# 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)*
*(Provisional Liquidators Appointed)*
*(For Restructuring Purposes)*
**(Stock Code: 00231)**

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND TRADING SUSPENSION

The directors (the "Directors") of Ping An Securities Group (Holdings) Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2020 together with the comparative figures for the previous year as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
For the year ended 31 December 2020

| | *Notes* | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 3 & 4 | **1,614** | 40,496 |
| Other income | 4 | **4,794** | 1,064 |
| Other gain and losses, net | | **(1,242)** | (17,957) |
| Distribution costs | | **(801)** | (57,077) |
| Administrative expenses | | **(109,596)** | (208,813) |
| Finance costs | 5 | **(136,307)** | (98,112) |
| Loss from changes in fair value of investment properties under development | | **(235,137)** | (386,130) |
| Fair value change on financial assets at fair value through profit or loss | | **(41)** | 4,556 |
| Fair value change on derivative financial liabilities | | **1,370** | 8,130 |
| Property, plant and equipment written off | | **(5,878)** | – |
| Gain/(Loss) on disposal of property, plant and equipment | | **100** | (150) |
| Impairment losses on goodwill | | **–** | (698) |
| Impairment losses on intangible assets | | **(269,666)** | (325) |
| Expected credit losses on financial assets | 6 | **–** | (302,465) |
| Gain on the extinguishment of convertible notes | | **–** | 4,400 |
| Loss before tax from continuing operations | | **(750,790)** | (1,013,081) |
| Income tax credit | 7 | **47,537** | 43,695 |
| Loss for the year from continuing operations | 8 | **(703,253)** | (969,386) |
| Loss for the year from discontinued operation | | **–** | (565) |
| Loss of the year | | **(703,253)** | (969,951) |

| | Notes | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|---|
| Loss attributable to: | | | |
| – Owners of the Company | | **(703,253)** | (993,035) |
| – Non-controlling interests | | **–** | 23,084 |
| | | **(703,253)** | (969,951) |
| Loss attributable to the owners of the Company: | | | |
| – from continuing operations | | **(703,253)** | (993,199) |
| – from discontinued operation | | **–** | 164 |
| | | **(703,253)** | (993,035) |
| Loss attribute to non-controlling interests: | | | |
| – from continuing operations | | **–** | 23,813 |
| – from discontinued operation | | **–** | (729) |
| | | **–** | 23,084 |
| Loss per share | | | |
| – Basic and diluted (HK cents) | 9 | | |
| From continuing and discontinued operations | | **13.61 cents** | 19.22 cents |
| From continuing operations | | **13.61 cents** | 19.23 cents |

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

For the year ended 31 December 2020

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Loss for the year | **(703,253)** | (969,951) |
| Other comprehensive loss | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| – Exchange differences arising on translation of financial statements of foreign operations | **(30,749)** | (3,361) |
| – Reclassification adjustment on translation reserve released on disposals of subsidiaries | **–** | (54) |
| Other comprehensive loss for the year | **(30,749)** | (3,415) |
| Total comprehensive loss for the year | **(734,002)** | (973,366) |
| Other comprehensive loss for the year attributable to: | | |
| – Owners of the Company | **(30,749)** | (1,568) |
| – Non-controlling interests | **–** | (1,847) |
| | **(30,749)** | (3,415) |
| Total comprehensive (loss) income for the year attributable to: | | |
| – Owners of the Company | **(734,002)** | (994,603) |
| – Non-controlling interests | **–** | 21,237 |
| | **(734,002)** | (973,366) |
| Total comprehensive (loss) income for the year attributable to the owners of the Company: | | |
| – from continuing operations | **(734,002)** | (994,767) |
| – from discontinued operation | **–** | 164 |
| | **(734,002)** | (994,603) |
| Total comprehensive income (loss) attributable to non-controlling interests: | | |
| – from continuing operations | **–** | 21,966 |
| – from discontinued operation | **–** | (729) |
| | **–** | 21,237 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2020

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **601** | 8,025 |
| Right-of-use assets | | **–** | – |
| Investment properties | | **821,000** | 999,000 |
| Goodwill | | **–** | – |
| Intangible assets | | **–** | 287,948 |
| Other deposits | | **5,248** | 2,309 |
| Deferred tax assets | | **–** | – |
| | | **826,849** | 1,297,282 |
| **CURRENT ASSETS** | | | |
| Loan receivables | | **–** | – |
| Financial assets at fair value through profit or loss | | **–** | 338 |
| Trade and other receivables | 10 | **8,989** | 17,502 |
| Pledged bank deposit | | **3,964** | 4,474 |
| Bank balances and cash – trust accounts | | **21,838** | 25,140 |
| Bank balances and cash – general accounts | | **15,634** | 242,158 |
| | | **50,425** | 289,612 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 11 | **816,791** | 790,017 |
| Borrowings – current portion | | **165,913** | 143,407 |
| Senior notes | | **283,101** | 283,101 |
| Tax liabilities | | **7** | 1,036 |
| Amount due to a related party | | **15,000** | 15,000 |
| Derivative financial liabilities | | **–** | 1,370 |
| Convertible notes – current portion | | **290,000** | 290,000 |
| Lease liabilities – current portion | | **976** | 15,790 |
| | | **1,571,788** | 1,539,721 |
| **NET CURRENT LIABILITIES** | | **(1,521,363)** | (1,250,109) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **(694,514)** | 47,173 |

