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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)

INSIDE INFORMATION UPDATE ON POTENTIAL BREACH IN RESPECT OF GRANTING OF LOANS

This announcement is made by Ping An Securities Group (Holdings) Limited (the “Company”, and together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2) (a) of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND

Reference is made to the Company’s announcement dated 11 October 2019 (the “**Announcement**”) in relation to the potential breach of the Listing Rules by the Company in respect of the Grant of Loans (the “**Potential Breach**”). Capitalized terms used in this announcement shall have the same meanings as defined in the Announcement.

Subsequent to the publication of the Announcement, the Company continued to gather and assess the information and records pertaining to the Potential Breach and sought advice from the professional advisers of the Company in relation to the Potential Breach.

Based on the review by the Board, the revenue ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the loans granted by Super Harvest Finance Limited (“**SH Finance**”) to each of the Borrowers exceeded 25%, which constituted major transactions or, if the Loans are viewed as an aggregate, very substantial acquisition, under Chapter 14 of the Listing Rules and were therefore subject to the announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules. In this connection, the Company had failed to comply with the requirements of the Listing Rules at the time of entering into the respective agreements in respect of the Grant of Loans.

Aside from the revenue ratio, none of the other applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Loans granted by SH Finance to each of the Borrowers exceeded 25% even on an aggregate basis.

The purpose of this announcement is to provide shareholders of the Company (“**Shareholders**”) and the investing public with details and the latest status in relation to the Grant of Loans.

THE LOANS

SH Finance was a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) during the relevant time and commenced business in around February 2018. The Loans were granted under the usual and ordinary course of business of SH Finance and in accordance with the normal money lending procedure, including financial and corporate due diligence of the Borrowers.

As disclosed in the Announcement, the aggregate contracted principal amount of loans granted by SH Finance to the Borrowers is HK\$275 million (the “**Loans**”), the details of which are set out below.

(A) Loans granted to Great Harmony International Limited (“Great Harmony”) and Jovial Spate Limited (“Jovial Spate”)

Loans of a total contracted principal amount of HK\$130,000,000 and HK\$45,000,000 were granted to Great Harmony and Jovial Spate respectively, both of which are wholly-owned by Mr. Li Zhengxian (“**Mr. Li**”).

Great Harmony is a company incorporated in the British Virgin Islands on 29 October 2014 and is principally engaged in the business of investment holding, focusing on investment in the biotechnology, technology and financial services sectors.

Jovial Spate is a company incorporated in the British Virgin Islands on 25 July 2017 and is principally engaged in the business of electronic and technology equipment trading. Jovial Spate is a wholly-owned subsidiary of Great Harmony.

To the best knowledge, information and belief of the directors having made all reasonable enquiries, Mr. Li is a merchant and an independent third party not connected with the Company and its connected person.

The following table sets out the details of the Loans granted to Great Harmony:

					Total
Date of loan agreement	13 July 2018	10 August 2018	4 September 2018	21 September 2018	n/a
Principal amount of loan	HK\$15,000,000	HK\$60,000,000	HK\$20,000,000	HK\$35,000,000	HK\$130,000,000
Interest rate (per annum)	15%	15%	15%	15%	n/a
Total amount drawdown	HK\$15,000,000	HK\$60,000,000	HK\$20,000,000	Approximately HK\$33,600,000	HK\$128,600,000
Maturity date	12 July 2019	9 August 2019	3 September 2019	Between 20 September and 6 November 2019	n/a

The following table sets out the details of the Loans granted to Jovial Spate:

				Total
Date of loan agreement		19 July 2018	10 August 2018	n/a
Principal amount of loan		HK\$35,000,000	HK\$10,000,000	HK\$45,000,000
Interest rate (per annum)		15%	15%	n/a
Total amount drawdown		HK\$35,000,000	HK\$10,000,000	HK\$45,000,000
Maturity date		18 July 2019	9 August 2019	n/a

Personal guarantees were executed by Mr. Li between 13 July 2018 and 21 September 2018, respectively, in favor of SH Finance as security for the moneys, obligations and liabilities owed or indebted by Great Harmony and Jovial Spate, respectively, to SH Finance.

