	–	15,700	15,700
	5,950	–	9,750	15,700
Equity				
Capital and reserves attributable to owners of the Company				
Reserves	301,604	–	9,750	311,354

5. 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; and (iv) money lending business.

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 2018 and nine months ended 30 June 2017 is as follows:

(a) Segment revenue and results

	For the six months ended 30 June 2018				
	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*	Consolidated (Unaudited) *HK$'000*
Revenue	**7,423**	**36,255**	**(501)**	**456**	**43,633**
Segment results/(loss)	**(1,000)**	**(4,882)**	**(504)**	**445**	**(5,941)**
Interest income					**65**
Finance costs					**(81)**
Unallocated income					**326**
Unallocated expenses					**(13,202)**
Loss before taxation					**(18,833)**
Taxation					**30**
Loss for the period					**(18,803)**

	For the nine months ended 30 June 2017			
	Trading of Telecommunications and products (Unaudited) *HK$'000*	Provision of repair services for telecommunications products (Unaudited) *HK$'000*	Investments in financial assets (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Revenue	4,575	58,684	(2)	63,257
Segment results	379	6,221	–	6,600
Interest income				38
Finance costs				(106)
Unallocated expenses				(31,838)
Loss before taxation				(25,306)
Taxation				(14)
Loss for the period				(25,320)

Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the six months ended 30 June 2018 (nine months ended 30 June 2017: HK$ Nil).

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

(b) Segment assets and liabilities

	At 30 June 2018				
	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*	**Consolidated (Unaudited)** *HK$'000*
Segment assets	**35,752**	**12,638**	**7,543**	**19,697**	**75,630**
Financial assets through other comprehensive income					**15,700**
Unallocated corporate assets					**349,637**
Consolidated total assets					**440,967**
Segment liabilities	**(2,472)**	**(8,838)**	**–**	**(10)**	**(11,320)**
Unallocated corporate liabilities					**(46,080)**
Consolidated total liabilities					**(57,400)**

	At 31 December 2017				
	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	11,628	12,477	3,374	10,234	37,713
Available-for-sale financial assets					5,950
Unallocated corporate assets					389,197
Consolidated total assets					432,860
Segment liabilities	(618)	(8,479)	–	(20)	(9,117)
Unallocated corporate liabilities					(44,650)
Consolidated total liabilities					(53,767)

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

i) All assets are allocated to reportable segments other than financial assets through other comprehensive income, available-for-sale financial assets, tax recoverable and unallocated corporate assets; and

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

6. OTHER REVENUE

	For the six months ended 30 June 2018 (Unaudited) ***HK$'000***	For the nine months ended 30 June 2017 (Unaudited) *HK$'000*
Dividend income	**24**	2
Interest income	**65**	38
Sundry income	**1,673**	476
	1,762	516

7. LOSS BEFORE TAXATION

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

	For the six months ended 30 June 2018 (Unaudited) ***HK$'000***	For the nine months ended 30 June 2017 (Unaudited) *HK$'000*
Cost of trading inventories sold	**5,747**	2,019
Employee benefit expenses (including directors' emoluments)	**15,742**	25,926
Retirement benefit costs (including directors' benefit costs)	**696**	1,015
Depreciation	**5,657**	3,208
Bad debts written off*	**78**	304
Loss on written off of property, plant and equipment*	**4**	121
Allowance for inventories	**9**	27
Reversal of allowance for inventories	**(2)**	(12)
Written off of inventories	**12**	20
Impairment of trade receivables*	**–**	2
Impairment of other receivables*	**–**	180
Exchange losses, net*	**(56)**	(7)

* Items included in other operating expenses.

8. TAXATION

	For the six months ended 30 June 2018 (Unaudited) ***HK$'000***	For the nine months ended 30 June 2017 (Unaudited) *HK$'000*
Current tax:		
Over provision in prior years	**56**	–
Deferred tax:		
Current period charge	**(26)**	(14)
	30	(14)

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.

9. 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$18,684,000 (nine months ended 30 June 2017: HK$25,320,000) and the weighted average number of 7,748,960,899 ordinary shares for the six months ended 30 June 2018 (nine months ended 30 June 2017: 6,015,579,055).

The diluted loss per share for the six months ended 30 June 2018 and the nine months ended 30 June 2017 were the same as basic loss per share as there were no potential outstanding shares for both periods.

10. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018 (nine months ended 30 June 2017: HK$ Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment at a cost of approximately HK$760,000 (nine months ended 30 June 2017: HK$258,000).

During the six months ended 30 June 2018, the Group had written off of property, plant and equipment with a carrying amount of approximately HK$4,000 (nine months ended 30 June 2017: HK$121,000).

12. LOAN AND INTEREST RECEIVABLES

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

	At 30 June 2018 (Unaudited) *HK$'000*	At 31 December 2017 (Audited) *HK$'000*
Loan receivables:		
Within one year	**13,000**	–
Two to five years	**–**	10,000
	13,000	10,000
Interest receivables:		
Within one year	**39**	–
Two to five years	**–**	167
	13,039	10,167
Carrying amount analysed for reporting purpose:		
Current assets	**13,039**	–
Non-current assets	**–**	10,167
	13,039	10,167

Note:

The Group's loan receivables which arise from the money lending business of providing corporate loan and personal loan in Hong Kong are denominated in Hong Kong dollars.

All loan receivables are secured by collaterals provided by customers, bear interest and repayable with fixed terms agreed with customers.

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

13. TRADE RECEIVABLES

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

	At 30 June 2018 (Unaudited) *HK$'000*	At 31 December 2017 (Audited) *HK$'000*
Current	**2,012**	3,736
One to three months overdue	**60**	272
More than three months, but less than twelve months overdue	**71**	92
Over twelve months overdue	**139,306**	139,319
	141,449	143,419
Less: Impairment loss recognised	**(139,292)**	(139,305)
	2,157	4,114

Notes:

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

14. TRADE PAYABLES

At the end of the reporting periods, the aging analysis of the trade payables is as follows:

	At 30 June 2018 (Unaudited) *HK$'000*	At 31 December 2017 (Audited) *HK$'000*
Current and within one month	**4,730**	861
One to three months overdue	**–**	337
Over three months overdue	**11**	11
	4,741	1,209

15. OPERATING LEASE COMMITMENTS

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of reporting periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2018 (Unaudited) ***HK$'000***	At 31 December 2017 (Audited) *HK$'000*
Within one year	**3,990**	3,269
In the second to fifth years, inclusive	**2,794**	1,550
	6,784	4,819

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Company is 53.218% owned by CITIC Guoan Group* ("CITIC Guoan Group*"), a conglomerate in the People's Republic of China (the "PRC"), headquartered in Beijing. CITIC Guoan Group* has an extensive scope of business worldwide, in particular in the PRC, spanning finance, telecommunications, culture tourism and hospitality, mineral resources development, chemical plants operation, agriculture, real estate, entertainment and media, and healthcare services.

During the six months ended 30 June 2018 (the "Period"), the Group was principally engaged in the trading of telecommunications and other products, provision of repair services for telecommunications products, investments in financial assets and money lending business. The Group has also formed a joint venture to engage in fine wine trading and wholesale business, and is in the process of completing the acquisition of Yicko Securities Limited ("Yicko").

The Group announced on 2 June 2017 a change in the financial year end date of the Company from 30 September to 31 December in order to coincide with that of CITIC Guoan Group*. As a result, comparative financial figures as stated in this interim results announcement cover a 9-month period from 1 October 2016 to 30 June 2017.

Performance

The first six months of 2018 witnessed increased instability in the external environment, particularly on the trade and financial fronts. In the Hong Kong Special Administrative Region ("HKSAR") Government's latest release of economic data, it was reported that growth of the city was stronger than expected in the first quarter, but macroeconomic uncertainties have increased of late owing to trade and geopolitical tensions.

During the Period, the Group's revenue fell 31.1% to approximately HK$43.6 million (nine months ended 30 June 2017: HK$63.3 million), incurring a net loss of approximately HK$18.8 million (nine months ended 30 June 2017: loss of HK$25.3 million). A gross profit of approximately HK$10.6 million (nine months ended 30 June 2017: HK$18.2 million) was recorded, a decrease of 41.8% period to period.

By segment, revenue generated from the provision of repair services declined 38.2% period over period to approximately HK$36.3 million (nine months ended 30 June 2017: HK$58.7 million) dragged down by shrinking demand for smartphone upgrading and maintenance services during the Period. The segment incurred a loss as its gross profit margin took a hit from rising operating and staff costs.

