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PING AN SECURITIES GROUP (HOLDINGS) LIMITED
平安證券集團(控股)有限公司

(Carrying on business in Hong Kong as PAN Securities Group Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 00231)

FURTHER ANNOUNCEMENT
ON THE AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITED ANNUAL RESULTS

Reference is made to the announcement of Ping An Securities Group (Holdings) Limited (the “Company”), dated 30 March 2020 in relation to the unaudited annual results of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2019 (the “Unaudited Annual Results Announcement”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Unaudited Annual Results Announcement.

AUDITOR’S AGREEMENT ON THE 2019 ANNUAL RESULTS

The Board is pleased to announce that the Company’s auditor, CHENG & CHENG LIMITED, has completed the audit of the Group’s consolidated financial statements for the year ended 31 December 2019 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The audited annual results for the year ended 31 December 2019 were approved by the Board on 22 June 2020, details of which are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i> (Restated)
Continuing operations			
Revenue	3 & 4	40,496	76,355
Cost of sales		<u>—</u>	<u>(2,058)</u>
Gross profit		40,496	74,297
Other income	4	1,064	897
Other gain and losses, net		(17,957)	—
Distribution costs		(57,077)	(227,593)
Administrative expenses		(208,813)	(214,897)
Finance costs	5	(98,112)	(47,371)
Loss from changes in fair value of investment properties under development		(386,130)	(137,818)
Fair value change on financial assets at fair value through profit or loss		4,556	(19,500)
Fair value change on derivative financial liabilities		8,130	27,000
Net losses on mining and trading of crypto currencies		—	(3,241)
Property, plant and equipment written off		—	(11,761)
Loss on disposal of property, plant and equipment		(150)	—
Impairment losses on goodwill		(698)	(725,865)
Impairment losses on intangible assets		(325)	—
Expected credit losses on financial assets	6	(302,465)	(24,675)
Gain on the extinguishment of convertible notes		4,400	—
Loss before tax from continuing operations		(1,013,081)	(1,310,527)
Income tax credit	7	43,695	35,895
Loss for the year from continuing operations	8	(969,386)	(1,274,632)
Loss for the year from discontinued operation	12	(565)	(1,904)
Loss of the year		<u>(969,951)</u>	<u>(1,276,536)</u>

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000 (Restated)
Loss attributable to:			
– Owners of the Company		(993,035)	(1,278,979)
– Non-controlling interests		23,084	2,443
		<u>(969,951)</u>	<u>(1,276,536)</u>
Loss attributable to the owners of the Company:			
– from continuing operations		(993,199)	(1,277,836)
– from discontinued operation		164	(1,143)
		<u>(993,035)</u>	<u>(1,278,979)</u>
Loss attributable to non-controlling interests:			
– from continuing operations		23,813	3,204
– from discontinued operation		(729)	(761)
		<u>23,084</u>	<u>2,443</u>
Loss per share			
– Basic and diluted (HK cents)	9		
From continuing and discontinued operations		19.22 cents	25.93 cents
From continuing operations		<u>19.23 cents</u>	<u>25.90 cents</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Loss for the year	<u>(969,951)</u>	<u>(1,276,536)</u>
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences arising on translation of financial statements of foreign operations	(3,361)	(15,383)
– Reclassification adjustment on translation reserve released on disposals of subsidiaries	<u>(54)</u>	<u>–</u>
Other comprehensive loss for the year	<u>(3,415)</u>	<u>(15,383)</u>
Total comprehensive loss for the year	<u>(973,366)</u>	<u>(1,291,919)</u>
Other comprehensive (loss) income for the year attributable to:		
– Owners of the Company	(1,568)	(15,410)
– Non-controlling interests	<u>(1,847)</u>	<u>27</u>
	<u>(3,415)</u>	<u>(15,383)</u>
Total comprehensive (loss) income for the year attributable to:		
– Owners of the Company	(994,603)	(1,294,389)
– Non-controlling interests	<u>21,237</u>	<u>2,470</u>
	<u>(973,366)</u>	<u>(1,291,919)</u>

	2019 HK\$'000	2018 HK\$'000 (Restated)
Total comprehensive (loss) income for the year attributable to the owners of the Company:		
– from continuing operations	(994,767)	(1,292,485)
– from discontinued operation	164	(1,904)
	<u>(994,603)</u>	<u>(1,294,389)</u>
Total comprehensive income (loss) attributable to non-controlling interests:		
– from continuing operations	21,966	2,470
– from discontinued operation	(729)	–
	<u>21,237</u>	<u>2,470</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		8,025	12,504
Right-of-use assets		–	–
Investment properties		999,000	1,366,000
Goodwill		–	701
Intangible assets		287,948	306,630
Other deposits		2,309	2,309
Deferred tax assets		–	30
		<u>1,297,282</u>	<u>1,688,174</u>
CURRENT ASSETS			
Loan receivables		–	256,365
Financial assets at amortised cost		–	93,701
Tax recoverable		–	1,206
Financial assets at fair value through profit or loss		338	282
Trade and other receivables	10	17,502	44,721
Pledged bank deposit		4,474	3,453
Bank balances and cash – trust accounts		25,140	86,848
Bank balances and cash – general accounts		242,158	159,960
		<u>289,612</u>	<u>646,536</u>
CURRENT LIABILITIES			
Trade and other payables	11	790,017	602,763
Borrowings – current portion		143,407	6,906
Senior notes		283,101	–
Tax liabilities		1,036	–
Amount due to a related party		15,000	–
Derivative financial liabilities		1,370	1,400
Convertible notes – current portion		290,000	97,940
Lease liabilities – current portion		15,790	–
		<u>1,539,721</u>	<u>709,009</u>
NET CURRENT LIABILITIES		<u>(1,250,109)</u>	<u>(62,473)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>47,173</u>	<u>1,625,701</u>

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
CAPITAL AND RESERVES			
Share capital		51,659	1,033,172
Reserves		(693,201)	(680,111)
		<hr/>	<hr/>
(Deficit) equity attributable to the owners of Company		(641,542)	353,061
Non-controlling interests		–	326,012
		<hr/>	<hr/>
TOTAL (DEFICIT) EQUITY		(641,542)	679,073
		<hr/> <hr/>	<hr/> <hr/>
NON-CURRENT LIABILITIES			
Borrowings – non-current portion		–	70,869
Deferred tax liabilities		47,537	94,216
Convertible notes – non-current portion		–	168,435
Amount due to a related party		–	15,000
Prepayment from customers	11	636,661	598,108
Lease liabilities – non current portion		4,517	–
		<hr/>	<hr/>
		688,715	946,628
		<hr/>	<hr/>
TOTAL EQUITY AND NON-CURRENT LIABILITIES		47,173	1,625,701
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL AND BASIS OF PREPARATION

Ping An Securities Group (Holdings) Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”). Other than those subsidiaries established in the People’s Republic of China (“PRC”) whose functional currency is Renminbi (“RMB”), the functional currency of the Company and its subsidiaries (collectively referred to as the “Group”) is HK\$. The directors of the Company consider that it is more appropriate to present the consolidated financial statements in HK\$ as the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance (Cap. 622).

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of the fact that the Group has incurred losses for number of years and a net loss of HK\$969,951,000 during the year ended 31 December 2019 and as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$641,542,000. In addition, the Group’s net current liabilities as of 31 December 2019 amounted to HK\$1,250,109,000.

As at 31 December 2019, the aggregate principal amounts of four batches of Senior Notes issued by the Company of HK\$58,411,500 and aggregate interest amounts of HK\$4,260,000 were overdue and the Group was in default in repayment. The maturity dates of these four batches of Senior Notes were 1 November 2019, 15 November 2019, 3 December 2019 and 13 December 2019. On 18 November 2019, the Company received a petition (“First Petition”) from the creditor of the immediate holding company of the Company (“Well Up (Hong Kong) Limited”) to apply for the winding up of the Company. On 21 November 2019, the Group received another petition (the “Second Petition”) from a Senior Note holder to apply for the winding up of the Company. The High Court has granted an order to withdraw the First Petition and Second Petition on 8 January 2020 and 22 January 2020, respectively. Up to the date when the consolidated financial statements were authorized for issue, the Group has not been able to obtain approval from the lenders regarding extension of repayments of these Senior Notes and the abovementioned outstanding amounts were still not yet settled.

