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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  
RELATING TO  
UNAUTHORIZED TRANSACTIONS  
AND  
SUSPENSION OF DUTIES OF MR. LIN HONGQIAO**

This announcement is issued by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

**UNAUTHORIZED TRANSACTIONS**

The Board has recently discovered the Unauthorized Transactions relating to the transfer of shares in SH Asset Management (an indirect wholly-owned subsidiary of the Company) and SH Fund in 2019. The Unauthorized Transactions were conducted without any notice to, or the prior approval of, the Board at the relevant times.

The Board has passed resolutions to authorise Mr. Wong Yee Shuen, Wilson and Mr. Suen To Wai, both being independent non-executive Directors to form the Special Investigation Committee to undertake investigation on matters pertaining to the Unauthorized Transactions and to review the internal control system of the Group.

### **SUSPENSION OF DUTIES OF MR. LIN HONGQIAO**

At the material time of entering into the First Unauthorized Transaction, Mr. Lin Hongqiao (an executive Director) and Mr. Gong Qingli (a former executive Director and the former Chief Executive Officer) were the then existing directors of Earnest Wish Limited, SH Asset Management and SH Fund and despite repeated requests/enquires made by the Board to them, they failed to provide sufficient details and justification for the First Unauthorized Transaction. Due to the investigation to be carried out by the Special Investigation Committee, the Board has resolved to temporally suspend all executive functions and duties of Mr. Lin Hongqiao in the Group, pending the outcome of the investigation of the Special Investigation Committee.

This announcement is issued by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information provisions under Part XIVA of the SFO.

### **UNAUTHORIZED TRANSACTIONS**

The Board has recently discovered the following Unauthorized Transactions:

- (i) First Unauthorized Transaction: 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\$1.00 was entered into between Vulture Capital Management Limited (as purchaser) and Earnest Wish Limited (an indirect wholly-owned subsidiary of the Company) (as vendor) on 25 September 2019 and the transfer was subsequently cancelled and reversed on 15 October 2019; and
- (ii) Second Unauthorized Transaction: a sale and purchase agreement relating to the transfer of the Management Share at US\$1.00 was entered into between SH Asset Management and Wong Yi Na (as purchaser) on 6 November 2019 and Wong Yi Na has been registered as the holder of the Management Share on the register of members of SH Fund since 28 November 2019, despite that SH Asset Management has never received the consideration of US\$1.00 up to the date of this announcement and there was an alleged trust arrangement.

Both Unauthorized Transactions were conducted without any notice to, or the prior approval of, the Board at the relevant times.

The boards of directors of SH Asset Management and SH Fund were also changed without any notice to, or the prior approval of, the Board as follows:

	Up to 25 September 2019	During 25 to 27 September 2019	During 27 September to 6 November 2019	From 27 September 2019 to present	From 6 November 2019 to present
SH Asset Management	Lin Hongqiao and Gong Qingli	Wang Wei	–	Zhuang Tao	–
SH Fund	Lin Hongqiao and Gong Qingli	Wang Wei	Zhuang Tao	–	Wong Yi Na

As stated in the sale and purchase agreement of the First Unauthorized Transaction, Vulture Capital Management Limited is an asset management company focused on distressed assets investment and management and those transaction documents were signed by Wang Wei on behalf of Vulture Capital Management Limited.

As at the date of this announcement, the Board was still not provided with the sale and purchase agreement of the Second Unauthorized Transaction prior to the publication of this announcements and the information relating to the Unauthorized Transactions is limited. Save as disclosed above, the Board has no further information relating to the background of Vulture Capital Management Limited, Wang Wei and Wong Yi Na.

#### **THE BOARD'S PRELIMINARY FINDINGS**

The existing Board has retrieved some of the documents and records (i.e. latest register of members, register of directors, board minutes, etc.) from the Cayman agents relating to the Unauthorized Transactions and also raised enquiries with the then members of the Board on the respective dates of the Unauthorized Transactions. Save for Mr. Lin Hongqiao (an executive Director) and Mr. Gong Qingli (a former executive Director and the former Chief Executive Officer), both of whom were the then existing directors of Earnest Wish Limited, SH Asset Management and SH Fund, all other Directors confirmed that they were not aware of the Unauthorized Transactions until they were informed by the Company, and that to the best of their knowledge and belief, the signing of the documents for the Unauthorized Transactions had not been approved by the Board at the relevant time.

Further, although Mr. Lin Hongqiao presented a declaration of trust and power of attorney and an instrument of transfer (both were signed allegedly by Wong Yi Na but undated) relating to the said Management Share to the Board, validity and completeness of those documents are yet to be verified. The Board has tried to contact Wong Yi Na to assess the exact arrangement to transfer back the Management Share to SH Asset Management, but the Board has yet to be able to contact Wong Yi Na prior to the publication of this announcement.

The Company wishes to emphasize that the above findings and analysis are of a preliminary nature, and the Board is yet to be able to assess if the alleged trust arrangement did exist and the validity of the Second Unauthorized Transaction (without consideration received and without approval). The Board reserves the right to take appropriate legal actions against the said transferees and other relevant party(ies) (if any) after further investigation of the matters.

#### **FORMATION OF SPECIAL INVESTIGATION COMMITTEE**

The Board has passed resolutions to authorize Mr. Wong Yee Shuen, Wilson and Mr. Suen To Wai, both being independent non-executive Directors, to form the Special Investigation Committee to undertake investigation on matters pertaining to the Unauthorized Transactions and to review the internal control system of the Group.