The trading segment, mainly covering telecommunications products and electronic parts during the Period, generated revenue of approximately HK$7.4 million (nine months ended 30 June 2017: HK$4.6 million). Intense competition and commoditisation have led to continued margin erosion in the electronics products trading sector, thereby resulting in a loss for the segment.

* *For identification purpose only*

Business Review

Trading Business

Hong Kong upholds an open and free trade regime which has strengthened its position as an international trade centre. In nominal terms, total exports and imports of Hong Kong in 2017 grew 8.0% and 8.7% respectively year on year, with the uptrend continuing into the first five months of 2018, showing further growth of 10.7% and 11.9% respectively period over period. Total merchandise trade gained 8.4% last year and 11.3% during the first five months of 2018.

Hong Kong's major trading partners include Mainland China, the European Union ("EU"), the United States ("US") and ASEAN members. In particular, the city is an excellent channel to tap into the China market. According to China Customs statistics, Hong Kong is the third largest trading partner of the Chinese Mainland after the US and Japan, accounting for 7% of its total trade in 2017. The main products traded through Hong Kong comprise electronics goods, clothing and food items.

Telecommunications and Electronic Products

The scope of the Group's trading segment mainly covered telecommunications products and electronic parts during the Period.

Despite growing demand for telecommunications and electronic products, this business category has been characterised by intense competition, price sensitivity and declining profit margins.

The recent tariffs imposed by the US administration have put the trading segment at a further disadvantage. The list included a broad range of consumer devices and electrical appliances, which will have an impact on electronics components. For electronics makers, this supply chain disruption could dampen demand for a growing list of finished products and components down the road.

The management will pay close attention to the impact of the trade clashes on the Group's trading business.

Fine Wines

In light of the challenges in telecommunications and electronics products trading, the Group has continued to expand its business scope. In June 2018, the Group formed a joint venture to engage in fine wine trading and wholesale business, and as an alternative investment vehicle. The Group focuses on high-end wines, including a unique selection of fine wines and even collectible vintage items.

The Group will take advantage of Hong Kong's status as Asia's wine hub and a wine free-port to develop its wine import and wholesale business. Apart from Hong Kong's world-class business and logistics infrastructure for the wine industry, the city also enjoys co-operative trading and investment promotion arrangements with Argentina, Australia, Chile, France (and its Bordeaux, Burgundy and Champagne regions), Germany, Hungary, Italy, New Zealand, Portugal, Romania, Slovenia, Spain and the US.

According to a wealth report released in June this year, luxury investment index rose 7% on average in the 12 months to the end of 2017. Wine, a front-runner in this index, recorded a price growth of 11% last year. The price index of this top-performing asset class has grown by more than 200% over the past 10 years, and fine wines are among the best performers in terms of their potential for appreciation. The Group is therefore curating a wine collection with a view to capturing its upside potential.

One of the partners in the new wine joint venture commands more than a decade's history in doing business with wine exporters/vineyards in France and the United Kingdom. This joint-venture operation mainly imports French wine for sale in Hong Kong and export to the Greater China markets.

In a statement released in May 2018, the International Monetary Fund ("IMF") concluded that China's strategy to decisively shift its policy from high-speed to high-quality growth will help it rebalance to a sustainable growth mode. As the economy gradually shifts to a consumption-led model, overall living standards of the people are also improving. In respect of the fine wine business, the management is confident of the prospects for the Chinese market, which is currently the largest market for wine re-exported from Hong Kong. With the enforcement of facilitation measures to enable instant customs clearance in all customs districts of the Mainland for wine re-exported from pre-registered Hong Kong wine traders, the local wine industry will benefit further. These measures are exclusive for wine entering the Mainland from Hong Kong.

The Group believes that the fine wines business will provide an alternative investment option to help diversify its risk exposure, and is confident of the growth potential of this business.

Foray into the Financial Services Business

The Group has set out to seek new business developments to build a broader revenue and earnings base. The board of directors (the "Board") believes that a diversification of business will be to the long-term benefit of shareholders. The financial services business in Hong Kong presents one promising area for diversification. To this end, the Group holds a money lender's licence for conducting financial services related business.

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

The transaction was approved by shareholders at an extraordinary general meeting held on 14 June 2018. Completion of the sale and purchase agreement is subject to certain conditions precedent being fulfilled or waived, including approval from the Securities and Futures Commission of Hong Kong ("SFC") for the change in substantial shareholder of Yicko.