| | Notes | **2020** HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **51,659** | 51,659 |
| Reserves | | **(1,427,203)** | (693,201) |
| Deficit attributable to the owners of Company | | **(1,375,544)** | (641,542) |
| Non-controlling interests | | **–** | – |
| **TOTAL DEFICIT** | | **(1,375,544)** | (641,542) |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | **–** | 47,537 |
| Prepayment from customers | 11 | **680,750** | 636,661 |
| Lease liabilities – non current portion | | **280** | 4,517 |
| | | **681,030** | 688,715 |
| **TOTAL EQUITY AND NON-CURRENT LIABILITIES** | | **(694,514)** | 47,173 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 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 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$703,253,000 during the year ended 31 December 2020 (2019: HK$969,951,000) and as of that date, the Group was in net current liability position of HK$1,521,363,000 (2019: HK$1,250,109,000), and in net liability position of HK$1,375,544,000 (2019: HK$641,542,000).

As at 31 December 2020, the aggregate principal amount of Convertible Notes and Senior Notes issued by the Company of HK$290,000,000 (2019: HK$290,000,000) and HK$283,101,000 (2019: HK$283,101,000), respectively, and aggregate interest payable of HK$178,183,000 (2019: HK$43,135,000) were overdue and the Group was in default in repayment since 2019.

For the year ended 31 December 2019, the Company received two petitions; one was received from a creditor of the immediate holding company of the Company (the "First Petition") and the other one was received from a Senior Note holder ("Second Petition") to apply for the winding up the Company on 18 November 2019 and 21 November 2019 respectively. The High Court granted an order to withdraw the First Petition and Second Petition on 8 January 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 Convertible notes and Senior Notes and the abovementioned outstanding amounts were still not yet settled.

As at 31 December 2020, there were certain other borrowings with the aggregate principal amount of HK$88,183,000 (2019: HK$73,880,000) and interest payable of HK$9,642,000 (2019: HK$2,171,000), amounting to HK$97,825,000 (2019: HK$76,051,000) in aggregate were in default. Up to the date of this announcement, the Group has not been able to obtain approval from the lenders regarding extension of repayment of these borrowings. On 15 July 2020, Ms. Yang Xueli, one of the creditors, filed winding up petition against the Company on the ground that the Company has failed to pay the principal amount of HK$10,000,000 and interest payable of HK$955,000. The adjourned hearing is scheduled to be on 10 May 2021.

Moreover, as at 31 December 2020, the Group's investment properties located in the PRC were still under development. As at 31 December 2020, the outstanding construction cost payable amounted to HK$182,460,000 (2019: 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$683,775,000 as at 31 December 2020 (2019: HK$649,203,000). The Group was unable to complete the development project on time and to make the properties available for customers' usage. The management of the relevant PRC subsidiary was aware that, as at 31 December 2020, over 600 tenants had applied to the court to ask for refund for breach of the contracts amounting to HK$163,000,000 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 and those described in note 12 to the consolidated financial statements 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 Company is working on debt restructuring. Up to the current moment, the Company has had preliminary discussions with some major creditors and the response is positive.

(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. The cash flow projections cover a period of not less than twelve months from 31 December 2020. 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 2020. 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

The application of the Amendments to References to the Conceptual Framework in HKFRSs Standards and the amendments to HKFRSs in the current year 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.

**Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"**

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

**Impacts on application of Amendments to HKFRS 3 "Definition of a Business"**

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

**Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"**

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no impact on the consolidated financial statements of the Group as the Group's assessment of hedge effectiveness is not affected by the interest rate benchmark reform.

**New and amendments to 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 2020 and have not been early adopted by the Group are as follows:

| | |
|---|---|
| HKFRS 17 | *Insurance Contracts and the related Amendments*[1] |
| Amendment to HKFRS 16 | *Covid-19-Related Rent Concessions*[4] |
| Amendments to HKFRS 3 | *Reference to the Conceptual Framework*[2] |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | *Interest Rate Benchmark Reform – Phase 2*[5] |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1] |
| Amendments to HKAS 16 | *Property, Plant and Equipment – Proceeds before Intended Use*[2] |
| Amendments to HKAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract*[2] |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2018-2020*[2] |

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] Effective for annual periods beginning on or after 1 January 2022.

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

[4] Effective for annual periods beginning on or after 1 June 2020.

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

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs 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 | Provision of insurance referral services |
| Loan financing | Provision of financing services |
| 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 2020**

| | **Financial services** | **Insurance brokerage** | **Loan financing** | **Property development** | **Total** |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | 343 | 1,271 | – | – | 1,614 |
| Segment loss | (295,884) | (108) | (21) | (282,008) | (578,021) |
| Unallocated corporate expenses | | | | | (40,641) |
| Unallocated other income | | | | | 4,179 |
| Finance costs | | | | | (136,307) |
| Loss before tax from continuing operations | | | | | (750,790) |

For the year ended 31 December 2019

| | **Financial services** | **Insurance brokerage** | **Loan financing** | **Property development** | **Total** |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | 11,982 | 4,058 | 24,456 | – | 40,496 |
| Segment loss | (29,217) | (813) | (273,099) | (484,554) | (787,683) |
| Unallocated corporate expenses | | | | | (135,591) |
| Unallocated other income | | | | | 8,305 |
| Finance costs | | | | | (98,112) |
| Loss before tax from continuing operations | | | | | (1,013,081) |

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2020 and 31 December 2019.