Due to the abovementioned petitions and the Group’s default in repayment on the Senior Note, the aggregate principal amount of the borrowings of the Group of HK\$646,981,000 as the facts and circumstances had constituted the events of default under the respective borrowing agreements. These borrowings included unsecured Debentures, Senior Notes and Convertible Notes for the principal amounts of HK\$73,880,000, USD36,350,000 (equivalents to HK\$283,101,000) and HK\$290,000,000 respectively.

The Company announced a proposed rights issues on the basis of one rights share for every two existing shares on 11 October 2019 (“Proposed Rights Issues”) and published prospectus for the Proposed Rights Issues dated 1 November 2019. Since then, the Company started receiving proceeds from existing shareholders and received approximately HK\$192,770,000 before close of application. However, the board of the Company announced termination of the Proposed Rights Issue on 18 November 2019 after receiving a winding up petition against the Company. Therefore, the Company has to refund such amount as soon as possible. The proceeds received was refunded in January 2020.

Moreover, as at 31 December 2019, the Group's investment properties in PRC were still under development. As at 31 December 2019, the outstanding construction cost payable amounted to HK\$174,411,000 which had been overdue. The development process had been suspended since June 2019 due to the Group's failure to pay the outstanding construction costs to the constructors. The Group had received prepayments from customers when the Group signed agreements of pre-leasing the investment property since 2017, which had been recognised as the Group's liabilities, amounting to HK\$649,203,000 as at 31 December 2019. The Group was unable to complete the development project on time and to make the properties available for customers' usage. As at 31 December 2019, over 200 tenants had applied to the court to ask for refund for breach of the contracts amounting to HK\$39,612,000 and that there was increasing number of legal actions carried out by customers subsequent to the end of the reporting period.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

- (i) The Group has been actively negotiating with the lenders to extend the repayment dates of the overdue borrowing.
- (ii) The Group has been actively negotiating with substantial shareholders of the Company to provide additional sources of financing to meet the liabilities as they fall due.
- (iii) The Group is taking measures to tighten cost controls over various operating costs and expenses with the aim to attain profitable and positive cash flow operation.
- (iv) The Group has been actively negotiating with the lenders such that no action will be taken by the lenders to demand immediate repayments of borrowings in any breach of loan covenants or default.
- (v) To negotiate with and maintain a good business relationship with the suppliers of the Group in particular those in relation to the Group's property development project such that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligation on a timely basis.

The directors of the Company have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2019. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2019. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and Amendments to HKFRSs that are mandatory effective for the current year

The Group has applied the following mandatorily to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

HKFRS 16 Leases

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

Definition of a lease

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

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

As a lessee

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

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

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

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied was 13%.

Reconciliation of lease commitment to lease liabilities is set out as follow:

	At 1 January 2019
	HK\$'000
Operating lease commitments disclosed as at 31 December 2018:	
Rented premises and other assets	40,290
Lease liabilities discounted at relevant incremental borrowings rate	(5,461)
Less: Recognition exemption – short-term leases	<u>(647)</u>
	<u>34,182</u>
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	<u>34,182</u>
Analysed as	
Current	16,338
Non-current	<u>17,844</u>
	<u>34,182</u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	34,182
Less: Accrued lease liabilities relating to lease of property at 1 January 2019	<u>(2,018)</u>
	<u><u>32,164</u></u>
By class:	
Leased office premise	<u><u>32,164</u></u>

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

	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustment HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	32,164	32,164
Current liabilities			
Trade and other payables	2,018	(2,018)	–
Lease liabilities	–	16,338	16,338
Non-current liabilities			
Lease liabilities	<u>–</u>	<u>17,844</u>	<u>17,844</u>

New and revised HKFRSs in issue but not yet effective

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2019 and have not been early adopted by the Group are as follows:

HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 3	<i>Definition of a Business</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-Current</i> ⁵
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ⁴
Amendments to HKFRS16	<i>COVID-19 Related Rent Concessions</i> ⁶

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

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

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

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

⁵ Effective for annual periods beginning on or after 1 January 2022.

⁶ Effective for annual periods beginning on or after 1 June 2020.

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

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performances.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Financial services	Securities dealing and financial services
Insurance brokerage segment	Provision of insurance referral services
Loan financing	Provision of financing services
Mining and trading of crypto currencies	Mining and trading of crypto currencies
Property development	Development of primarily hotel and commercial properties

Segment Revenues and Results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 December 2019

	Financial services <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Mining and trading of crypto currencies <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>11,982</u>	<u>4,058</u>	<u>24,456</u>	<u>-</u>	<u>-</u>	<u>40,496</u>
Segment loss	<u>(29,217)</u>	<u>(813)</u>	<u>(273,099)</u>	<u>(12)</u>	<u>(484,554)</u>	<u>(787,695)</u>
Unallocated corporate expenses						(135,579)
Unallocated other income						8,305
Finance costs						<u>(98,112)</u>
Loss before tax from continuing operations						<u>(1,013,081)</u>

For the year ended 31 December 2018

	Financial services <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Mining and trading of crypto currencies <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>57,510</u>	<u>2,150</u>	<u>16,695</u>	<u>-</u>	<u>-</u>	<u>76,355</u>
Segment loss	<u>(723,471)</u>	<u>(5,149)</u>	<u>(1,747)</u>	<u>(53,054)</u>	<u>(388,252)</u>	<u>(1,171,673)</u>
Unallocated corporate expenses						(119,209)
Unallocated other income						27,726
Finance costs						<u>(47,371)</u>
Loss before tax from continuing operations						<u>(1,310,527)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2019 and 31 December 2018.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit or loss from each segment without allocation of central administration costs, directors' emoluments, interest income, finance costs, gain on disposal of subsidiaries, fair value change on financial assets at fair value through profit or loss and fair value change on derivative financial liabilities. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Disaggregation of revenue

Types of goods or service	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations		
Financial services segment		
Commission and brokerage income	2,855	5,865
Interest income from cash and margin clients	42	156
Placing and underwriting commission	1,994	6,519
Asset management fee income	341	38,270
Corporate financial advisory service income	500	450
Interest income from investment	6,250	6,250
	<u>11,982</u>	<u>57,510</u>
Loan financing segment		
Interest income from loans receivables	24,456	16,695
Insurance brokerage segment		
Commission from insurance brokerage	1,128	143
Commission from client referral	2,930	2,007
	<u>4,058</u>	<u>2,150</u>
Total	<u><u>40,496</u></u>	<u><u>76,355</u></u>

SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2019	2018
	HK\$'000	HK\$'000
<i>Segment assets</i>		
Continuing operations		
Loan financing	18	272,439
Financial services	316,856	498,261
Property development	1,004,136	1,370,315
Insurance brokerage	79	1,390
	<hr/>	<hr/>
Total segment assets	1,321,089	2,142,405
Unallocated corporate assets	265,805	188,299
	<hr/>	<hr/>
Total consolidated assets for continuing operations	1,586,894	2,330,704
	<hr/>	<hr/>
Discontinued operation		
Data verification service	–	4,006
	<hr/>	<hr/>
Total consolidated assets	1,586,894	2,334,710
	<hr/> <hr/>	<hr/> <hr/>
<i>Segment liabilities</i>		
Continuing operations		
Loan financing	25	2
Financial services	74,523	156,377
Property development	1,122,355	992,085
Insurance brokerage	1,271	918
Mining and trading of crypto currencies	18,039	18,039
	<hr/>	<hr/>
Total segment liabilities	1,216,213	1,167,421
Unallocated corporate liabilities	1,012,223	483,663
	<hr/>	<hr/>
Total consolidated liabilities for continuing operations	2,228,436	1,651,084
	<hr/>	<hr/>
Discontinued operation		
Data verification service	–	4,553
	<hr/>	<hr/>
Total consolidated liabilities	2,228,436	1,655,637
	<hr/> <hr/>	<hr/> <hr/>

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

- All assets are allocated to operating segment assets other than certain other receivables, property, plant and equipment of head office and bank balances and cash.
- All liabilities are allocated to operating segment liabilities other than certain other payables, borrowings, senior notes, tax liabilities, deferred tax liabilities, amount due to a related party, lease liabilities, derivative financial liabilities and convertible notes.