The Company also intends to engage the Internal Control Consultant to thoroughly review the internal control and corporate governance procedures of the Group to ensure proper compliance with the relevant requirements and to provide a report of its findings and recommendations for improving the procedures as soon as possible. The Company and the Special Investigation Committee will consult with and seek advice from the Internal Control Consultant with regard to the implementation of these recommendations so as to ensure future compliance with the Listing Rules. The Company will announce, in due course, the results of the internal control review, the recommendations of the Internal Control Consultant and the measures adopted by the Company pursuant to the advice given.

The Board will make further announcement(s) in relation to the results of the investigation of the Unauthorized Transactions as and when appropriate.

## **SUSPENSION OF DUTIES OF MR. LIN HONGQIAO**

At the material time of entering into the First Unauthorized Transaction, Mr. Lin Hongqiao and Mr. Gong Qingli were both the then existing directors of Earnest Wish Limited, SH Asset Management and SH Fund, and despite repeated requests/enquires made by the Board to them, they failed to provide sufficient details and justification on why they proceeded with the First Unauthorized Transaction, the basis of fixing a nominal consideration of US\$1.00, the reason on choosing such purchaser, the reason on why the directorship be changed to Zhuang Tao and his background; and why they failed to report the First Unauthorized Transaction to the Board.

Due to the investigation to be carried out by the Special Investigation Committee, the Board has resolved to temporality suspend all executive functions and duties of Mr. Lin Hongqiao in the Group, pending the outcome of the investigation of the Special Investigation Committee.

## **INFORMATION ON THE COMPANY, SH ASSET MANAGEMENT AND SH FUND**

The Company's principal activity is investment holding, whilst its subsidiaries are mainly engaged in the business of provision of securities brokerage, securities underwriting and placements, asset management and financial advisory services and insurance brokerage as well as property development.

As disclosed in the announcement of the Company dated 9 October 2019 and the prospectus of the Company dated 1 November 2019, SH Fund is a private fund and a segregated portfolio company incorporated with limited liability in the Cayman Islands in 2018. SH Fund has two class of shares in issue, namely, the Management Share and non-voting participating shares of US\$0.001 nominal or par value each in the capital of SH Fund. SH Fund was described as a subsidiary of the Group in its consolidated financial statements through the holding of the sole Management Share in issue by the Company's wholly-owned subsidiary, SH Asset Management.

SH Asset Management has been appointed as the investment manager to manage the SH Fund and such designated segregated portfolios, and was granted the authority, power and rights on a fully discretionary basis to implement the investment objective of the designated segregated portfolios. Notwithstanding the above, the Company and SH Fund are two separate legal entities and the Company has nil beneficial ownership in SH Fund as it does not own any of the participating shares attributable to a segregated portfolio.

Set out below is the financial information of SH Asset Management and SH Fund for the year ended 31 December 2018 and for the six months ended 30 June 2019:

<b>SH Asset Management</b>	<b>For the year ended 31 December 2018 <i>HK\$ million</i> (audited)</b>	<b>For the six months ended 30 June 2019 <i>HK\$ million</i> (unaudited)</b>
Revenue	6	6
Net (loss) profit before taxation	(6.1)	(6.7)
Net (loss) profit after taxation	(6.1)	(6.7)

The unaudited combined total assets and net assets of SH Asset Management and SH Fund as at 30 June 2019 were approximately HK\$415 million and HK\$392 million, respectively.

<b>SH Fund</b>	<b>For the year ended 31 December 2018 <i>HK\$ million</i> (audited)</b>	<b>For the six months ended 30 June 2019 <i>HK\$ million</i> (unaudited)</b>
Revenue	6	6
Net (loss) profit before taxation	(3.9)	(0.5)
Net (loss) profit after taxation	(3.9)	(0.5)

The unaudited total assets and net assets of SH Fund as at 30 June 2019 were approximately HK\$414 million and HK\$388 million, respectively.

#### **FINANCIAL EFFECT OF THE UNAUTHORIZED TRANSACTIONS**

As the First Unauthorized Transaction has been subsequently cancelled and reversed, the same has no financial impact on the Group.



“Director(s)”	the director(s) of the Company
“First Unauthorized Transaction”	the unauthorized transfer of the 100% shareholdings in SH Asset Management to Vulture Capital Management Limited by Earnest Wish Limited (an indirect wholly-owned subsidiary of the Company) on 25 September 2019, which was cancelled subsequently
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Internal Control Consultant”	an independent consultant to be engaged by the Company to, among other things, review the internal control system of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Share”	one non-participating voting non-redeemable share of par value US\$1.00 each of SH Fund
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Second Unauthorized Transaction”	the unauthorized transfer of the Management Share to Wong Yi Na by SH Asset Management in SH Fund on 28 November 2019
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“SH Asset Management”	Super Harvest Asset Management Limited, a company incorporated in the Cayman Islands with limited liability and a company wholly owned by the Company indirectly, and the investment manager of SH Fund

“SH Fund”	Super Harvest Global Fund SPC, a company incorporated in the Cayman Islands with limited liability and the Management Share was formerly held by SH Asset Management
“Special Investigation Committee”	a committee set up by the Board to investigate the Transactions, comprising all the independent non-executive Directors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning given to it in the Listing Rules
“Unauthorized Transactions”	collectively, the First Unauthorized Transaction and the Second Unauthorized Transaction
“US\$”	United States dollar(s), the lawful currency of the United States of America

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, 23 March 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 and Mr. Suen To Wai as independent non-executive Directors.*