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, 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** | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Continuing operations** | | |
| **Financial services segment** | | |
| Commission and brokerage income | **343** | 2,855 |
| Interest income from cash and margin clients | **–** | 42 |
| Placing and underwriting commission | **–** | 1,994 |
| Asset management fee income | **–** | 341 |
| Corporate financial advisory service income | **–** | 500 |
| Interest income from investment | **–** | 6,250 |
| | **343** | 11,982 |
| **Loan financing segment** | | |
| Interest income from loans receivables | **–** | 24,456 |
| **Insurance brokerage segment** | | |
| Commission from insurance brokerage | **1,241** | 1,128 |
| Commission from client referral | **30** | 2,930 |
| | **1,271** | 4,058 |
| Total | **1,614** | 40,496 |

**SEGMENT ASSETS AND LIABILITIES**

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

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| *Segment assets* | | |
| Continuing operations | | |
| Loan financing | **–** | 18 |
| Financial services | **29,901** | 316,856 |
| Property development | **825,148** | 1,004,136 |
| Insurance brokerage | **26** | 79 |
| Total segment assets | **855,075** | 1,321,089 |
| Unallocated corporate assets | **22,199** | 265,805 |
| Total consolidated assets for continuing operations | **877,274** | 1,586,894 |
| Discontinued operation | | |
| Data verification service | **–** | – |
| Total consolidated assets | **877,274** | 1,586,894 |
| *Segment liabilities* | | |
| Continuing operations | | |
| Loan financing | **16** | 25 |
| Financial services | **70,537** | 74,523 |
| Property development | **1,246,154** | 1,122,355 |
| Insurance brokerage | **1,245** | 1,271 |
| Total segment liabilities | **1,317,952** | 1,198,174 |
| Unallocated corporate liabilities | **934,866** | 1,030,262 |
| Total consolidated liabilities for continuing operations | **2,252,818** | 2,228,436 |
| Discontinued operation | | |
| Data verification service | **–** | – |
| Total consolidated liabilities | **2,252,818** | 2,228,436 |

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, placing and underwriting income, insurance brokerage, commission from client referral service income and commission and brokerage income for the year is as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Revenue** | | |
| Continuing operations | | |
| Revenue from customers within the scope of HKFRS 15 | | |
| Commission and brokerage income | **343** | 2,855 |
| Placing and underwriting commission | **–** | 1,994 |
| Corporate financial advisory service income | **–** | 500 |
| Asset management fee income | **–** | 341 |
| Commission from insurance brokerage | **1,241** | 1,128 |
| Commission from client referral | **30** | 2,930 |
| | **1,614** | 9,748 |
| Revenue from other sources | | |
| Interest income from loan receivables | **–** | 24,456 |
| Interest income from investment | **–** | 6,250 |
| Interest income from cash and margin clients | **–** | 42 |
| | **1,614** | 40,496 |
| Timing of revenue recognition | | |
| At a point of time | **1,614** | 9,407 |
| Over time | **–** | 341 |
| | **1,614** | 9,748 |
| **Other income** | | |
| Interest income | **104** | 450 |
| Sundry income | **2,655** | 611 |
| Dividend income | **–** | 3 |
| Handling fee | **1,721** | – |
| Government grants | **314** | – |
| | **4,794** | 1,064 |

During the current year, government grants mainly represented grants in respect of Covid-19-related subsidies, of which HK$186,000 relates to Employment Support Scheme provided by the Hong Kong government, and HK$50,000 relates to Anti-epidemic Fund for the securities industry provided by the Hong Kong government.

## 5. FINANCE COSTS

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interests on: | | |
| – Other borrowings | **18,784** | 16,981 |
| – Convertible notes | **31,217** | 66,476 |
| – Senior notes | **84,415** | 11,019 |
| – Lease liabilities | **1,891** | 3,636 |
| | **136,307** | 98,112 |

## 6. EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Impairment losses recognized on: | | |
| – Loan receivables | **–** | 256,365 |
| – Interest receivables | **–** | 40,099 |
| – Financial assets at amortised cost | **–** | 6,001 |
| | **–** | 302,465 |

## 7. INCOME TAX CREDIT

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current tax | | |
| – Hong Kong Profits Tax | **–** | 2,242 |
| Deferred tax | | |
| – Credited for the year | **(47,537)** | (45,937) |
| Income tax credit | **(47,537)** | (43,695) |

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 year ended 31 December 2019, 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% for both years.

## 8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Staff costs: | | |
| – Directors' emoluments | **3,161** | 7,968 |
| – Other staff costs: | | |
| – Salaries and other benefits | **11,728** | 44,382 |
| – Retirement benefit scheme contributions | **274** | 1,523 |
| Total staff costs | **15,163** | 53,873 |
| Amortisation of intangible assets | **18,282** | 18,357 |
| Depreciation for property, plant and equipment | **1,713** | 4,544 |
| Depreciation for right-of-use assets | **673** | 14,207 |
| Total depreciation and amortisation | **20,668** | 37,108 |
| Commission expenses paid for agents for pre-leasing | **–** | 9,405 |
| Compensation paid to tenants | **26,546** | 40,554 |
| Auditor's remuneration | | |
| – audit services | **1,100** | 1,500 |
| – other services | **365** | 1,157 |
| Legal and professional fees | **6,889** | 14,871 |
| Consultancy fee | **37** | 11,384 |
| Information and system cost | **2,241** | 13,643 |
| Advertising expenses | **358** | 5,105 |
| Penalty from legal cases | **13,490** | – |
| Value added tax and surtaxes expenses | **–** | 22,645 |
| Property tax and penalty | **17,601** | 22,733 |
| Impairment of right-of-use assets | **1,241** | 17,957 |