4. REVENUE AND OTHER INCOME

The Group's revenue of continuing operations from interest income from loan, interest income from investment, interest income from cash and margin clients, corporate finance advisory services, asset management, insurance brokerage, commission from client referral service income, commission and brokerage income and underwriting income for the year is as follows:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
<u>Continuing operations</u>		
Interest income from loan receivables	24,456	16,695
Interest income from investment	6,250	6,250
Commission and brokerage income	2,855	5,865
Interest income from cash and margin clients	42	156
Placing and underwriting commission	1,994	6,519
Corporate finance advisory services fee income	500	450
Asset management fee income	341	38,270
Insurance brokerage income	1,128	143
Commission from client referral	2,930	2,007
	40,496	76,355
	40,496	76,355
Other income		
Interest income	450	146
Sundry income	611	197
Dividend income	3	23
Convertible notes interest income	–	531
	1,064	897
	1,064	897

5. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on:		
– Bank and other borrowings	16,981	5,990
– Convertible notes	66,476	41,381
– Senior notes	11,019	–
– Lease liabilities	3,636	–
	<u>98,112</u>	<u>47,371</u>

6. EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Impairment losses recognized on:		
– Loan receivables	256,365	17,233
– Interest receivables	40,099	1,143
– Financial assets at amortised cost	6,001	6,299
	<u>302,465</u>	<u>24,675</u>

7. INCOME TAX CREDIT

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	2,242	1,625
Deferred tax		
– Credited for the year	(45,937)	(37,520)
Income tax credit	<u>(43,695)</u>	<u>(35,895)</u>

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 Bill was signed into law on 28 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%.

Accordingly, starting from the current year, the Hong Kong profit tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2018: 25%).

8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs:		
– Directors’ emoluments (<i>note a</i>)	7,968	8,100
– Other staff costs:		
– Salaries and other benefits	44,382	42,727
– Retirement benefit scheme contributions	1,523	2,236
	<hr/>	<hr/>
Total staff costs	53,873	53,063
	<hr/> <hr/>	<hr/> <hr/>
Amortisation of intangible assets	18,357	18,382
Depreciation for property, plant and equipment	4,544	40,312
Depreciation for right-of-use assets	14,207	–
	<hr/>	<hr/>
Total depreciation and amortisation	37,108	58,694
	<hr/> <hr/>	<hr/> <hr/>
Commission expenses paid for agents for pre-leasing	9,405	81,728
Compensation paid to tenants	40,554	6,941
Auditor’s remuneration		
– audit services	1,500	1,300
– other services	1,157	870
Minimum lease payments under operating lease	2,890	15,923
Entertainment expenses	1,881	14,145
Legal and professional fees	14,871	9,599
Consultancy fee	11,384	8,342
Information and system cost	13,643	16,698
Advertising expenses	5,105	7,287
Value added tax and surtaxes expenses	22,645	29,408
Property tax	8,562	49,200
Penalty	14,171	53,839
Land use tax	–	852
Blockchain expenses	–	2,524
Travelling	3,334	2,856
	<hr/> <hr/>	<hr/> <hr/>

Note a: Among HK\$7,968,000 being directors’ emoluments, HK\$849,000 was paid by a subsidiary which is recognised in discontinued operation.

9. LOSS PER SHARE

(a) BASIC LOSS PER SHARE

For continuing operations

The calculation of the basic loss per share attributable to owners of the Company are based on the following data:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss for the year attributable to the owners of the Company	<u>(993,035)</u>	<u>(1,278,979)</u>
Less: Profit (loss) for the year attributable to the owners of the Company from discontinued operation	<u>164</u>	<u>(1,143)</u>
Loss for the purpose of basic and diluted loss per share from continuing operations	<u>(993,199)</u>	<u>(1,277,836)</u>
	2019 <i>'000</i>	2018 <i>'000</i>
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	5,165,863	4,723,763
Effect of shares issued by placing	<u>–</u>	<u>209,543</u>
Weighted average number of ordinary shares for the year	<u>5,165,863</u>	<u>4,933,306</u>

(b) DILUTED LOSS PER SHARE

The diluted loss per share for the years ended 31 December 2019 and 31 December 2018 is equivalent to the basic loss per share for both years as the potential shares arising from the conversion of the convertible notes would decrease the loss per share of the Group for both years, and this is regarded as anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables from			
– Clearing house and cash clients	(a)	474	9,818
– Others	(b)	2,443	4,699
Less: Allowances		–	–
		<u>2,917</u>	<u>14,517</u>
Interest receivables	(c)	41,151	17,697
Less: Allowances		41,151	1,143
		<u>–</u>	<u>16,554</u>
Other receivables, prepayment and deposit	(d)	20,586	13,650
Less: Allowances		6,001	–
		<u>14,585</u>	<u>13,650</u>
		<u>17,502</u>	<u>44,721</u>
Represented by:			
Non-current portion		–	–
Current portion		17,502	44,721
		<u>17,502</u>	<u>44,721</u>

Notes:

(a) Trade receivables – clearing house and cash clients

The settlement terms of trade receivables are two days after trade date.

(b) Trade receivables – others

There is no credit period granted to the trade receivables from underwriting and financial advisory income, insurance brokerage and referral commission and assets management income.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 3 months	653	14,513
4 to 6 months	100	4
Over 6 months	2,164	–
	<u>2,917</u>	<u>14,517</u>
Total	<u>2,917</u>	<u>14,517</u>

The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue by:		
Within 3 months	100	296
4 to 6 months	100	–
Over 6 months	2,164	–
	<hr/>	<hr/>
Total	2,364	296
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

(c) Interest receivables

The Group commenced loan financing operation and generating interest income since 2018. Interest receivables represented the Group's rights to receive loan interest according to the payment terms on the agreements. Expected credit loss has been fully provided for interest receivables.

(d) Other receivables, prepayment and deposit

As at 31 December 2019, the amount of approximately HK\$8,365,000 (2018: approximately HK\$4,179,000) represents other receivables which are stated at amortised cost. The amount of approximately HK\$5,699,000 (2018: approximately HK\$5,792,000) represents refundable deposits and remaining amount of approximately HK\$521,000 (2018: approximately HK\$3,679,000) represents prepayment and non-refundable deposits.

11. TRADE AND OTHER PAYABLES

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Account payables		
– Clearing house and cash clients	25,612	96,115
– Others	1,239	3,693
Construction cost payables, other payables, accrued charges and others	748,862	498,099
Deposits received	1,423	4,856
Deposit from rental	339	–
Prepayment from customers	649,203	598,108
	1,426,678	1,200,871
	<u><u>1,426,678</u></u>	<u><u>1,200,871</u></u>
Represented by:		
Non-current portion	636,661	598,108
Current portion	790,017	602,763
	1,426,678	1,200,871
	<u><u>1,426,678</u></u>	<u><u>1,200,871</u></u>

The following is an aged analysis of accounts payable presented based on the invoice date.

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	26,851	99,808
	<u><u>26,851</u></u>	<u><u>99,808</u></u>

12. DISCONTINUED OPERATION

As a result of the disposal of 60% interest in a subsidiary with principal operation as provision of data verification service is presented as discontinued operation.

The losses from the discontinued operation for the current and prior year are analysed as follows:

	2019	2018
	HK\$'000	HK\$'000
Revenue	14,977	5,039
Cost of Sales	(11,819)	(4,238)
Gross profit	3,158	801
Other income and loss, net	3	5
Other operating expenses	(4,985)	(2,710)
Gain on disposal of subsidiary	1,259	–
Loss from discontinued operation	(565)	(1,904)

13. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

- i) On 30 January 2020, Chain Billion Limited (“Chain Billion”), an indirect wholly owned subsidiary of the Company, had received a writ of summons from a third party claims against it for damages in the sum of approximately USD6,397,300 (equivalent to approximately HK\$49,823,000) for breach of an investment framework agreement. The directors of the Company believe, after considering legal advice, that the aforementioned case is at a very early stage and would not be necessary for provision making. Please refer to the Company’s announcement dated 30 January 2020 for details of the case.
- ii) On 11 May 2020 and 15 May 2020, Ping An Securities Limited (“PASL”), an indirect wholly owned subsidiary of the Company and Chain Billion had received writ of summons from third parties, who claim against them for damages in the sum of approximately HK\$89,200,000 for breached duty of care and breached certain agreements respectively. The directors of the Company believe, after considering legal advice, that the aforementioned case is at a very early stage and would not be necessary for provision making. Please refer to the Company’s announcement dated 11 May 2020 and 15 May 2020 for details of the case.