The Company had instructed its legal advisers to issue demand letters between 22 August 2019 and 12 September 2019 to Great Harmony and Jovial Spate in respect of the overdue Loans. The Company has also discussed with Great Harmony, Jovial Spate and Mr. Li on the repayment plans and exploring other possible restructuring proposals.

(B) Loan granted to Achieve Big Limited (“Achieve Big”)

A Loan of contracted principal amount of HK\$50,000,000 was granted to Achieve Big, which is wholly-owned by Mr. Han Shuai (“**Mr. Han**”).

Achieve Big is a company incorporated in the British Virgin Islands on 8 July 2015 and is principally engaged in the business of investment holding, focusing on investment in the consumer and financial services sectors.

To the best knowledge, information and belief of the directors having made all reasonable enquiries, Mr. Han is a merchant and an independent third party not connected with the Company and its connected person.

The following table sets out the details of the Loan granted to Achieve Big:

Date of loan agreement	13 July 2018
Principal amount of loan	HK\$50,000,000
Interest rate (per annum)	15%
Total amount drawdown	HK\$50,000,000
Maturity date	12 July 2019

A personal guarantee was executed by Mr. Han on 13 July 2018 in favor of SH Finance as security for the moneys, obligations and liabilities owed or indebted by Achieve Big to SH Finance.

The Company had instructed its legal advisers to issue a demand letter on 22 August 2019 to Achieve Big in respect of the above overdue Loan to Achieve Big. The Company has also discussed with Achieve Big and Mr. Han on the repayment plans and exploring other possible restructuring proposals.

(C) Loan granted to Depot Elite Limited (“Depot Elite”)

A Loan of contracted principal amount of HK\$50,000,000 was granted to Depot Elite, which is wholly-owned by Ms. Lu Yu (“**Ms. Lu**”).

Depot Elite is a company incorporated in the British Virgin Islands on 2 December 2014 and is principally engaged in the business of investment holding, focusing on investment in the consumer and financial services sectors.

To the best knowledge, information and belief of the directors having made all reasonable enquiries, Ms. Lu is a merchant and an independent third party not connected with the Company and its connected person.

The following table sets out the details of the Loan granted to Depot Elite:

Date of loan agreement	16 July 2018
Principal amount of loan	HK\$50,000,000
Interest rate (per annum)	15%
Total amount drawdown	HK\$50,000,000
Maturity date	15 July 2019

A personal guarantee was executed by Ms. Lu Yu on 16 July 2018 in favor of SH Finance as security for the moneys, obligations and liabilities owed or indebted by Depot Elite to SH Finance.

The Company had instructed its legal advisers to issue a demand letter on 22 August 2019 to Depot Elite in respect of the above overdue Loan to Depot Elite. The Company has also discussed with Depot Elite and Ms. Lu on the repayment plans and exploring other possible restructuring proposals.

Summary of the terms of the Loans

The following table sets out a summary of the Grant of Loans.

Name of Borrower	Date of loan agreement	Principal amount of loan	Total amount drawdown	Maturity date	Interest rate (per annum)	Personal Guarantee
Great Harmony	13 July 2018	HK\$15,000,000	HK\$15,000,000	12 July 2019	15%	Mr. Li
	10 August 2018	HK\$60,000,000	HK\$60,000,000	9 August 2019		
	4 September 2018	HK\$20,000,000	HK\$20,000,000	3 September 2019		
	21 September 2018	HK\$35,000,000	Approximately HK\$33,600,000	Between 20 September and 6 November 2019		
Total:		HK\$130,000,000	HK\$128,600,000			
Achieve Big	13 July 2018	HK\$50,000,000	HK\$50,000,000	12 July 2019	15%	Mr. Han
Jovial Spate	19 July 2018	HK\$35,000,000	HK\$35,000,000	18 July 2019	15%	Mr. Li
	10 August 2018	HK\$10,000,000	HK\$10,000,000	9 August 2019		
Total:		HK\$45,000,000	HK\$45,000,000			
Depot Elite	16 July 2018	HK\$50,000,000	HK\$50,000,000	15 July 2019	15%	Ms. Lu

