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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)

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “Board”) of directors (the “Directors”) of Ping An Securities Group (Holdings) Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended	
		30.6.2020	30.6.2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	783	45,464
Cost of sales		(354)	(11,863)
Gross profit		429	33,601
Other income		3,296	681
Distribution costs		(17,935)	(61,433)
Administrative expenses		(49,779)	(95,692)
Finance costs	4	(61,555)	(27,498)
Loss from changes in fair value of investment properties under development		(62,538)	(136,098)
Loss on the extinguishment of convertible notes		–	(9,592)
Fair value changes on financial assets at fair value through profit or loss		(47)	(297)
Fair value changes on derivative financial liabilities		1,270	8,273
Impairment losses on goodwill		–	(701)
Other losses, net		(817)	–
Loss on disposal of property, plant and equipment		(4,571)	–
Loss before tax		(192,247)	(288,756)
Income tax credit	5	1,508	32,849
Loss for the period	6	(190,739)	(255,907)
Loss for the period attributable to:			
– Owners of the Company		(190,739)	(265,500)
– Non-controlling interests		–	9,593
		(190,739)	(255,907)
Loss per share	8		
Basic and diluted (HK cents)		(3.69) cents	(5.14) cents

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended	
	30.6.2020	30.6.2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(190,739)</u>	<u>(255,907)</u>
Other comprehensive income Items that may be reclassified subsequently to profit or loss		
– Exchange differences arising on translation of financial statements of foreign operations	<u>2,251</u>	<u>(1,685)</u>
Other comprehensive income/(expense) for the period	<u>2,251</u>	<u>(1,685)</u>
Total comprehensive expense for the period	<u><u>(188,488)</u></u>	<u><u>(257,592)</u></u>
Other comprehensive income/(expense) for the period attributable to:		
Owners of the Company	2,251	(623)
Non-controlling interests	<u>–</u>	<u>(1,062)</u>
	<u><u>2,251</u></u>	<u><u>(1,685)</u></u>
Total comprehensive expense attributable to:		
Owners of the Company	(188,488)	(266,123)
Non-controlling interests	<u>–</u>	<u>8,531</u>
	<u><u>(188,488)</u></u>	<u><u>(257,592)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30.6.2020 (Unaudited) <i>HK\$'000</i>	31.12.2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		1,163	8,025
Right-of-use assets		1,720	–
Investment properties		923,000	999,000
Intangible assets		278,807	287,948
Other deposits		5,473	2,309
		1,210,163	1,297,282
Current assets			
Financial assets at fair value through profit or loss		–	338
Trade and other receivables	9	13,025	17,502
Pledged bank deposit	10	4,396	4,474
Bank balances and cash – trust accounts	10	22,275	25,140
Bank balances and cash – general accounts	10	27,661	242,158
		67,357	289,612
Current liabilities			
Trade and other payables	11	682,062	790,017
Borrowings – current portion		151,287	143,407
Senior notes		283,101	283,101
Tax liabilities		7	1,036
Lease liabilities		908	15,790
Amount due to a related party		15,000	15,000
Convertible notes – current portion		290,000	290,000
Derivative financial liabilities		100	1,370
		1,422,465	1,539,721
Net current liabilities		(1,355,108)	(1,250,109)
Total assets less current liabilities		(144,945)	47,173

	30.6.2020 (Unaudited) HK\$'000	31.12.2019 (Audited) HK\$'000
Capital and reserves		
Share capital	51,659	51,659
Reserves	(881,689)	(693,201)
	<hr/>	<hr/>
Deficit attributable to the owners of Company	(830,030)	(641,542)
Non-controlling interests	–	–
	<hr/>	<hr/>
Total deficit	(830,030)	(641,542)
	<hr/>	<hr/>
Non-current liabilities		
Lease liabilities	13,482	4,517
Deferred tax liabilities	46,029	47,537
Prepayment from customers	625,574	636,661
	<hr/>	<hr/>
	685,085	688,715
	<hr/>	<hr/>
Total (deficit) equity and non-current liabilities	(144,945)	47,173
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the Executive Directors, 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	Provision of insurance referral services
Loan financing	Provision of financing services
Property development	Development of primarily hotel and commercial properties

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

For the six months period ended 30 June 2020 (unaudited)