## 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:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Loss for the year attributable to the owners of the Company | **(703,253)** | (993,035) |
| Less: Profit for the year attributable to the owners of the Company from discontinued operation | **–** | 164 |
| Loss for the purpose of basic and diluted loss per share from continuing operations | **(703,253)** | (993,199) |

| | **2020** | 2019 |
|---|---|---|
| | **'000** | '000 |
| **Weighted average number of ordinary shares** | | |
| Weighted average number of ordinary shares for the year | **5,165,863** | 5,165,863 |

### (b) DILUTED LOSS PER SHARE

The diluted loss per share for the years ended 31 December 2020 and 31 December 2019 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

| | *Notes* | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|---|
| Trade receivables from | | | |
| – Clearing house and cash clients | (a) | **2** | 474 |
| – Others | (b) | **2,830** | 2,443 |
| | | **2,832** | 2,917 |
| Interest receivables | (c) | **41,151** | 41,151 |
| Less: Allowances | | **41,151** | 41,151 |
| | | **–** | – |
| Other receivables, prepayment and deposit | (d) | **12,474** | 20,586 |
| Less: Allowances | | **6,317** | 6,001 |
| | | **6,157** | 14,585 |
| | | **8,989** | 17,502 |
| Represented by: | | | |
| Non-current portion | | **–** | – |
| Current portion | | **8,989** | 17,502 |
| | | **8,989** | 17,502 |

*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.

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| Within 3 months | **28** | 653 |
| 4 to 6 months | **–** | 100 |
| Over 6 months | **2,804** | 2,164 |
| Total | **2,832** | 2,917 |

The Group does not hold any collateral over these balances.

**(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 2020, the amount of approximately HK$5,546,000 (2019: approximately HK$8,365,000) represents other receivables which are stated at amortised cost. The amount of approximately HK$298,000 (2019: approximately HK$5,699,000) represents refundable deposits and remaining amount of approximately HK$313,000 (2019: approximately HK$521,000) represents prepayment and non-refundable deposits.

## 11. TRADE AND OTHER PAYABLES

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Account payables | | |
| – Clearing house and cash clients | **21,394** | 25,612 |
| – Others | **1,209** | 1,239 |
| Construction cost payables, other payables, accrued charges and others | **789,278** | 748,862 |
| Deposits received | **1,522** | 1,423 |
| Deposit from rental | **363** | 339 |
| Prepayment from customers | **683,775** | 649,203 |
| | **1,497,541** | 1,426,678 |
| Represented by: | | |
| Non-current portion | **680,750** | 636,661 |
| Current portion | **816,791** | 790,017 |
| | **1,497,541** | 1,426,678 |

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

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0-60 days | **22,603** | 26,851 |

## 12. CONTINGENT LIABILITIES

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

i) 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. The Company filed the defence to the Court in March 2020 and as at the date of this announcement, there is no further notice from the plaintiff nor the court. 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, an indirect wholly-owned subsidiary of the Company and Chain Billion Limited, an indirect wholly-owned subsidiary of the Company, 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. As at date of announcement, the pleading stage has ended and the discovery stage commenced. The directors of the Company believe, after considering legal advice, that the aforementioned case is at a very early stage and documents are yet to be discovered although the discovery stage commenced. Therefore, the directors of the Company would not assess the outcome of these cases, and thus 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) Subsidiaries of the Group involving in the investment properties project in Foshan, PRC have been facing over 600 legal cases from tenants asking for refund for breach of the contracts amounting to RMB136,757,000 (equivalent to approximately HK$163,000,000) and there was increasing number of legal actions carried out by the tenants. In additional to the refund, these tenants are claiming interest and cost against the subsidiaries.

Save and except for the matters specified above, 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.

## RESULTS

For the year ended 31 December 2020 ("FY2020"), the Group recorded a turnover of HK$1,614,000 while the turnover for the year ended 31 December 2019 ("FY2019") was HK$40,496,000. The Group's audited consolidated loss for FY2020 was HK$703,253,000, representing a decrease of approximately 27% when compared with the loss of HK$969,951,000 for FY2019.

## BUSINESS REVIEW

For the year 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 FY2020, the Group recorded a turnover of HK$1,614,000 (FY2019: HK$40,496,000), representing a decrease of approximately 96% when compared with FY2019. Same as FY2019, 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, the licensed activities of Ping An Securities Limited ("PASL"), our principal subsidiary for provision of financial services, was restricted since November 2019. As a result of the above matter, the turnover for financial services decreased by HK$11,639,000 or approximately 97% in FY2020 as compared to FY2019.

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 FY2020 (FY2019: HK$24,456,000).

The Group's audited consolidated loss for FY2020 amounted to HK$703,253,000, representing a decrease of approximately 27% when compared with the loss of HK$969,951,000 for FY2019. 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 FY2020 resulting in the decrease of administrative expenses of approximately HK$99,217,000; (ii) the substantial decrease in agency fee and value added tax recognized as distribution costs in connection with much lesser pre-leasing of investment properties under development in Foshan, Guangdong Province in the year under review resulting in the decrease of distribution costs of approximately HK$56,276,000; (iii) as compared to FY2019, the loss from change in fair value of investment properties under development decreased by HK$150,993,000 in the year under review; (iv) intangible assets with carrying value of HK$269,666,000 were fully impaired in FY2020; (v) there was no expected credit losses on financial assets recognised in FY2020 (FY2019: HK$302,465,000); and (vi) due to the default in payment of both interests and principals of the borrowings in the year under review, finance costs arising in FY2020 increased to HK$136,307,000 (FY2019: HK$98,112,000).