The Company considers that the terms of the Loans above, in particular the interest rate, are fair and reasonable with reference to, among others, the prime rate in Hong Kong and interest cost of the Company's borrowing from banks and third party lenders in 2018 and in 2019 in Hong Kong of approximately 5% to 13%.

Assessment conducted by the Group at the time of Grant of Loans

The Group conducted credit appraisal on each of the Borrowers at the time of Grant of Loans by reviewing and assessing their respective (i) corporate information (such as certificate of incorporation, register of directors, register of members); and (ii) their latest financial information prior to the Grant of Loans.

Based on the review and assessment of financial information of the Borrowers for the year ended 31 December 2017, the Company considered that each of the Borrowers had substantial assets at the time of Grant of Loans. Based on (i) the contracted loan principal amount; and (ii) adjusted net assets (which was determined by excluding the amount due to a sole director, who was also the sole shareholder of the Borrowers) to the respective Borrowers, the contracted loan principal amount to adjusted net assets ratios ranged from approximately 4.4% to 31.5%.

Measures taken by the Group to safeguard its assets

Despite that the Grant of Loans was not supported by any collateral, the Company considered that each of the Borrowers had substantial assets at the relevant time. As a further measure to safeguard its assets, the Group had executed personal guarantees from each of the Borrowers, as disclosed above.

Latest status of the Grant of Loans

The Loans fell due in or will be due between July and November 2019.

As disclosed above, the Company had instructed its legal advisers to issue demand letters to the relevant Borrowers with overdue Loans and to issue further demand letters to Borrowers of the respective Loans that will become overdue. As at the date of this announcement, the Company is also in the process of discussing with the Borrowers on the repayment plans and exploring other possible restructuring proposals with a view to secure repayment of the Loans. No concrete plan or proposal has been formulated as at the date of this announcement. Shareholders and the investing public will be informed by way of announcement(s) if and when there is any significant development on this matter.

CONSEQUENCES AND REMEDIAL ACTIONS

The Company had been under the impression that the Grant of Loans by SH Finance was within its ordinary and normal course of business as a licensed money lender and therefore does not fall within the meaning of transaction under Chapter 14 of the Listing Rules.

Based on the review by the Board, since the revenue ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Loans granted by SH Finance to each of the Borrowers exceeded 25%, which constituted major transactions or, if the Loans are viewed as an aggregate, very substantial acquisition, under Chapter 14 of the Listing Rules and were therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. In this connection, the Company had failed to comply with the requirements of the Listing Rules at the time of entering into the respective agreements in respect of the Grant of Loans.

Aside from the revenue ratio, none of the other applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Loans granted by SH Finance to each of the Borrowers exceeded 25% even on an aggregate basis.

The Company admits that it has, albeit unintentionally, breached the Listing Rules in respect of the requirements under Chapter 14 of the Listing Rules. The Company has resolved to implement more vigilant internal control procedures, including seeking advanced professional advice, in respect of the granting of any further loans. The Company will fully cooperate on any enquiry and/or investigation may have by the Stock Exchange.

Shareholders of and potential investors in the Company should exercise caution when dealing in shares of the Company.

By order of the Board
Ping An Securities Group (Holdings) Limited
(Carrying on business in Hong Kong as PAN Securities Group Limited)
Gong Qingli
CEO & Executive Director

Hong Kong, 31 October 2019

As at the date of this announcement, the Board comprises Mr. Gong Qingli (CEO) and Mr. Lin Hongqiao as executive Directors; and Mr. Tsang Wah Kwong, Dr. Leung Wing Cheung, William and Dr. Yang Tao as independent non-executive Directors.