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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
THE ANNUAL RESULTS ANNOUNCEMENT AND
THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the announcement of Ping An Securities Group (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 22 June 2020 in relation to the annual results of the Group for the year ended 31 December 2019 (the “**2019 Annual Results Announcement**”) and the annual report of the Group for the year ended 31 December 2019 (the “**2019 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2019 Annual Results Announcement and the 2019 Annual Report.

In addition to the information provided in the 2019 Annual Results Announcement and the 2019 Annual Report, the Board would like to provide further information in relation to the disclaimer of opinion (the “**Audit Qualification**”) issued by the auditor of the Company (the “**Auditor**”) in relation to the consolidated financial statements of the Group for the year ended 31 December 2019.

DETAILS OF THE AUDIT QUALIFICATIONS AND THE BOARD’S VIEW ON THE AUDIT QUALIFICATIONS

1. Audit qualification – 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.

Up to the date of the 2019 Annual Report, the Auditor was unable to obtain sufficient appropriate supporting bases from the Group for the underlying assumptions on going concern as set out in Note 3 to the consolidated financial statements to satisfy the Auditor that they were reasonable and supportable. Hence, the Auditor was unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

The Board’s Plans/Actions

The Company has been discussing with creditors of the Group and a number of advisors regarding a proposed debt restructuring of the Group’s indebtedness (the “**Proposed Debt Restructuring**”).

On 2 October 2020 the Supreme Court of Bermuda made an order to appoint Mr. Osman Mohammed Arab and Mr. Lai Wing Lun, both of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Edward Alexander Niles Whittaker of R&H Services Limited in Bermuda as the Joint Provisional Liquidators (the “**JPLs**”) on a light touch basis for restructuring purposes. The Board believes that the appointment of JPLs is essential and desirable for the Company’s financial restructuring efforts in order to maximize the chance of success of the financial restructuring and to provide a moratorium on claims and to avoid a disorderly liquidation of the Company by any of its creditors.

Up to the current moment, the Company has had preliminary discussions with some major creditors and the response is positive. Hopefully the Company can obtain some proposals soon and thereafter the JPLs can call creditors’ meeting for negotiation. As such we are of the view that the Proposed Debt Restructuring is in meaningful progress. Moreover, the JPLs will help to find white knight(s) with a view to injecting new fund into the Company to reactivate the financial services business and the property development project in Foshan.

The Company is updating the progress of the Proposed Debt Restructuring to the auditor from time to time. The going concern issue would be solved if the Proposed Debt Restructuring works out as expected. The Company is endeavouring towards this goal.

2. Audit qualification – Unauthorised transactions

The audit qualification is about 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.

The Board’s Plans/Actions

The Company may consider initiating legal action against Wong Yi Na, the existing director and registered owner of SH Fund. On 16 October 2020, the Grand Court of the Cayman Islands granted the winding up order on SH Fund and appointed the joint official liquidators. As such, the existing director and registered owner of SH Fund is “disarmed”. The Board is of the view that once the fund is winding up, the possible liabilities arising from the unauthorized transactions are remote.

While the auditor had required the sale and purchase agreement(s) regarding the unauthorized transactions to assess that whether there are any possible liabilities associated with the disposal of SH Fund, we could not contact Wong Yi Na, and had not received any response from Wong Yi Na. Alternatively, we may address the concern of the auditor by way of a legal opinion letter regarding remoteness of potential liabilities which might arise out of the unauthorized transactions.

Taking into consideration of the foregoing, the Board believes that the auditor may then be able to withdraw the relevant qualified opinion accordingly.

3. Audit qualification – valuation of investment properties under development

This audit qualification is about the 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.

The Board's Plans/Actions

The Company is endeavouring to seek fund providers for the construction project in Foshan. At the current stage, the JPLs will help find white knight(s) to provide additional fund to complete the construction works of the Foshan Project. Further, the Company is planning to approach the lease holders of Foshan Project shortly with a view to amicably settling the dispute with them, which, if successfully done, can substantially reduce the contingent liabilities and strengthen the balance sheet.

As mentioned in 1 above, if the Proposed Debt Restructuring is achieved, the Company will be able to obtain new fund, and then we can provide the auditor with the evidence for the financial support and capital injection to the Group to complete the Foshan Project.

However, the timeline for resuming the development of Foshan Project depends very much on the successful implementation of the Proposed Debt Restructuring.

4. Audit qualification – valuation of intangible asset

This audit qualification is about the 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.

The Board's Plans/Actions

The Company is still discussing with the Securities and Futures Commission for reactivation of the licences of Ping An Securities Limited, one of our principal subsidiaries. However, it will depend on approval of Proposed Debt Restructuring. The Company will then provide the auditor with a future business plan and the cash flow forecast for the assessment of the value of the intangible asset. When all of the above actions are completed, the Board can provide sufficient information to assess the impairment of the intangible asset. The Board believes by that time the auditor may be able to withdraw the relevant qualified opinion accordingly.

5. Audit qualification – full impairment on loans receivables and related interests receivables recognised

This audit qualification is about the 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 Board's Plans/Actions

If the Proposed Debt Restructuring as mentioned in 1 above is achieved, the Company will be able to obtain new fund and take recovery actions, and then can provide the auditor with additional and sufficient audit evidence in a bid to remove this qualification.

6. Audit qualification – inability to access to books and records of a PRC subsidiary disposed of during the year ended 31 December 2019

This audit qualification relates to a PRC subsidiary of the Company whose 60% interest was disposed of during the year ended 31 December 2019. Since the Group had lost control of this subsidiary after the disposal, the management of the Group was unable to provide the auditor with financial information, books and records of the disposed subsidiary.

The Board's Plans/Actions

The management of the Group and the auditor have come to a consensus that as the PRC subsidiary has been treated as disposed of in the year ended 31 December 2019, this qualification will be removed automatically in the following year.

REMOVAL OF THE AUDIT QUALIFICATIONS

Based on the Company's discussion with the Auditor, the Board is given to understand that the Audit Qualifications would not be issued for the year ended 31 December 2020 if all of the above plans or actions could be completed as at 31 December 2020 or the latest, the date of the auditor's opinion. However, as sufficient appropriate audit evidence is yet to be obtained regarding the management's future assessment as at 31 December 2020, the auditor is unable to ascertain whether all Audit Qualifications can be removed in respect of the Group's financial statements for the year ended 31 December 2020 at this moment.

By Order of the Board

Ping An Securities Group (Holdings) Limited

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

Cheung Kam Fai

Executive Director & CEO

Hong Kong, 25 January 2021

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