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

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

With a long operating history, Yicko has developed a strong connection and long-term relationship with its clients, and its client base has been expanding in recent years. Yicko has been actively participating in a number of projects which include initial public offerings ("IPOs"), placements, rights issues and open offers in Hong Kong.

Going forward, it plans to further expand its client base; develop margin financing; and participate in more IPOs, underwriting and placing projects. Yicko will also seek to diversify into such areas including but not limited to the asset management business by leveraging its existing client base, as well as the network and reputation of the CITIC Guoan Group*.

Management believes that with a stable client base and network, Yicko will be able to provide stable sources of income for the Group in future.

* *For identification purpose only*

Maintenance Services for Telecommunications Products

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

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

Financial Review

As at 30 June 2018, inventory for the telecommunications and electronics business line remained at a relatively low level of approximately HK$1.0 million (31 December 2017: HK$1.1 million). The newly established fine wine trading business maintained an inventory of HK$24.8 million (31 December 2017: Nil) as the Group strategises to hold a reasonable stock of fine wines that have potential to increase in value.

As at 30 June 2018, a fixed deposit of approximately HK$5.1 million (31 December 2017: HK$5.1 million) was pledged to secure banking facilities during the Period. The current ratio was approximately 1.51 (31 December 2017: 1.77) while the liquid ratio was approximately 1.06 (31 December 2017: 1.74).

The Group maintains a healthy financial position. Bank borrowings amounted to HK$4.5 million (31 December 2017: HK$4.5 million) as at 30 June 2018, while the gearing ratio, expressed as a percentage of total borrowings over total assets, was 1.8% (31 December 2017: 1.9%).

Outlook

It is generally anticipated that, despite recent softening, global economic growth will remain robust in 2018 albeit subject to increasing risks from geopolitical and trade issues. For Hong Kong, external uncertainties have increased of late. Of particular concern are the trade tensions between the US and Mainland China for their potential adverse impacts on trade flows and investor sentiment. Separately, global financial instability amid the expected US interest rate hikes also warrants attention.

China reported an economic growth of 6.8% in the first quarter of the year. However, amid heightened fears of a US-China trade clash, the Chinese economy is expected to come under some pressure on her pace of growth.

As the Group prudently steers through uncertainty in the macroeconomic environment, it continues to explore viable investment or business development opportunities to build a more balanced revenue base to support healthy ongoing development.

In light of the tough market environment for the telecommunications products trading and services provision businesses, the Group will continue to seek to diversify its business. The management is of the view that businesses in relation to telecommunications and electronics products trading and servicing will be subject to continued difficulties that may push margins down. The Group will closely monitor the ongoing conditions of these businesses and will formulate measures in response to any further signs of deterioration.

In line with the diversification strategy, the Group has moved to acquire Yicko as a step to participate in the financial services sector.

Upon the successful launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, increasing investors from the PRC may facilitate the growth of the business of Stock Exchange participants, especially those brokers with a PRC background in Hong Kong. Given the solid background of CITIC Guoan Group*, the Group believes that Yicko can leverage its finance experience and extensive network and resources in the PRC to create an integration of skills, knowledge and expertise. The Group looks forward to Yicko's future revenue and earnings contribution upon completion of the acquisition.

While working towards broadening the scope of its trading business, the management will pay special attention to opportunities provided by China's Belt and Road Initiative and Greater Bay Area development.

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

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

Currencies

The Group conducts its core business transactions mainly in Hong Kong dollars, New Taiwan dollars and United States dollars. The majority of the Group's cash and bank balances are also denominated in these three currencies. During the six months ended 30 June 2018, 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.

* *For identification purpose only*

Contingent Liability

The Group did not have any significant contingent liability at 30 June 2018.

Material Acquisition or Disposal of Subsidiaries

Save as disclosed above, there was no material acquisition or disposal of subsidiaries during the six months during 30 June 2018.

Employee Information

At 30 June 2018, the Group employed a work force of 118 (2017: 118). Staff costs, including salaries, bonuses and allowances, were approximately HK$16.4 million for the six months ended 30 June 2018 (nine months ended 30 June 2017: HK$26.9 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2018 (nine months ended 30 June 2017: HK$ Nil).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

COMPLIANCE WITH CORPORANCE GOVERANCE CODE

Throughout the period of the six months ended 30 June 2018, the Company has complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made to all Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

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 and consolidated interim results of the Group for the six months ended 30 June 2018.

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 2018 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, 23 August 2018

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