The performance of the property sector of the Group was less than satisfactory and there were much lesser pre-leasing activities during the year. No rental income from pre-leasing was recognized. The property sector had recorded a loss of approximately HK$282,008,000.

As our principal subsidiary for provision of financial services cannot operate at a normal scale, it recorded a loss of HK$295,884,000 (comprising impairment losses on intangible assets of HK$269,666,000) in FY2020.

## FINANCIAL REVIEW

As mentioned in business review section, the Group recorded a turnover of HK$1,614,000 (FY2019: HK$40,496,000) 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$57,077,000 to HK$801,000 in FY2020 was mainly attributable to the recognition of agency fee and value added tax for much 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 FY2020 resulting in the decrease of administrative expenses to HK$109,596,000 in the year under review (FY2019: HK$208,813,000).

The loss from change in fair value of investment properties under development located in Foshan City decreased to HK$235,137,000 and recorded a decrease of approximately 39% as compared to the loss of FY2019 amounting to HK$386,130,000.

Finance cost increased by 39% to HK$136,307,000 in FY2020 (FY2019: HK$98,112,000) and the main reasons attributable to the change were as follows:

i) Due to the events of default occurred in FY2019, imputed interests on convertible notes amounting to approximately HK$24,000,000 were fully recognized in FY2019 and no imputed interest was recognized in FY2020; and

ii) Due to the events of default in payment of both interests and principals of senior notes issued by Super Harvest Global Fund SPC in November 2019, interest expenses arising thereof amounting to HK$84,415,000 were recognized in FY2020 (FY2019: HK$11,019,000)

As the operation of licensed activities of a subsidiary of the Group was restricted since November 2019 and is not resumed up to now, the management is unable to estimate the release time and thus provided full impairment of intangible assets amounting to HK$269,666,000 for the year ended 31 December 2020.

During FY2020, no expected credit losses on financial assets was recognized (FY2019: HK$302,465,000).

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

As at 31 December 2020, the Group's current assets and current liabilities were HK$50,425,000 and HK$1,571,788,000 respectively.

As at 31 December 2020, bank deposits and investment properties of the Group amounting to HK$3,964,000 and HK$62,858,000 respectively were charged.

The Group's gearing ratio as at 31 December 2020 was 257%, which is calculated on the Group's total liabilities divided by its total assets.

As at 31 December 2020, capital commitments contracted but not provided for were approximately HK$233,440,000.

As at 31 December 2020, details of contingent liabilities are set out in note 12.

## OUTLOOK AND PROSPECTS

The Group has experienced a very difficult year in 2020. In wake of our stillborn fundraising by way of a rights issue at the end of 2019, the Group has been in stringent financial position. Fund shortage has resulted in halt of construction works of our Foshan property project, incurred penalty for late handover of property to the lessees, and hindered the leasing out of further units of more phases of the project. The unfavourable financial situation of the Group has also hindered the resumption of normal operations of Ping An Securities Limited ("PASL"), a principal wholly-owned subsidiary of the Company, although the financial situation of PASL is intact in its own right. Hence, there was no income from the property sector and financial services sector during the year.

Our insurance sector, the only income generator for the Group during the year, recorded a turnover of HK$1,271,000 for the year. While we believe the insurance business is promising, our insurance sector is still in its infant stage and has to take time before it can make more contribution to the Group.

In order to overcome the plagued situation, the Company is actively looking for debt and/or equity fundraising opportunities so as to strengthen its capital base and improve its financial position. During the year, the Company entered into a non-legally binding memorandum of understanding with a potential fund provider for the Foshan project, who can help complete the construction of the project on a profit sharing basis. Furthermore, 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.

To facilitate the Company's financial restructuring efforts, on 23 September 2020 (Bermuda Time), the Company filed in the Supreme Court of Bermuda a petition for the winding up of the Company, together with an application for the appointment to the Company of joint and several provisional liquidators (the "JPLs") on a "light-touch" basis for restructuring purposes ("JPL Application").

Upon the hearing at the Supreme Court of Bermuda (the "Bermuda Court") on 2 October 2020 at 10:00 a.m. (Bermuda time) of the JPL Application, an order (the "Order") was made that Mr. Osman Mohammed Arab and Mr. Lai Wing Lun, both of RSM Corporate Advisory (Hong Kong) Limited in Hong Kong, and Mr. Edward Alexander Niles Whittaker of R&H Services Limited in Bermuda be appointed as the JPLs on a light touch basis for restructuring purposes.

On 19 November 2020 the Company entered into a non-legally binding memorandum of understanding (the "MOU") with Mr. Cheung Kam Fai ("Mr. Cheung"), an executive Director and chief executive officer of the Group, pursuant to which Mr. Cheung has agreed to subscribe and the Company has agreed to allot and issue certain number of ordinary shares (the "Subscription Shares") in the Company (the "Possible Subscription"). It is expected that the Subscription Shares shall represent more than 30% of the enlarged issued share capital of the Company on the date of completion. The Possible Subscription, if materialised, may lead to a mandatory general offer required to be made by Mr. Cheung under Rule 26.1 of the Takeovers Code. Upon completion of the Possible Subscription, Mr. Cheung shall make available to the Company the loan facility up to a principal amount of HK$200,000,000 for the purpose of financing the general working capital of the Group (the "Proposed Debt Restructuring"). Details of the MOU are set out in the Company's announcement dated 20 November 2020.