Save and except for the matters specified above and legal case subsequent to the financial year as stated in Note 14 (iv), the Group does not have any litigations or claims of material importance and, so far as the directors of the Company are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

i) Impact of Novel Coronavirus Outbreak to the Group

Since January 2020, the outbreak of Novel Coronavirus (“COVID-19”) has impact on the global business environment. A series of precautionary and control measures have been and continued to be implemented. The Group has paid close attention to the development of the COVID-19 outbreak and kept evaluating its impact on the financial position, cash flows and operating results of the Group. Up to the date when the consolidated financial statements were authorized to issue, COVID-19 has not resulted in material impact to the Group. Pending on the development and spread of COVID-19 subsequent to the date of these financial results, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial results. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

ii) On 30 January 2020, Chain Billion had received a writ of summons from a third party claims against it for damages in the sum of approximately USD6,397,300 (equivalent to approximately HK\$49,823,000) for breach of an investment framework agreement. The directors of the Company believe, after considering legal advice, that the aforementioned case is at a very early stage and would not be necessary for provision making. Please refer to the Company’s announcement dated 30 January 2020 for details of the case.

iii) On 11 May 2020 and 15 May 2020, PASL and Chain Billion had received writ of summons from third parties, who claim against them for damages in the sum of approximately HK\$89,200,000 for breached duty of care and breached certain agreements respectively. The directors of the Company believe, after considering legal advice, that the aforementioned case is at a very early stage and would not be necessary for provision making. Please refer to the Company’s announcement dated 11 May 2020 and 15 May 2020 for details of the case.

iv) On 29 May 2020, the Company received a wart of summons issued from the High Court of Hong Kong by the landlord (the “Plaintiff”) of its former office premises alleges that the Company has breached a lease relating to an office premises located at 18th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong entered into on 19 April 2018 between the Plaintiff as the landlord and the Company as the tenant. The Plaintiff claims against the Company for an amount of approximately HK\$30,000,000 in total. Please refer to the Company’s announcement dated 29 May 2020 for details of the case. Lease liabilities amount of HK\$20,307,000 were recorded in the consolidated financial statements as at 31 December 2019.

DIVIDENDS

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2019 (2018: nil).

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed with CHENG & CHENG LIMITED as at the date of their publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49 (3)(ii) (b) of the Listing Rules.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK\$'000 (Audited)	2019 HK\$'000 (Unaudited)	Difference HK\$'000
Continuing operations				
Revenue	(a)	40,496	41,242	(746)
Cost of sales	(b)	—	(16,173)	16,173
Gross profit		40,496	25,069	15,427
Other income	(c)	1,064	1,824	(760)
Other gains and losses, net	(d)	(17,957)	—	(17,957)
Distribution costs	(e)	(57,077)	(61,493)	4,416
Administrative expenses	(f)	(208,813)	(221,505)	12,692
Finance costs	(g)	(98,112)	(62,153)	(35,959)
Loss from changes in fair value of investment properties under development	(h)	(386,130)	(136,536)	(249,594)
FV changes of financial assets at fair value through profit or loss	(i)	4,556	(5,653)	10,209
Fair values changes of derivative financial liabilities		8,130	8,004	126
Loss on disposal of property, plant and equipment		(150)	(104)	(46)
Impairment losses on goodwill		(698)	(701)	3
Impairment losses on intangible assets		(325)	(325)	—
Expected credit losses on financial assets	(j)	(302,465)	(272,020)	(30,445)
Gain (Loss) on the extinguishment of convertible notes		4,400	(9,592)	13,992

	2019	2019	Difference
<i>Notes</i>	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i>
Gain (Loss) before tax from continuing operations	(1,013,081)	(735,185)	(277,896)
Income tax credit	(k) 43,695	34,858	8,837
Loss for the year from continuing operations	(969,386)	(700,327)	(269,059)
Loss for the year from discontinued operation	(565)	–	(565)
Loss of the year	<u>(969,951)</u>	<u>(700,327)</u>	(269,624)
Loss attributable to:			
– Owners of the Company	(993,035)	(709,186)	(283,849)
– Non-controlling interests	23,084	8,859	14,225
	<u>(969,951)</u>	<u>(700,327)</u>	(269,624)
Loss attributable to the owners of the Company:			
– from continuing operations	(993,199)	(709,186)	(284,013)
– from discontinued operation	164	–	164
	<u>(993,035)</u>	<u>(709,186)</u>	(283,849)
Loss attributable to non-controlling interest:			
– from continuing operations	23,813	8,859	14,954
– from discontinued operation	(729)	–	(729)
	<u>23,084</u>	<u>8,859</u>	14,225
Loss per share			
– Basic and diluted (HK cents)			
From continuing and discontinued operations	(19.22) cents	(13.73) cents	
From continuing operations	(19.23) cents	(13.73) cents	

Notes

- (a) The difference in revenue was mainly due to reallocation of 聯潤(上海)資訊科技有限責任公司 amounted to approximately HK\$25M reallocated to discontinued operation and gross up interest income from loan receivables and impairment of interest receivable of HK\$24M.
- (b) The difference in cost of sales was mainly due to 聯潤(上海)資訊科技有限責任公司 amounted to approximately HK\$16M reallocated to discontinued operation.
- (c) The difference in other income mainly due to reclassification from other income amount approximately HK\$0.5M to interest income.
- (d) The difference represents impairment of right-of-used assets.
- (e) The difference mainly represents adjustment of over provision of VAT expenses in a subsidiary in Foshan, PRC amounted to approximately HK\$6M and reallocation of referral commission expenses in insurance brokerage segment amount HK\$3M from administration expenses.
- (f) The difference mainly represents reallocation of administrative expenses of 聯潤(上海)資訊科技有限責任公司 amounted approximately HK\$9.8M to discontinued operation and reallocation of referral commission expenses in insurance brokerage segment amount HK\$3M to distribution costs.
- (g) The difference mainly represents recognition of the imputed interest and penalty for late interest for adjustment of default debts.
- (h) The difference represents change in fair value after the completion of valuation report.
- (i) The difference represents recognition of change in fair value of listed equity of Super Harvest Global Fund SPC amounted approximately HK\$11.8M and reallocation of change in fair value of listed equity of 聯潤(上海)資訊科技有限責任公司 amounted approximately HK\$1.6M to discontinued operation.
- (j) The difference mainly represents gross up of ECL from loan receivables and interest income.
- (k) The difference represents adjustment of deferred tax for fair value change in investment property.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK\$'000 (Audited)	2019 HK\$'000 (Unaudited)	Difference HK\$'000
Loss for the year		(969,951)	(700,327)	(269,624)
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss:				
– Exchange differences arising on translation of financial statements of foreign operations	(l)	(3,361)	(41,387)	38,026
– Reclassification adjustment on translation reserve released on disposals of subsidiaries	(m)	(54)	(1,320)	1,266
Other comprehensive loss for the year		(3,415)	(42,707)	39,292
Total comprehensive loss for the year		<u>(973,366)</u>	<u>(743,034)</u>	(230,332)
Other comprehensive (loss) income for the year attributable to:				
– Owners of the Company		(1,568)	(42,947)	41,379
– Non-controlling interests		(1,847)	240	(2,087)
		<u>(3,415)</u>	<u>(42,707)</u>	39,292
Total comprehensive (loss) income for the year attributable to:				
– Owners of the Company		(993,035)	(752,133)	(240,902)
– Non-controlling interests		23,084	9,099	13,985
		<u>(969,951)</u>	<u>(743,034)</u>	(226,917)
Total comprehensive loss for the year attribute to the owners of the Company:				
– from continuing operations		(993,199)	(752,133)	(241,066)
– from discontinued operation		164	–	164
		<u>(993,035)</u>	<u>(752,133)</u>	(240,902)
Total comprehensive loss attribute to non-controlling interests:				
– from continuing operations		23,813	9,099	14,714
– from discontinued operation		(729)	–	(729)
		<u>23,084</u>	<u>9,099</u>	13,985

Notes

(l) The difference mainly represents adjustment on exchange rate of PRC companies from local currency to Group presentation currency and exchange adjustment upon the fair value change of investment property.

