

# 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)

Interim Report 2016



This report, in both English and Chinese versions, is available on the Company's website at <http://www.pingansecgp.com> (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Company's Hong Kong Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at [is-ecom@hk.tricorglobal.com](mailto:is-ecom@hk.tricorglobal.com).

## CORPORATE INFORMATION

### Board of Directors

*Executive Directors:*  
Mr. Zhang Guodong  
Mrs. Nijssen Victoria  
Mr. Cheung Kam Fai

*Non-executive Director:*  
Mr. William Keith Jacobsen

*Independent Non-executive Directors:*  
Dr. Dong Ansheng  
Mr. Wong Yee Shuen, Wilson  
Mr. Tsang Wah Kwong

### Audit Committee

Mr. Tsang Wah Kwong  
(*Committee Chairman*)  
Dr. Dong Ansheng  
Mr. Wong Yee Shuen, Wilson

### Remuneration Committee

Dr. Dong Ansheng  
(*Committee Chairman*)  
Mrs. Nijssen Victoria  
Mr. Wong Yee Shuen, Wilson  
Mr. Tsang Wah Kwong

### Nomination Committee

Dr. Dong Ansheng  
(*Committee Chairman*)  
Mrs. Nijssen Victoria  
Mr. Wong Yee Shuen, Wilson  
Mr. Tsang Wah Kwong

### Authorised Representatives

Mr. Zhang Guodong  
Mr. Chan Kwan Pak

### Company Secretary

Mr. Chan Kwan Pak

### Auditors

Cheng & Cheng Limited  
10/F., Allied Kajima Building  
138 Gloucester Road  
Wanchai  
Hong Kong

### Principal Bankers

Bank of Communications Co. Ltd.  
(Hong Kong Branch)  
Bank of East Asia, Limited

### Principal Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

### Hong Kong Branch Registrar and Transfer Office

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Registered Office

The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

### Head Office and Principal Place of Business

Suite 3005, 30/F, West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

### Website

[www.pingansecgp.com](http://www.pingansecgp.com)

### Stock Code

00231

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 2016, together with the comparative figures for the corresponding period in 2015 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended	
		30.6.2016 (Unaudited) HK\$'000	30.6.2015 (Unaudited) HK\$'000 (restated)
<b>Continuing operation</b>			
Revenue	3	8,339	—
Cost of sales		—	—
Gross profit		8,339	—
Other revenue		1,084	716
Distribution costs		(3,401)	—
Administrative expenses		(28,366)	(15,512)
Finance costs	4	(79,393)	(8,471)
Gain from changes in fair value of investment property	10	7,865	—
Fair value changes on financial assets at fair value through profit or loss		1,634	2,800
Fair value change on derivative financial liabilities	19	93,921	—
Fair value change on contingent consideration	21	72,716	1,206
Share of loss of a joint venture		—	(1)
Profit (Loss) before tax		74,399	(19,262)
Income tax expenses	5	(728)	—
Profit (Loss) for the period from continuing operation	6	73,671	(19,262)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	7	(103,539)	(153,666)
Loss for the period attributable to owners of the Company		(29,868)	(172,928)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***(continued)*

		<b>Six months ended</b>	
	<i>Note</i>	<b>30.6.2016 (Unaudited) HK\$'000</b>	30.6.2015 (Unaudited) HK\$'000 (restated)
<b>Earnings (Loss) per share</b>	<b>9</b>		
From continuing and discontinued operations			
Basic		<b>(0.16) cents</b>	(1.28) cents
Diluted		<b>(0.16) cents</b>	(1.28) cents
From continuing operation			
Basic		<b>0.4 cents</b>	(0.14) cents
Diluted		<b>0.4 cents</b>	(0.14) cents
From discontinued operations			
Basic		<b>(0.56) cents</b>	(1.14) cents
Diluted		<b>(0.56) cents</b>	(1.14) cents