A possible problem which might affect the Proposed Debt Restructuring is the Company's listing status. On 5 October 2020, the Company received a letter from the Stock Exchange notifying the Company of its decision that the Company has failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares and that, subject to the right of review of the Company, trading of the shares in the Company will be suspended under Rule 6.01 (3) of the Listing Rules (the "Decision").

On 19 October 2020, pursuant to Rules 2B.06 (1) and 2B.08 (1) of the Listing Rules, the Company requested the Decision to be referred to the Listing Committee (as defined in the Listing Rules) for a review by the Listing Committee (the "Review"). The review hearing (the "Review Hearing") of the Decision by the Listing Committee took place on 12 January 2021. On 26 January 2021, the Company received a letter from the Listing Committee that they had decided to uphold the Decision (the "Listing Committee Decision"). On 3 February 2021, the Company filed an application for a review by the Listing Review Committee (as defined in the Listing Rules) in relation to the Listing Committee Decision. Further procedures have to be gone through and the outcome will be uncertain.

In light of the concerns of the Stock Exchange on the Company's compliance with Rule 13.24 of the Listing Rules, the Stock Exchange will not grant the listing approval for the issuance of new securities by the Company unless their concerns in relation to the Company's compliance with Rule 13.24 of the Listing Rules have been satisfactorily addressed.

All in all, the future of the Company depends very much on the success of a debt restructuring plan. The Company is making its best effort to tackle the problems in a bid to put the Company back shape again.

## 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.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of approximately 34 employees (2019: approximately 107), 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. 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 2020 and discussed with management and the external auditors the accounting principles and policies adopted by the Company.

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 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, MESSRS. CHENG & CHENG LIMITED Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by MESSRS. 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 MESSRS. CHENG & CHENG LIMITED on the preliminary announcement.

## EXTRACT FROM INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020.

## 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 2020, 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) Multiple uncertainties related to going concern basis

The Group had incurred a loss of HK$703,253,000 for the financial year ended 31 December 2020 (2019: HK$969,951,000) and, as of that date, the Group was in net current liability position of HK$1,521,363,000 (2019: HK$1,250,109,000), and in net liability position of HK$1,375,544,000 (2019: HK$641,542,000).

As at 31 December 2020, the aggregate principal amount of Convertible notes and Senior Notes issued by the Company of HK$290,000,000 (2019:HK$290,000,000) and HK$283,101,000 (2019: HK$283,101,000), respectively, and aggregate interest payable of HK$178,183,000 (2019: HK$43,135,000) as described in note 27 to the consolidated financial statements, were overdue and the Group was in default in repayment since 2019.

As reported in our auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019, the Company received two petitions; one was received from a creditor of the immediate holding company of the Company (the "First Petition") and the other one was received from a Senior Note holder ("Second Petition") to apply for the winding up the Company on 18 November 2019 and 21 November 2019 respectively. The High Court granted an order to withdraw the First Petition and Second Petition on 8 January 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 Convertible notes and Senior Notes and the abovementioned outstanding amounts were still not yet settled.

As at 31 December 2020, there were certain other borrowings with the aggregate principal amount of HK$88,183,000 (2019: HK$73,880,000) and interest payable of HK$9,642,000 (2019: HK$2,171,000), amounting to HK$97,825,000 (2019: HK$76,051,000) in aggregate were in default as disclosed in note 28 to the consolidated financial statements. Up to the date of this report, the Group has not been able to obtain approval from the lenders regarding extension of repayment of these borrowings. On 15 July 2020, Ms. Yang Xueli, one of the creditors, filed winding up petition against the Company on the ground that the Company has failed to pay the principal amount of HK$10,000,000 and interest payable of HK$955,000. The adjourned hearing is scheduled to be on 10 May 2021.

Moreover, as at 31 December 2020, 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 2020, the outstanding construction cost payable amounted to HK$182,460,000 (2019: HK$174,411,000) (included in note 27 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$683,775,000 as at 31 December 2020 (2019: HK$649,203,000).

These conditions mentioned above and those described in notes 31 and 39 to the consolidated financial statements indicate the existence of material uncertainties and may cast significant doubt about the Group's ability to continue as a going concern. Notwithstanding the above mentioned, 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 evidence to satisfy ourselves that the measures described in note 3 to the consolidated financial statements are sufficient to address the concerns about the Group's ability to continue as a going concern. Nor were we satisfied with ourselves that the assumptions adopted by the Group to prepare the consolidated financial statements on a going concern basis as set out in Note 3 to the consolidated financial statements were reasonable and supportable. Hence, we were unable to obtain sufficient appropriate audit evidence to conclude on the appropriateness or reasonableness of the management's use of the going concern basis of accounting in the preparation of the consolidated financial statements.

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 realised, 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)**

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 two 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. As represented by the Board, these two unauthorised transactions were executed by the previous management of the Group which were found by the new management of the Group in March 2020.

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. 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. The Group did not record any gain or loss on the deconsolidation for the year ended 31 December 2019.