(m) The difference represents disposal of 聯潤(上海)資訊科技有限責任公司 amounted approximately HK\$1.3M.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK\$'000 (Audited)	2019 HK\$'000 (Unaudited)	Difference HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment		8,025	8,072	(47)
Right-of-use assets	(n)	–	17,956	(17,956)
Investment properties	(o)	999,000	1,242,000	(243,000)
Goodwill		–	–	–
Intangible assets		287,948	287,948	–
Other deposits		2,309	2,309	–
Deferred tax assets		–	30	(30)
		<u>1,297,282</u>	<u>1,558,315</u>	(261,033)
CURRENT ASSETS				
Loan receivables		–	–	–
Financial assets at amortised cost		–	–	–
Tax recoverable		–	–	–
Financial assets at fair value through profit or loss	(p)	338	4,147	(3,809)
Trade and other receivables	(q)	17,502	21,175	(3,673)
Pledged bank deposit		4,474	4,474	–
Bank balances and cash – trust accounts		25,140	25,140	–
Bank balances and cash – general accounts	(r)	<u>242,158</u>	<u>243,314</u>	(1,156)
		<u>289,612</u>	<u>298,250</u>	(8,638)
CURRENT LIABILITIES				
Trade and other payables	(s)	790,017	814,933	(24,916)
Borrowings – current portion	(t)	143,407	69,527	73,880
Senior notes	(u)	283,101	296,729	(13,628)
Tax liabilities		1,036	1,036	–
Amounts due to related parties		15,000	15,000	–
Derivative financial liabilities		1,370	1,370	–
Convertible notes – current portion	(v)	290,000	189,968	100,032
Lease liabilities – current portion		<u>15,790</u>	<u>15,790</u>	–
		<u>1,539,721</u>	<u>1,404,353</u>	135,368
NET CURRENT LIABILITIES		(1,250,109)	(1,106,103)	(144,006)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>47,173</u></u>	<u><u>452,212</u></u>	(405,039)

Notes

- (n) The difference represents impairment loss of right-of-use assets.
- (o) The difference represents fair value adjustment of investment properties base on the valuation report.
- (p) The difference was due to disposal of 聯潤(上海)資訊科技有限責任公司 amounted approximately HK\$3.8M.
- (q) The difference represents to recognition of ECL of 北京豐收基業管理諮詢有限公司 amounted to HK\$1.7M and reallocation of trade and other receivables of 聯潤(上海)資訊科技有限責任公司 amounted approximately HK\$1.8M to discontinued operation.
- (r) The difference represents due to disposal of 聯潤(上海)資訊科技有限責任公司 amounted approximately HK\$1M.
- (s) The difference mainly due to reclassification between current accounts with Group companies and other payables identified of PRC subsidiaries after resumption of PRC offices.
- (t) The difference mainly due to reclassification of borrowings with default.
- (u) The difference mainly represents imputed interest adjustment upon default of the senior notes.
- (v) The difference mainly represents imputed interest adjustment upon default of the convertible notes.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK\$'000 (Audited)	2019 HK\$'000 (Unaudited)	Difference HK\$'000
CAPITAL AND RESERVES				
Share capital	(w)	51,659	1,033,172	(981,513)
Reserves	(w)	<u>(693,201)</u>	<u>(1,430,933)</u>	737,732
(Deficit) equity attributable to the owners of Company		(641,542)	(397,761)	(243,781)
Non-controlling interests	(x)	<u>–</u>	<u>1,330</u>	(1,330)
TOTAL (DEFICIT) EQUITY		<u>(641,542)</u>	<u>(396,431)</u>	(245,111)
NON-CURRENT LIABILITIES				
Borrowings – non-current portion	(t)	–	58,563	(58,563)
Deferred tax liabilities	(y)	47,537	56,216	(8,679)
Convertible notes – non-current portion	(v)	–	85,080	(85,080)
Prepayment from customers	(z)	636,661	644,266	(7,605)
Lease liability – non current portion		<u>4,517</u>	<u>4,518</u>	(1)
		<u>688,715</u>	<u>848,643</u>	(159,928)
TOTAL EQUITY AND NON-CURRENT LIABILITIES		<u><u>47,173</u></u>	<u><u>452,212</u></u>	(405,039)

Notes

- (w) The difference represents transfer of equity between share capital and reserve upon capital reorganisation effective on 19 September 2019.
- (x) The difference mainly due to reverse amounted approximately HK\$1.3M of NCI due to disposal of a subsidiary of 聯潤(上海)資訊科技有限責任公司.
- (y) The difference mainly represents deferred tax adjustment when change in fair value of investment property.
- (z) The difference mainly represents reclassification amounted approximately HK\$7.6M of the prepayment from the contract and agreement of a PRC subsidiary to current liabilities upon finalisation of audit work done.

RESULTS

For the year ended 31 December 2019 (“FY2019”), the Group recorded a turnover of HK\$40,496,000 from continuing operations, while the turnover from continuing operations for the year ended 31 December 2018 (“FY2018”) was HK\$76,355,000, representing a decrease of approximately 47%. The Group’s consolidated loss for the current year was HK\$969,951,000, representing a decrease of approximately 24% in loss when compared with the loss of HK\$1,276,536,000 for FY2018.

BUSINESS REVIEW

For FY2019, the Company’s principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in the business of provision of securities brokerage, securities underwriting and placements, asset management and financial advisory services, loan financing and insurance brokerage as well as property development.

As a result of the disposal of a non-wholly owned subsidiary with principal operation as provision of data verification service, data verification service is presented as discontinued operation in FY2019 and recorded a loss of HK\$565,000 in FY2019 (FY2018: loss of HK\$1,904,000).

The Group's consolidated loss for FY2019 amounted to HK\$969,951,000, representing a decrease of approximately 24% when compared with the loss of HK\$1,276,536,000 for FY2018. The substantial decrease in loss was mainly attributable to (i) property tax expenses and other related surcharges in connection with pre-leasing of investment properties under development recognised as expenses for FY2019 as compared to FY2018, sharply decreased by 78% from approximately HK\$103,039,000 to approximately HK\$22,733,000 as the pre-leasing activities sharply decreased in FY2019; (ii) as the pre-leasing of investment properties under development sharply decreased in FY2019, the corresponding distribution costs also recorded a decrease of approximately HK\$170,516,000 as compared to FY2018; (iii) expected credit losses on loans and interest receivables in FY2019 increased significantly by approximately HK\$278,088,000; (iv) impairment loss on goodwill was sharply decreased from approximately HK\$725,865,000 in FY2018 to approximately HK\$698,000 in FY2019; and (v) investment properties under development located in Foshan recorded a loss from changes in fair value of HK\$386,130,000 in FY2019 (FY2018: loss of HK\$137,818,000).

As mentioned above, the financial services segment provides a wide range of financial services including the provision of securities brokerage, securities underwriting and placements in Hong Kong which recorded a turnover of HK\$11,982,000 (FY2018: HK\$57,510,000), representing a decrease of approximately 79% when compared with FY2018. As the asset management service was downscaled in FY2019, asset management fee income decreased to HK\$341,000 (FY2018: HK\$38,270,000).

As the loan financing activities were commenced in the second half of FY2018, interest income arising from loan financing activities was increased by approximately 46% to HK\$24,456,000 in FY2019 as compared to FY2018.

The Group's land in Foshan City, Guangdong Province, the PRC, the flagship investment property development project of the Group, is being developed into a complex of shops, offices and hotel (including some serviced apartments) with a total gross floor area of approximately 241,000 square metres. Pre-leasing of some serviced apartments has commenced from 2017 with approximately 86,000 square metres having been pre-leased for over 20 years and rental income amounting to approximately HK\$649 million was received in advance. As an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at the initial contract price within one month immediately after the 10th anniversary. Accordingly, corresponding rental income from pre-leasing could not be recognised at this stage.

As a result of the disposal of a non-wholly owned subsidiary with principal operation as provision of data verification service during FY2019, revenue arising from data verification service amounting to HK\$14,977,000 in FY2019 (FY2018: HK\$5,039,000) was classified as revenue from discontinued operation.