	Financial services <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	51	732	–	–	783
Segment (loss) profit	(12,616)	15	–	(102,111)	(114,712)
Unallocated corporate expenses					(18,382)
Unallocated other revenue					2,402
Finance costs					(61,555)
Loss before tax					(192,247)

For the six months period ended 30 June 2019 (unaudited)

	Data verification services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	13,089	9,367	2,657	20,351	–	45,464
Segment profit (loss)	(2,481)	(20,945)	(668)	20,266	(210,117)	(213,945)
Unallocated corporate expenses						(55,907)
Unallocated other revenue						8,594
Finance costs						(27,498)
Loss before tax						(288,756)

3. SEGMENT INFORMATION (continued)

Disaggregation of revenue

Types of goods or service	Six months ended	
	30.6.2020	30.6.2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Financial services segment		
Commission and brokerage income	50	1,326
Interest income from cash and margin clients	1	25
Placing and underwriting commission	–	1,437
Corporate finance advisory services fee income	–	500
Interest income from investment	–	6,079
	<hr/>	<hr/>
	51	9,367
Loan financing segment		
Interest income from loans receivables	–	20,351
Insurance brokerage segment		
Commission from insurance brokerage	674	642
Commission from client referral	58	2,015
Data verification service segment		
Service income	–	13,089
	<hr/>	<hr/>
	783	45,464
	<hr/> <hr/>	<hr/> <hr/>

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	As at 30.6.2020 (Unaudited) <i>HK\$'000</i>	As at 31.12.2019 (Audited) <i>HK\$'000</i>
Segment assets		
Loan financing	–	18
Financial services	309,501	316,856
Property development	927,962	1,004,136
Insurance brokerage	6	79
	<hr/>	<hr/>
Total segment assets	1,237,469	1,321,089
Unallocated corporate assets	40,051	265,805
	<hr/>	<hr/>
Total consolidated assets	1,277,520	1,586,894
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Loan financing	13	25
Financial services	70,516	74,523
Property development	1,141,913	1,122,355
Insurance brokerage	1,236	1,271
	<hr/>	<hr/>
Total segment liabilities	1,213,678	1,198,174
Unallocated corporate liabilities	893,872	1,030,262
	<hr/>	<hr/>
Total consolidated liabilities	2,107,550	2,228,436
	<hr/> <hr/>	<hr/> <hr/>

4. FINANCE COSTS

	Six months ended 30.6.2020 (Unaudited) <i>HK\$'000</i>	30.6.2019 (Unaudited) <i>HK\$'000</i>
Interests on:		
– Bank and other borrowings	9,993	6,617
– Convertible notes	10,254	18,839
– Senior notes	40,192	–
– Lease liabilities	1,116	2,042
	<hr/>	<hr/>
	61,555	27,498
	<hr/> <hr/>	<hr/> <hr/>

5. INCOME TAX CREDIT

Hong Kong Profits Tax has been provided for at the rate of 16.5% (30 June 2019: 16.5%) on the estimated profit less estimated available tax losses. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30.6.2020 (Unaudited) HK\$'000	30.6.2019 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	–	2,684
Deferred tax	<u>(1,508)</u>	<u>(35,533)</u>
	<u>(1,508)</u>	<u>(32,849)</u>

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended	
	30.6.2020 (Unaudited) HK\$'000	30.6.2019 (Unaudited) HK\$'000
Staff costs:		
– Directors' emoluments	2,281	4,482
– Other staff costs		
– Salaries and other benefits	8,229	28,207
– Retirement benefit scheme contribution	208	2,107
Total staff costs	<u>10,718</u>	<u>34,796</u>
Amortisation of intangible assets	9,141	9,191
Depreciation for property, plant and equipment	1,521	2,273
Depreciation of right-of-use assets	194	7,104
Total depreciation and amortisation	<u>10,856</u>	<u>18,568</u>
Auditor's remuneration	200	710
Minimum lease payments under operating lease	–	1,978

7. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

8. LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended	
	30.6.2020 (Unaudited) HK\$'000	30.6.2019 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	<u>(190,739)</u>	<u>(265,500)</u>
	2020 '000	2019 '000
Weighted average number of ordinary shares		
Weighted average number of ordinary shares at 30 June	<u>5,165,863</u>	<u>5,165,863</u>

(b) Diluted loss per share

The diluted loss per share for the periods ended 30 June 2020 and 30 June 2019 is equivalent to the basic loss per share for both periods as the potential shares arising from the conversion of the convertible notes would decrease the loss per share of the Group for both periods, and are regarded as anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

At 30 June 2020, included in trade and other receivables are trade receivables of approximately HK\$2,817,000 (31 December 2019: approximately HK\$2,917,000).