On 17 March 2020, the Board passed resolutions to authorise two independent non-executive directors of the Company, to form the Special Investigation Committee to undertake investigation on matters pertaining to the two unauthorised transactions and to review the internal control system of the Group. The report prepared by an independent party was issued on 10 July 2020. The Special Investigation Committee had reviewed the findings in the report which stated that it appeared that the mastermind of the two unauthorised transactions was Mr. Gong Qingli, the ex-executive director of the Company, ("Mr. Gong"), but they were unable to reach Mr. Gong for further investigation. The Special Investigation Committee concluded that the chance for achieving further progress with the investigation was very slim. Therefore, the Special Investigation Committee proposed to cease the investigation.

As reported in our auditor's report on the consolidated financial statements for the year ended 31 December 2019, 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, we were not provided with the sales and purchase agreements relating to the two unauthorised transactions by the management of the Group. Therefore, we were also unable to verify whether there were any events after 31 December 2019 and contingent liabilities arising from the 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.

During the course of our audit of the Group's consolidated financial statements for the year ended 31 December 2020, we encountered similar difficulties as we did when we performed the audit of the Group's consolidated financial statements for the year ended 31 December 2019. Again, we were unable to access to books and records of SH Fund. We were not provided with sales and purchase agreements relating to the two unauthorised transactions. Therefore, similar to the concerns reported in our auditor's report on the consolidated financial statements for the year ended 31 December 2019, 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. We were also 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. Since the Special Investigation Committee proposed not to investigate further, we were unable to obtain sufficient appropriate audit evidence about the causes of the abovementioned two transactions and whether or not the Group had identified, recorded and disclosed all liabilities (including contingent liabilities) that may have material impacts to the Group.

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 discussed in note 19 to the consolidated financial statements, the carrying amount of investment properties was HK$821,000,000 as at 31 December 2020 (2019: HK$999,000,000). During the year ended 31 December 2020, fair value change on investment properties amounted HK$235,137,000 (2019: HK$386,130,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

We were told by the management of the Group that the fair values of the investment properties under development as at 31 December 2020 and 31 December 2019 were determined with reference to valuation reports issued by an independent valuer as at 31 December 2020 and 31 December 2019 respectively. The construction of the investment properties 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 2020 and 31 December 2019, the valuer could only determine a wide range of fair value of the properties from RMB342,000,000 to RMB689,000,000 (equivalent to approximately HK$408,000,000 to HK$821,000,000) (2019: from RMB656,000,000 to RMB896,000,000 (equivalent to approximately HK$731,000,000 to HK$999,000,000)). With such a wide range of fair value and the facts and circumstances as described above, we were unable to obtain sufficient appropriate audit evidence to assess whether the fair values of investment properties under development as at 31 December 2020 and 31 December 2019 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 2020 and 31 December 2019, on its loss for the each of the years ended 31 December 2020 and 31 December 2019, on the statement of cash flows for each of the years ended 31 December 2020 and 31 December 2019 and the disclosures in the notes to consolidated financial statements for each of the years ended 31 December 2020 and 31 December 2019 and hence may affect the comparability of the current year's figures and the corresponding figures in the consolidated financial statements.

In addition, as at 31 December 2020, most of the prepayment from customers, amounting to HK$680,750,000 (2019: HK$636,661,000) were recognised 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 to the figures as described above might have a consequential effect on the net liabilities of the Group as at 31 December 2020 and 31 December 2019, its loss for the years ended 31 December 2020 and 2019 and the related presentation and disclosure thereof in the consolidated financial statements and the comparability of the current year's figures and the corresponding figures in the consolidated financial statements.

**4) Scope limitation on inability to access the completed set of financial information and books and records of a major subsidiary of the Group – 佛山盛明置業有限公司 ("佛山盛明")**

As told by the management of the Group, some of the tenants, who signed agreements of pre-leasing the Group's investment properties with 佛山盛明, which carries out the property development operations, reported contract fraud to the police of People Republic of China ("PRC"). On 17 September 2020, all of the financial information and books and records of 佛山盛明 were ordered by PRC's police to submit for investigation. With such facts and circumstances, we were unable to access the books and records of 佛山盛明 to carry our audit procedures and we were unable to carry out alternative audit procedures.

In the absence of sufficient appropriate audit evidence, we were unable to access and obtain certain books and records of 佛山盛明 for the period from 1 January 2020 to 17 September 2020. We were also unable to verify the balance of assets and liabilities of 佛山盛明 as at 31 December 2020. Therefore, we were unable to verify the completeness, occurrence, accuracy and disclosure of the related financial items in the consolidated financial statements.

**5) 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**

As disclosed in note 21 to the consolidated financial statements, the gross carrying amount of intangible assets was HK$269,666,000 as at 31 December 2020 (2019: HK$287,948,000). During the year ended 31 December 2020, an impairment loss on intangible assets amounted HK$269,666,000 (2019: Nil) was recognised in the consolidated statement of profit or loss and other comprehensive income.

On 18 November 2019, the Company made an announcement (the "November Announcement") that the Board intended to apply to Securities and Futures Commission (the "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"). After the November Announcement, as told by the management of the Group, these two subsidiaries had not been generating any positive cash flows. Up to the date of this report, the Group has still been negotiating with SFC as to when it can resume the normal business activities.

As reported in our auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019, in performing the impairment assessment on the intangible assets as at 31 December 2019, the recoverable amount of the intangible assets was estimated 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 as at 31 December 2019 determined on such basis was higher than the carrying amount of the intangible assets. On this basis, the management of the Group concluded that there was no impairment loss recognized for the year ended 31 December 2019. As reported in our auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019, we were unable to obtain sufficient appropriate audit evidence to justify why the inputs and assumptions used in determining the recoverable amount of the intangible assets as at 31 December 2019 were supportable and reasonable. 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.