FINANCIAL REVIEW

As mentioned in the business review section, the decrease in distribution costs from HK\$227,593,000 to HK\$57,077,000 in FY2019 was mainly attributable to the decrease in recognition of property tax and other related surcharges and penalty in connection with the decrease of pre-leasing of investment properties under development launched by a PRC subsidiary in FY2019.

On the other hand, during FY2019, compensation paid to tenants in connection with the pre-leasing of the above mentioned properties increased to HK\$40,554,000 (FY2018: HK\$6,941,000). As the development of the above properties were not completed on or before the handover date as stipulated in some pre-leasing agreements in FY2019, compensations had been paid by the PRC subsidiary as per pre-leasing agreements.

Impairment losses on goodwill for FY2019 was HK\$698,000 (FY2018: HK\$725,865,000). Besides, expected credit losses on loan and interest receivables amounting to HK\$296,464,000 (FY2018: HK\$18,376,000) were made by the Group in FY2019 after assessing their recoverable amounts.

Investment properties under development located in Foshan as held by a wholly-owned subsidiary recorded a loss from change in fair value of HK\$386,130,000 (FY2018: loss of HK\$137,818,000).

Finance cost increased by 107% to HK\$98,112,000 in FY2019 (FY2018: HK\$47,371,000) and the main reasons attributable to the increase were as follows:

- i) During FY2019, other borrowings increased sharply to HK\$69,527,000 (FY2018: HK\$6,906,000) and therefore, interests on bank and other borrowings increased by HK\$10,991,000;
- ii) Due to the events of default occurred in FY2019, imputed interests on convertible notes amounting to approximately HK\$24,000,000 were recognised in FY2019; and
- iii) Due to the deconsolidation of Super Harvest Global Fund SPC (“SH Fund”) during FY2019, interest expenses arising on senior notes issued by SH Fund amounting to HK\$11,019,000 were recognised in 2019.

As the Group has terminated the operation relating to mining and trading of crypto currencies since the end of 2018, for FY2019 no loss from this operation (FY2018: HK\$3,241,000) was recognised, no depreciation related to the equipment used in the above operation (FY2018: HK\$37,671,000) was recorded, and no loss on writing off of equipment (FY2018: HK\$11,720,000) was recognised.

The increase in current liabilities from HK\$709,009,000 in FY2018 to HK\$1,539,721,000 in FY2019 were mainly attributable to:

- i) Due to the deconsolidation of SH Fund as held by a wholly owned subsidiary of the Group in FY2019, Senior Notes amounting to HK\$283,101,000 (repayable within 12 months from the year end date) issued by the Company to SH Fund were recognized as current liabilities in FY2019; and
- ii) Secured and unsecured third parties short term loans repayable within 12 months from the year end date increased from HK\$6,906,000 (FY2018) to HK\$69,527,000 (FY2019).
- iii) Due to the receipt of a petition from SH Fund to apply for the winding up of the Company and the Group's default in repayment on the Senior Notes, the aggregate principal amounts of the borrowings of the Group of HK\$646,981,000 has constituted the events of default under the respective borrowing agreements including Debentures, Senior Notes and Convertible Notes for the principal amounts of HK\$73,880,000, HK\$283,101,000 (as mentioned in (i)) and HK\$290,000,000 respectively. Due to the abovementioned situation, all the above borrowings are deemed to become immediately repayable and classified as current liabilities; and
- iv) Lease liabilities relating to operating leases recognised upon application of HKFRS 16 in FY2019 amounting to HK\$15,790,000 and HK\$4,517,000 recognised as current liabilities and non current liabilities respectively.

CAPITAL REORGANISATION

The Company conducted a capital reorganisation during the year. Reference is made to the Company's announcement dated 16 August 2019 in relation to a proposed capital reorganisation involving the following:

- (a) Capital Reduction which will involve reduction of (i) the issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HK\$0.19 on each of the then issued Existing Shares such that the par value of each issued Existing Share will be reduced from HK\$0.20 to HK\$0.01; and (ii) the authorised share capital of the Company by reducing the par value of all Existing Shares from HK\$0.20 each to HK\$0.01 each resulting in the reduction of the authorised share capital of the Company from HK\$3,000,000,000 divided into 15,000,000,000 Existing Shares to HK\$150,000,000 divided into 15,000,000,000 New Shares; and
- (b) Capital Increase (to be effected upon the Capital Reduction becoming effective) which will involve the increase of the authorised share capital of the Company from HK\$150,000,000 divided into 15,000,000,000 New Shares to HK\$3,000,000,000 divided into 300,000,000,000 New Shares.

The resolution on the proposed capital reorganisation was duly passed by the Shareholders as a special resolution of the Company at the special general meeting hold on 18 September 2019 and the capital reorganisation took effect on 19 September 2019.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group's current assets and current liabilities were HK\$289,612,000 and HK\$1,539,721,000 respectively.

As at 31 December 2019, bank deposits and investment properties of the Group amounting to HK\$4,474,000 and HK\$57,577,000 respectively were charged.

The Group's gearing ratio as at 31 December 2019 was 140%, which is calculated on the Group's total liabilities divided by its total assets.

As at 31 December 2019, capital commitments contracted but not provided for were approximately HK\$218,319,000.

As at 31 December 2019, details of contingent liabilities are set out in note 13.

PROSPECTS AND OUTLOOK

At the beginning of 2020, with the fading of social unrest in Hong Kong and the signing of the first phase of the U.S.-China trade agreement, we expected an improvement to the Hong Kong China economy and a recovery of the market sentiment. Nevertheless, the sudden outbreak of coronavirus (COVID-19) has put forth an even larger challenge to the Group for the remaining part of the year.

Passing through a year full of difficulty in 2019, the Group has been in a tight liquidity, and the situation has been worsened as a fundraising exercise in late 2019 was stillborn. As a result, the Group is scaling down the operations of other businesses and will refocus on the financial services and the property project (the "Foshan Project") located in Xiqiao Town, Foshan City, Guangdong Province.

Due the unfavourable financial status of the Group, Ping An Securities Limited, our principal subsidiary for provision of financial services, cannot operate at a normal scale except executing sell orders from its clients who have sufficient stockholding in their accounts to meet their settlement obligation.

As regards the Foshan Project, the scheduled completion of its construction works for phases I and II and delivery of those pre-leased residential and commercial units under the Project to the leasees have experienced some delay also due to the unfavourable financial status of the Group.

As such, improvement to its financial strength is the first and foremost task of the Group. We will strive to leverage our internal and external resources through fundraising or introducing strategic investors to achieve this goal. We will explore the possibility of debt restructuring as well.

FOREIGN EXCHANGE RISK

The Group's operations are principally in the PRC and Hong Kong and all assets and liabilities were denominated either in Renminbi or Hong Kong dollars. The Directors consider that the Group does not have any material exposure to fluctuations in exchange. Therefore, no hedging measures have been taken at present.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Please refer to note 14 to this announcement for details.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of approximately 107 employees (2018: approximately 173), who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training was provided to its staff from time to time.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Group by the Company or any of its subsidiaries during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

CODE OF CORPORATE GOVERNANCE PRACTICE

During the year, the Company has complied with the code provisions in the Code of Corporate Governance Practice (the "CG Code") contained in Appendix 14 to the Listing Rules, except the deviations from the CG Code as described below:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same person. The Company has no chairman since Mr. Teng Wei's resignation with effect from 15 April 2019. Decisions of the Company are made collectively by the executive Directors. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

AUDIT COMMITTEE

The Company has an Audit Committee with terms of reference in compliance with the Listing Rules, which comprises our three independent non-executive Directors, ie, Mr. Wong Yee Shuen, Wilson, Mr. Suen To Wai and Mr. Yau Wai Lung, for the time being.

Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed the financial statements and the annual results of the Group for the year ended 31 December 2019 and discussed with management and the external auditors the accounting principles and policies adopted by the Company.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The following is an extract of the independent auditor's report issued by CHENG & CHENG LIMITED, the external auditor of the Group, on the Group consolidated financial statements for the year ended 31 December 2019.

“DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of PING AN SECURITIES GROUP (HOLDINGS) LIMITED (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out in the annual report of the Company, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

1) Going concern

The Group had incurred a loss of HK\$969,951,000 for the financial year ended 31 December 2019 and, as of that date, the Group was in net current liability position of HK\$1,250,109,000, and in net liability position of HK\$641,542,000.