There is no credit period granted to the Group's trade receivables. The following is an age analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the reporting date.

	30.6.2020 (Unaudited) HK\$'000	31.12.2019 (Audited) HK\$'000
Within 3 months	8	653
4 to 6 months	–	100
Over 6 months	<u>2,809</u>	<u>2,164</u>
Total	<u>2,817</u>	<u>2,917</u>

10. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

		30.6.2020 (Unaudited) HK\$'000	31.12.2019 (Audited) HK\$'000
	<i>Notes</i>		
Bank balances and cash – general accounts	(a)	27,661	242,158
Bank balances and cash – trust accounts	(b)	22,275	25,140
Pledged bank deposit	(a),(c)	4,396	4,474
		54,332	271,772

Notes:

- (a) At 30 June 2020, the balances that were placed with banks in the PRC amounted to approximately HK\$8,077,000 (31 December 2019: approximately HK\$18,470,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.
- (b) The Group maintains segregated accounts with authorised institutions to hold client money in the normal course of business.
- (c) Pledged bank deposits represent deposits pledged to banks to secure borrowings from the tenants of a PRC subsidiary of the Group amounting to approximately RMB4,014,000 (equivalent to approximately HK\$4,396,000) (31 December 2019: approximately RMB4,014,000 (equivalent to approximately HK\$4,474,000)).

11. TRADE AND OTHER PAYABLES

At 30 June 2020 included in trade and other payables are trade payables of approximately HK\$23,018,000 (31 December 2019: approximately HK\$26,851,000).

The following is an aged analysis of trade payables presented based on the invoice date:

	30.6.2020 (Unaudited) HK\$'000	31.12.2019 (Audited) HK\$'000
0-60 days	23,018	26,851
61-120 days	–	–
121-180 days	–	–
Total	23,018	26,851

As at 30 June 2020, the amount of approximately HK\$625,574,000 (31 December 2019: approximately HK\$636,661,000) classified as non-current liability represents the prepayment received from customers as the Group started signing agreements of pre-leasing the property in 2017. As an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at initial contract price at 10th anniversary. Therefore, the prepayment from customers was classified as non-current.

11. TRADE AND OTHER PAYABLES (continued)

As at 30 June 2020, the amount of other payables was approximately HK\$659,044,000 (31 December 2019: approximately HK\$748,862,000) represents value added tax and other tax payables amounted to approximately HK\$208,565,000 (31 December 2019: approximately HK\$194,574,000), construction payable for the amount of approximately HK\$171,128,000 (31 December 2019: approximately HK\$174,411,000) which is for construction of the Xiqiao Properties. As acting as the fund manager of the funds, there are approximately HK\$46,451,000 (31 December 2019: approximately HK\$46,451,000) current accounts with the funds. Also, the amount of approximately HK\$14,998,000 (31 December 2019: approximately HK\$14,998,000), represents the PRC tax payable which arose from a disposal of subsidiary recognised in a previous year. The amount of approximately HK\$18,039,000 (31 December 2019: HK\$18,039,000) represents the management fee payable to the service provider of crypto currencies mining machine. The Company carried out rights issues in November 2019 and received proceeds amounted HK\$192,770,000, which was subsequently withdrawn and such balance was refunded to shareholders.

12. CONTINGENT LIABILITIES

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

- i) Chain Billion Limited (“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.
- ii) On 8 May 2020 and 14 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.
- iii) On 28 May 2020, the Company received a writ 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\$12,668,000 were recorded in the condensed consolidated financial statements as at 30 June 2020.

Save and except for the matters specified above and legal case subsequent to the financial period as stated in note 13, 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.

13. EVENTS AFTER THE END OF THE REPORTING PERIOD

- i) On 8 July 2020, the Company receive two statutory demands from two creditors, each demanding the Company to pay amount of HK\$600,000, being the outstanding interest of the bonds issued by the Company to each of the creditors, within 21 days from the date of service of the statutory demands, failing which each of the creditors may commence winding up proceedings against the Company. Please refer to the Company's announcement dated 8 July 2020 for details of the case. Interest accrual were recorded in the condensed consolidated financial statements as at 30 June 2020.