In preparing the Group's consolidated financial statements for the year ended 31 December 2020, the management of the Group was of the view that they were unable to estimate when the Group could resume the normal business activities regarding the "financial services" segment and the chance that the "financial services" segment could resume to generate possible cash flows in the foreseeable future was remote. Therefore, the management of the Group had fully impaired on the intangible assets for the year ended 31 December 2020.

Since the opening balance of the intangible assets affect the determination of the results of the Group for the year, we were unable to determine whether adjustments to the results of the Group and opening accumulated losses of the Group might be necessary for the year ended 31 December 2020 and hence to the elements making up the consolidated statement of cash flows and the disclosures in the notes to the consolidated financial statements. Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

**6) 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's loan receivables amounting to HK$273,598,000 and the related interest receivables amounting to HK$41,151,000 were fully impaired in the year ended 31 December 2019.

As reported in our auditor's report on the consolidated financial statements for the year ended 31 December 2019, 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 and the loss for the year ended 31 December 2019.

When we performed the audit in respect of the Group's consolidated financial statements for the year ended 31 December 2020, we were told by the management of the Group that despite various actions had been taken to try to recover the debts, there were no responses from the debtors and that the management of the Group could not locate the debtors. Therefore, the management of the Group took the view that the chance to recover the debts was remote. During the course of our audit in respect of the Group's consolidated financial statements for the year ended 31 December 2020, we sent confirmations to the debtors several times and none of them had replied us.

Since the opening balance of the loans receivable and interest receivable affect the determination of the results of the Group for the year, we were unable to determine whether adjustments to the results of the Group and opening accumulated losses of the Group might be necessary for the year ended 31 December 2020 and hence to the elements making up the consolidated statement of cash flows and the disclosures in the notes to the consolidated financial statements. Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

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

When we perform the audit in respect of the Group's consolidated financial statements for the year ended 31 December 2019, the management of the Group was unable to provide us with financial information, books and records of 聯潤(上海)信息科技有限公司 upon the disposal date in previous year. As reported in our auditor's report on the consolidated financial statements for the year ended 31 December 2019, 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 34 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.

Our opinion on the current year's financial statements is also modified because of the effect of this matter on comparability of current year figures and corresponding figures.

## THE BOARD'S RESPONSE TO AUDITOR'S DISCLAIMER OF OPINION

In the independent auditor's report, the auditor does 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 the report, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. The Board would like to address as follows.

**1) Multiple uncertainties related to going concern basis**

***The Board's Response***

As mentioned in the "Outlook and Prospect" Section, the Company is working on debt restructuring. Up to the current moment, the Company has had preliminary discussions with some major creditors and the response is positive. If the Proposed Debt Restructuring can be worked out, there will be new fund into the Company to reactivate the financial services business and the property development project in Foshan. The going concern issue can then be solved accordingly.

2) **Unauthorised transfer of shares of Super Harvest Asset Management Limited and Super Harvest Global Fund SPC ("SH Asset Management" and "SH Fund" respectively)**

***The Board's Response***

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.

Moreover, the possible liabilities arising from the unauthorized transactions, if any, may also be fallen into the Proposed Debt Restructuring.

Taking into consideration of the foregoing, the Board believes that the qualification will not appear in the coming year.

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**

***The Board's Response***

As mentioned in the "Outlook and Prospect" Section, during the year, the Company entered into a non-legally binding memorandum of understanding with a potential fund provider for the Foshan project, who can help complete the construction of the project on a profit sharing basis.

And 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) **Scope limitation on inability to access the completed set of financial information and books and records of a major subsidiary of the Group – 佛山盛明置業有限公司 ("佛山盛明")**

***The Board's Response***

As mentioned in 3 above, if the plans can be worked out and the construction works can be resumed, 佛山盛明 can apply to the PRC authorities for return the financial information and books and records. Then there will not be such qualification in the coming year.

5) **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 Response***

As the Group's intangible assets relating to the "financial services" segment have been fully impaired, the Board believes this qualification will not appear again in the coming year.

6) **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 Response***

As this qualification is on the opening balance, the Board believes this qualified opinion will not appear again in the coming year.

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

***The Board's Response***

As this qualification is on the opening balance, the Board believes this qualified opinion will not appear again in the coming year.

**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 2020 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.

**TRADING SUSPENSION**

Pursuant to Rule 13.50A of the Listing Rules, the Stock Exchange will normally require suspension of trading in an issuer's securities if it publishes a preliminary results announcement for a financial year as required under rules 13.49(1) and (2) and the auditor has issued, or has indicated that it will issue, a disclaimer of opinion or an adverse opinion on the issuer's financial statements. The suspension will normally remain in force until the issuer has addressed the issues giving rise to the disclaimer or adverse opinion, provided comfort that a disclaimer or adverse opinion in respect of such issues would no longer be required, and disclosed sufficient information to enable investors to make an informed assessment of its financial positions.

The Company will apply for the suspension of trading in its shares on the Stock Exchange with effect from 9:00 a.m. on 1 April 2021.

By order of the Board
**Ping An Securities Group (Holdings) Limited**
*(Carrying on business in Hong Kong as PAN Securities Group Limited)*
*(Provisional Liquidators Appointed)*
*(For Restructuring Purposes)*
**Cheung Kam Fai**
*Executive Director & CEO*

Hong Kong, 31 March 2021

*As at the date of this announcement, the Board comprises Mr. Cheung Kam Fai (CEO) 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.*