As at 31 December 2019, the aggregate principal amount of four batches of Senior Notes issued by the Company of HK\$58,411,500 and aggregate interest payable of HK\$4,260,000 as described in note 30 to the consolidated financial statements,

were overdue and the Group was in default in repayment. The maturity dates of these four batches of Senior Notes were 1 November 2019, 15 November 2019, 3 December 2019 and 13 December 2019. On 18 November 2019, the Company received a petition (“First Petition”) from the creditor of the immediate holding company of the Company (“Well Up (Hong Kong) Limited”) to apply for the winding up of the Company. On 21 November 2019, the Group received another petition (the “Second Petition”) from a Senior Note holder to apply for the winding up of the Company. The High Court has granted an order to withdraw the First Petition and Second Petition on 8 January 2020 and 22 January 2020, respectively. Up to the date of this report, the Group has not been able to obtain approval from the lenders regarding extension of repayments of these Senior Notes and the abovementioned outstanding amounts were still not yet settled.

Due to the abovementioned petitions and the Group’s default in repayment on the Senior Notes, the aggregate principal amount of the borrowings of the Group of HK\$646,981,000 were considered “default” as at 31 December 2019 as the abovementioned facts and circumstances had constituted the events of default under the respective borrowing agreements. These borrowings included unsecured Debentures, Senior Notes and Convertible Notes for the principal amounts of HK\$73,880,000, USD36,350,000 (equivalents to HK\$283,101,000) and HK\$290,000,000 respectively as set out in notes 30, 30 and 32 to the consolidated financial statements respectively.

The Company announced a proposed rights issues on the basis of one rights share for every two existing shares on 11 October 2019 (“Proposed Rights Issues”) and published prospectus for the Proposed Rights Issues dated 1 November 2019. Since then, the Company started receiving proceeds from existing shareholders and received approximately HK\$192,770,000 (included in note 28 to the consolidated financial statements) before close of application. Such balance was included in Group’s bank balances as at 31 December 2019. However, the board of directors of the Company announced termination of the Proposed Rights Issue on 18 November 2019 after receiving the First Petition against the Company. The proceeds received were refunded to the shareholders in January 2020.

Moreover, as at 31 December 2019, the Group’s investment properties located in The People’s Republic of China (“PRC”), as described in note 19 to the consolidated financial statements, were still under development. As at 31 December 2019, the outstanding construction cost payable amounted to HK\$174,411,000 (included in note 29 to the consolidated financial statements) which had been overdue. The development process had been suspended since June 2019 due to the Group’s failure to pay the outstanding construction costs to the constructors. The Group had received prepayments from customers when the Group signed agreements of pre-leasing the investment property since 2017, which had been recognised as the Group’s liabilities, amounting to HK\$649,203,000 as at 31 December 2019. (see note 29 to the consolidated financial statements) The Group

was unable to complete the development project on time and to make the properties available for customers' usage. We were told by the management of the relevant PRC subsidiary that, as at 31 December 2019, over 200 tenants had applied to the court to ask for refund for breach of the contracts amounting to HK\$39,612,000 and that there was increasing number of legal actions carried out by customers subsequent to the end of the reporting period.

These conditions mentioned above indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Notwithstanding the abovementioned, the management has prepared the consolidated financial statements on a going concern basis.

Up to the date of this report, we were unable to obtain sufficient appropriate supporting bases from the Group for their underlying assumptions on going concern as set out in Note 3 to the consolidated financial statements to satisfy ourselves that they were reasonable and supportable. Hence, we were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

Because of the significance of the matters mentioned above, we were unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate. Should the Group fail to achieve the intended effects of the plans and measures described in Note 3 to the consolidated financial statements, it might not be able to continue to operate as a going concern and to settle its obligations and commitments, and adjustments may have to be made to write down the Group's assets to amounts that can be realized, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

2) Unauthorised transfer of shares of Super Harvest Asset Management Limited and Super Harvest Global Fund SPC (“SH Asset Management” and “SH Fund” respectively) and scope limitation on inability to obtain sufficient appropriate audit evidence about the Group’s revenue and account receivable in respect of management fee from SH Fund to SH Asset Management and interest income from investment

On 23 March 2020, the Company made an announcement (the “Announcement”) that the board of the directors of the Company (the “Board”) had recently discovered 2 unauthorised transactions that were conducted without any notice to, or the prior approval of, the Board at the relevant times: the first one was about a sale and purchase agreement relating to the transfer of the 100% shareholdings in SH Asset Management, an indirect wholly owned subsidiary of the Company, at US\$1, entered into between Vulture Capital Management Limited (as Purchaser A) and Earnest Wish Limited (an indirect wholly-owned subsidiary of the Company)

(as Vendor) on 25 September 2019; and the second one was about a sale and purchase agreement relating to the transfer of the management share of SH Fund entered into between SH Asset Management and Wong Yi Na (as Purchaser B) on 6 November 2019 and Purchaser B had been registered as the holder of the Management Share on the register members of SH Fund since 28 November 2019. The Announcement also mentioned that the first unauthorised transaction was subsequently cancelled and reversed on 15 October 2019. Moreover, in respect of the second unauthorised transaction, the Board asserted that it had not been provided with the sale and purchase agreement and that the Group had not received the consideration of US\$1 up to the date of this report as well as that there was an alleged trust arrangement.

Before the occurrence of the abovementioned two unauthorised transactions, SH Asset Management and SH Fund were considered by the management as subsidiaries of the Group. Soon after the sale and purchase agreement of the second unauthorised transaction, on 21 November 2019, SH Fund, as the Senior Note holder, applied for the winding up of the Company as described in point 1 above. The new management of the Group had also lost control of the financial information and books and records of SH Fund. Therefore, the new management of the Group decided to deconsolidate SH Fund for the year ended 31 December 2019.

On 17 March 2020, the Board passed resolutions to authorize two independent non-executive directors of the Company to form the Special Investigation Committee to undertake investigation on matters pertaining to the 2 unauthorised transactions and to review the internal control system of the Group. Up to the date of this report, the Special Investigation Committee was still conducting the investigation and we have not obtained any result from the investigation.

We were unable to obtain sufficient appropriate audit evidence and were unable to carry out alternative audit procedures, to satisfy ourselves as to the validity, nature and purpose of the abovementioned transactions. Also, we were unable to access and obtain certain financial information and books and records of SH Fund for the period from 1 January 2019 to 31 December 2019. And, the management of the Group could not confirm to us that all financial information and books and records of SH Fund were provided to us. We were unable to verify transactions entered into by SH Fund, the financial performance and the related cash flows for the period from 1 January 2019 up to date of deconsolidation and to verify the balances of all assets and liabilities of SH Fund as at the date when the unauthorised transactions took place and thereafter. Therefore, we were unable to verify any gain or loss arising from these unauthorised transactions and the completeness, occurrence, accuracy and disclosure of the related financial items in the consolidated financial statements. And, there were no sales and purchase agreements relating to the 2 unauthorised transactions provided by the management of the Group to us. Therefore, we were also unable to verify whether there were

any events after 31 December 2019 and contingent liabilities arising from sales and purchases agreements that might have material impacts to the Group. And, we could not verify the completeness of the financial information and books and records of SH Fund.

As represented by the Board, these two unauthorized transactions were executed by the previous management of the Group which were found by the new management of the Group in March 2020. As the abovementioned investigation was still in progress, before completion of the Investigation, the management of the Group was unable to confirm whether there are any other unauthorized transactions. We were unable to obtain sufficient appropriate audit evidence and were unable to carry out alternative audit procedures to satisfy ourselves as to the validity, nature and purpose of the abovementioned transactions. Also, we were unable to obtain sufficient audit evidence to conclude that there was no other transaction which was unauthorized and we were unable to assess whether the Group had identified, recorded and disclosed all contingent liabilities.