- ii) On 27 July 2020, the Company received a petition filed with the High Court of the Hong Kong Special Administrative Region on 15 July 2020 by a creditor applying for winding up of the Company. The Petition was filed against the Company on the principal ground that the Company has failed to pay the amount of HK\$10,000,000, being the principal amount of the bond issued by the Company to the Petitioner together with interest accrued thereon. Please refer to the Company's announcement dated 27 July 2020 for details of the case. The above mentioned outstanding balance and respective loan interest accrual had been recorded as other borrowings in the condensed consolidated financial statements as at 30 June 2020.

BUSINESS REVIEW

For the six months ended 30 June 2020 (“HY2020”), the Group recorded a turnover of HK\$783,000 while the turnover for the six months ended 30 June 2019 (“HY2019”) was HK\$45,464,000. The Group’s unaudited consolidated loss for HY2020 was HK\$190,739,000, representing a decrease of approximately 25% when compared with the loss of HK\$255,907,000 for HY2019.

For the period under review, 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 and financial advisory services, insurance brokerage service and property development.

For HY2020, the Group recorded a turnover of HK\$783,000 (HY2019: HK\$45,464,000), representing a decrease of approximately 98% when compared with HY2019. Same as HY2019, the Group’s investment properties are still under development, no turnover was generated from this sector.

Due to the unfavourable financial status of the Group, Ping An Securities Limited (“PASL”), our principal subsidiary for provision of financial services, cannot operate at a normal scale except executing sell orders from its clients. As a result of the above matter, the turnover for financial services were decreased by HK\$9,316,000 or approximately 99% in HY2020 as compared to HY2019.

Besides, as a result of the disposal of a non-wholly owned subsidiary with principal operation as provision of data verification service in 2019, no turnover was generated by this sector in HY2020 (HY2019: HK\$13,089,000).

Moreover, as all loan receivables were fully impaired in 2019, no interest income arising from these loans was recognised as turnover of loan financing sector in HY2020 (HY2019: HK\$20,351,000).

The Group’s unaudited consolidated loss for HY2020 amounted to HK\$190,739,000, representing a decrease of approximately 25% when compared with the loss of HK\$255,907,000 for HY2019. The change in loss was mainly attributable to (i) the measures to tighten cost controls over various operating costs and the downsiding of the operating scale in HY2020 resulting in the decrease of administrative expenses of approximately HK\$45,913,000; (ii) the substantial decrease in agency fee, value added tax and property tax expenses recognized as distribution costs in connection with lesser pre-leasing of investment properties under development in Foshan, Guangdong Province in the period under review; (iii) as compared to HY2019, the loss from change in fair value of investment properties under development decreased by HK\$73,560,000 in the period under review; (iv) as a result of the decrease in loss from change in fair value of investment properties under development as mentioned in (iii), the deferred tax credit (included in income tax credit) arising thereof decrease from HK\$32,849,000 to HK\$1,508,000 in the period under review; and (v) due to the deconsolidation of Super Harvest Global Fund SPC (“SH Fund”) during HY2020, interest expenses arising on senior notes issued by SH Fund amounting to HK\$40,192,000 were recognised in HY2020 (HY2019: Nil).

The performance of the property sector of the Group was less than satisfactory and there were no pre-leasing activities during the period. No rental income from pre-leasing was recognized. The property sector had recorded a loss of approximately HK\$102,111,000 million.

As our principal subsidiary for provision of financial services cannot operate at a normal scale except sell orders from its clients, it recorded a loss of 12,616,000 in HY2020.

Besides, as the subsidiary engaged in data verification services was disposed in 2019, no segment result was recognized in HY2020.

PROSPECTS AND OUTLOOK

The Group has experienced a very difficult time since the fourth quarter of 2019. The Sino-US trade war standoff and the social unrest in the city was a big hit to the economy, and to no exception the Group was hard hit. Looking forward, we expect that economy of mainland China and Hong Kong will continue to slow down amid the uncertainties of conflicts between major economies and geopolitical tensions. The outbreak of novel coronavirus has further dragged the pace of economic recovery.

With the failure to raise fund at the end of last year, the Group has been in stringent financial position. The lack of fund has resulted in halt of construction works of our Foshan property project. The unfavourable financial situation of the Group has hindered the resumption of normal operations of PASL, a principal wholly-owned subsidiary of the Company, although the financial situation of PASL is intact in its own right.