3) Scope limitation on inability to obtain sufficient appropriate audit evidence about the fair value of the Group's investment properties under development and the related prepayments from customers

As at 31 December 2019, the Group owned investment properties under development located in Foshan City, the People's Republic of China, with the fair value estimated by the management of HK\$999,000,000 (see note 19 to the consolidated financial statements). We were told by the management of the Group that the fair value of the investment properties under development as at 31 December 2019 was determined with reference to a valuation report issued by an independent valuer as at 31 December 2019. However, as mentioned above, the construction of the investment properties under development had been suspended since June 2019. Also, we were told by the management of the Group that since the management of the Group could not provide sufficient information to the valuer to determine the fair value of the properties under development as at 31 December 2019, the independent valuer could only determine a wide range of fair value of the properties from RMB656,000,000 (equivalent to approximately HK\$731,000,000) to RMB896,000,000 ((equivalent to approximately HK\$999,000,000). With such facts and circumstances, we were unable to obtain sufficient appropriate audit evidence and were unable to carry out alternative audit procedures about (a) how the fair value of the investment properties under development were affected by the suspended construction and (b) whether the assumptions and inputs adopted by the management of the Group in determining the fair value of the properties were appropriate.

In the absence of sufficient appropriate audit evidence, we were unable to assess whether the fair value of investment properties as at 31 December 2019 and the fair value change of the investment properties for the year then ended were free from material misstatements. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have consequential effect on the net liabilities of the Group as at 31 December 2019, on its loss for the year then ended, on the statement of cash flows for the year then ended and the disclosures in the notes to the consolidated financial statements for the year then ended.

In addition, as at 31 December 2019, prepayments from customers, amounting to HK\$649,203,000 were recognized as liabilities in the consolidated statement of financial position and were presented as non-current liabilities.

In the absence of sufficient appropriate evidence provided to us, we were unable to assess the accuracy, completeness and presentation of such prepayments obtained from customers and to determine whether it is appropriate to classify such prepayments as non-current liabilities. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the net liabilities of the Group as at 31 December 2019, on its loss for the year then ended and the related presentation and disclosures in the notes to the consolidated financial statements.

4) Scope limitation on inability to obtain sufficient appropriate audit evidence about the impairment assessment of the Group’s intangible assets relating to the “financial services” segment

On 18 November 2019, the Company made an announcement (the “November Announcement”) that the Board intended to apply to Securities and Futures Commission (“SFC”) for the cessation of regulated activities by two wholly owned subsidiaries of the Group namely Ping An Securities Limited (“Ping An Securities”) and Super Harvest Securities and Futures Limited (“SH Securities and Futures”). These two subsidiaries were engaged in “financial services” segment as described in note 7 to the consolidated financial statements. The management of the Group told us the reason for the application for cessation of the business was that it was considered necessary to redeploy the cash locked up in those two subsidiaries to meet the Group’s statutory payment obligations, including wages and salaries of the staff.

After the November Announcement have been published, as told by the management of the Group, the Group's financial services segment had not been generating any positive cash flows. As at 31 December 2019, the Group had recognised intangible assets in relation to the "financial services" segment with the carrying amount of HK\$287,948,000, as described in note 22 to the consolidated financial statements. In addition, deferred tax liabilities relating to such intangible assets were recognised in the Group's consolidated statement of financial position as at 31 December 2019, amounting to HK\$47,510,000, as described in note 34 to the consolidated financial statements.

Given the above facts and circumstances, the Group had identified indications of impairment of the abovementioned intangible assets and the Group had engaged an independent valuer to help determining the recoverable amount of the intangible assets as at the end of the reporting period. As defined in Hong Kong Accounting Standard 36 "Impairment of assets" ("HKAS 36") issued by the Hong Kong Institute of Certified Public Accountants, the recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. We were advised by the independent valuer that he was unable to find comparable recent transactions in similar assets to determine the fair value less cost of disposal of the intangible assets and hence, as an alternative, the recoverable amount was determined using an income-based approach with reference to the Group's historical financial information relating to the "financial services" segment and with an assumption that the Group would be able to resume its business in the near future. The recoverable amount of the intangible assets determined on such basis was higher than the carrying amount of the intangible assets. On this basis, management of the Group concluded that there was no need to recognise any impairment loss on the intangible assets for the year ended 31 December 2019.

Up to the date of this report, the Group had still been negotiating with the SFC as to when it can resume the normal business activities.

We were unable to obtain sufficient appropriate audit evidence to assess whether the inputs and assumptions used in determining the recoverable amount of the intangible asset at the end of the reporting period were supportable and reasonable. Also, there were no alternative audit procedures that we could perform to satisfy ourselves as to (a) whether the carrying amount of the intangible assets and the related deferred liabilities as at 31 December 2019 were free from material misstatements and (b) how much impairment loss on the intangible assets and reversal of deferred tax liabilities should be recognised for the year ended 31 December 2019. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the net liabilities of the Group as at 31 December 2019, on its loss for the year then ended and the disclosures in the notes to the consolidated financial statements for the year then ended. Any adjustments found to be necessary might also have consequential effect on the net liabilities of the Company as at 31 December 2019 disclosed in note 47 to the consolidated financial statements.

5) Scope limitation on inability to obtain sufficient appropriate audit evidence about the full impairment on loans receivables and related interest receivable recognised by the Group for the year ended 31 December 2019

The Group had made loans to various debtors in 2018 with the total amount of HK\$273,598,000, bearing interest of 15% per annum. These loans were previously approved by some of the then executive directors, including the CEO, Mr. Gong Qingli (“Mr. Gong”). On 20 November 2019, Mr. Gong tendered resignation as a director of the Company with effect from 20 February 2020. After Mr. Gong tendered resignation as a director and ceased to be the CEO with effect from 27 November 2019, the debtors ceased communication with the new management of the Group. These debtors failed to settle the loan principals and loan interests with the aggregate amounts of HK\$273,598,000 and HK\$41,151,000 respectively on the maturity dates. We were told by the new management of the Group that they had taken various actions to try to recover the debts such as issuing demand letters to the debtors and considering taking legal actions against the debtors. However, there were no responses from these debtors. Therefore, the new management of the Group considered the recovery of the aforesaid loan principal and loan interest was remote and hence recognised impairment loss of HK\$296,464,000 for the year ended 31 December 2019.

We have sent confirmations to these debtors several times and none of them have replied to us.

We were unable to obtain sufficient appropriate audit evidence whether it was appropriate for the Group to recognise full impairment loss for the year ended 31 December 2019. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the net liabilities of the Group as at 31 December 2019, on its loss for the year then ended and the disclosures in the notes to the consolidated financial statements for the year then ended.

6) Scope limitation on inability to access to books and records of a PRC subsidiary disposed of during the year ended 31 December 2019

During the year ended 31 December 2019, the Group disposed of 60% interest in a PRC subsidiary, namely 聯潤(上海)信息科技有限公司 (“聯潤”). Since the Group had lost control of this subsidiary after the disposal, the management of the Group was unable to provide us with financial information, books and records of the disposed subsidiary. We were unable to access to the financial information, books and records of the disposed subsidiary regarding financial information before the disposal. We were unable to verify the transactions and cash flows of the disposed subsidiary before the disposal and we were unable to verify the balances of all assets and liabilities as at disposal date and therefore, we could not verify the accuracy of any gain or loss on disposal of this subsidiary (see note 38 to the consolidated financial statements). Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the presentation and disclosure of items included in the Group’s consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 31 December 2019 and the related disclosures in the Group’s consolidated financial statements for the year ended 31 December 2019.”

FURTHER ANNOUNCEMENT ON THE AUDITED RESULTS AGREED BY AUDITORS

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and related notes thereto for the year ended 31 December 2019 as set out in the further announcement have been agreed by the Group’s auditor, CHENG & CHENG LIMITED Certified Public Accountants, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2019. The work performed by CHENG & CHENG LIMITED in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CHENG & CHENG LIMITED on the preliminary announcement.

APPRECIATION

The Directors would like to express our sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as our shareholders, business partners, bankers and auditors for their support to the Group throughout the year.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pingansecgp.com). The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and posted on the above websites in due course.

By Order of the Board of
Ping An Securities Group (Holdings) Limited
(Carrying on business in Hong Kong as PAN Securities Group Limited)
Cheung Kam Fai
CEO & Executive Director

Hong Kong, 22 June 2020

As at the date of this announcement, the Board comprises Mr. Cheung Kam Fai (CEO) and Mr. Lin Hongqiao (duties suspended) as executive Directors; Mr Cheung Ming Ming and Mr. Tsui Cheung On as non-executive Directors; and Mr. Wong Yee Shuen, Wilson, Mr. Suen To Wai and Mr. Yau Wai Lung, as independent non-executive Directors.