In order to tackle the plagued situation, the Company is planning to look for debt and/or equity fundraising opportunities so as to strengthen its capital base and improve its financial position. In the meantime, the Company is endeavouring to seek fund providers for the Foshan project, and/or some business partners who can help complete the construction of the project on a profit sharing basis. The Company does not rule out the possibility of disposing of the Foshan project where appropriate, so as to focus the resources of the Group on our financial services business.

Despite the uncertainty over the general economy, the management is optimistic in the prospect of financial services business in Hong Kong, as Hong Kong is still the preferred listing destination for many corporations, mainly from mainland China. Established in 1970, PASL has weathered many turbulent storms in the securities industry over the years and has ample experience in providing various financial services, in particular placing and underwriting services. The Company will regard PASL as the main driver for generating revenue and profits for the Group in future.

While remaining cautious about the Group's business outlook, the management is confident that its effort to improve the situation will not be unrewarded and the Group will be back into shape soon.

FINANCIAL REVIEW

As mentioned in business review section, the Group recorded a turnover of HK\$783,000 (HY2019: HK\$45,464,000) comprising commission and brokerage income and underwriting income and insurance brokerage income.

As mentioned in business review section, the substantial decrease in distribution costs from HK\$61,433,000 to HK\$17,935,000 in HY2020 was mainly attributable to the recognition of agency fee, value added tax and property tax expenses for lesser pre-leasing of investment properties under development launched by a PRC subsidiary.

The measures to tighten cost controls over various operating costs and the downsiding of the operating scale in HY2020 resulting in the decrease of administrative expenses to HK\$49,779,000 in the period under review (HY2019: HK\$95,692,000).

The loss from change in fair value of investment properties under development located in Foshan City decreased to HK\$61,555,000 in the period under review (HY2019: HK\$136,098,000).

As a result of the loss from change in fair value of investment properties under development as mentioned above, the deferred tax credit (included in income tax credit) arising thereof decrease to HK\$1,508,000 (HY2019: HK\$32,849,000).

Due to the deconsolidation of Super Harvest Global Fund SPC (“SH Fund”) during HY2020, interest expenses arising on senior notes issued by SH Fund amounting to HK\$40,192,000 were recognised in HY2020 (HY2019: Nil).

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

As at 30 June 2020, the Group’s current assets and current liabilities were HK\$67,357,000 and HK\$1,422,465,000 respectively.

As at 30 June 2020, bank balances of approximately HK\$4,396,000 included in pledged bank deposit were pledged to secure borrowings from the tenants of a PRC subsidiary of the Group.

The Group’s gearing ratio as at 30 June 2020 was 165%, which is calculated on the Group’s total liabilities divided by its total assets.

As at 30 June 2020, capital commitments contracted but not provided for were approximately HK\$214,517,000.

As at 30 June 2020, details of contingent liabilities are set out in note 12.

EXCHANGE RISK

The Group’s operations are principally in the PRC and Hong Kong, and all assets and liabilities are denominated either in Renminbi or HK dollars. In view of the recent fluctuations of Renminbi, the Group will manage its foreign exchange exposure in this regard by performing regular review and by taking prudent measures to minimize the currency translation risk, where appropriate.

HUMAN RESOURCES

As at 30 June 2020, the Group had a total of approximately 68 employees (30 June 2019: 158 employees), who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The employees are covered by the Mandatory Provident Fund Scheme and medical insurance in Hong Kong and the social security fund in the PRC.

SHARE OPTION SCHEME

During the period, no share options were granted nor outstanding pursuant to the share option scheme adopted at the annual general meeting of the Company held on 23 June 2011.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020, except the following deviation:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same person. Since the resignation of Mr. Teng Wei on 15 April 2019, the Company has not appointed a chairman. Decisions were made collectively by the Executive Directors. The Board believes that this 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.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the period and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors and is responsible for review of the Group’s financial information and oversight of the Group’s financial reporting system and internal control procedures. The Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel, records and external auditors and senior management.

The unaudited interim results for the period ended 30 June 2020 have been reviewed by the Audit Committee before recommendation to the Board for approval.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2020.

PUBLICATION OF INTERIM REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>) and the Company (<http://www.pingansecgp.com>). The 2020 Interim Report of the Company will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

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, 28 August 2020

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.