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

	<b>Six months ended</b>	
	<b>30.6.2016 (Unaudited) HK\$'000</b>	30.6.2015 (Unaudited) HK\$'000
Loss for the period	<b>(29,868)</b>	(172,928)
Other comprehensive (expense) income Items that may be reclassified subsequently to profit or loss – Exchange differences arising on translating of financial statements of foreign operations	<b>(41,066)</b>	11,401
Total comprehensive expense for the period	<b>(70,934)</b>	(161,527)
Total comprehensive expense attributable to owners of the Company	<b>(70,934)</b>	(161,527)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<i>Note</i>	<b>30.6.2016 (Unaudited) HK\$'000</b>	31.12.2015 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,355</b>	35,663
Investment properties	<i>10</i>	<b>635,500</b>	2,389,000
Goodwill	<i>11</i>	<b>725,330</b>	725,330
Intangible assets	<i>12</i>	<b>351,935</b>	391,194
Interest in a joint venture		<b>47,090</b>	47,090
Other deposits		<b>273</b>	273
		<b>1,762,483</b>	3,588,550
<b>Currents assets</b>			
Inventories		-	7,053
Loan receivables		<b>10,300</b>	354,191
Trade and other receivables	<i>13</i>	<b>316,974</b>	396,920
Financial assets at fair value through profit or loss	<i>14</i>	<b>31,736</b>	102
Pledged bank balances		-	23,613
Bank balances and cash – trust accounts		<b>207,421</b>	144,643
Bank balances and cash – general accounts		<b>80,904</b>	213,214
		<b>647,335</b>	1,139,736
Assets classified as held for sale	<i>15</i>	<b>2,223,490</b>	-
		<b>2,870,825</b>	1,139,736
<b>Current liabilities</b>			
Trade and other payables	<i>16</i>	<b>313,227</b>	378,549
Borrowings - current portion	<i>17</i>	-	16,155
Tax liabilities		<b>12,864</b>	12,668
Amount due to a related party	<i>18</i>	<b>1,562</b>	1,533
Amount due to a shareholder	<i>18</i>	<b>1,486</b>	75,711
Amount due to a joint venture	<i>18</i>	<b>49,475</b>	49,475
Convertible notes	<i>19</i>	<b>161,415</b>	-
Derivative financial liabilities	<i>19</i>	<b>29,136</b>	125,041
		<b>569,165</b>	659,132
Liabilities associated with assets classified as held for sale	<i>15</i>	<b>1,445,443</b>	-
		<b>2,014,608</b>	659,132
<b>Net current assets</b>		<b>856,217</b>	480,604
<b>Total assets less current liabilities</b>		<b>2,618,700</b>	4,069,154

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(continued)*

	<i>Note</i>	<b>30.6.2016 (Unaudited) HK\$'000</b>	31.12.2015 (Audited) HK\$'000
<b>Capital and reserves</b>			
Share capital	22	<b>932,452</b>	927,973
Reserves		<b>628,626</b>	691,308
<b>Total equity</b>		<b>1,561,078</b>	1,619,281
<b>Non-current liabilities</b>			
Borrowings – non-current portion	17	<b>77,202</b>	1,196,670
Deferred tax liabilities		<b>108,806</b>	212,673
Convertible notes	19	<b>60,895</b>	201,859
Promissory notes	20	<b>680,783</b>	636,019
Provision for contingent consideration	21	<b>129,936</b>	202,652
		<b>1,057,622</b>	2,449,873
		<b>2,618,700</b>	4,069,154



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 January 2015 (As previously reported)	661,253	1,084,365	52	113,351	(901,760)	957,261
Restatement*	-	-	-	(40,899)	36,236	(4,663)
At 1 January 2015 (As restated) (audited)	661,253	1,084,365	52	72,452	(865,524)	952,598
Loss for the year	-	-	-	-	(232,007)	(232,007)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	(76,737)	-	(76,737)
Total comprehensive expense for the year	-	-	-	(76,737)	(232,007)	(308,744)
Issue of shares	205,670	541,814	-	-	-	747,484
Share issuance costs	-	(500)	-	-	-	(500)
Repurchases of shares	(888)	(1,834)	-	-	-	(2,722)
Conversion of convertible notes into shares	61,938	169,227	-	-	-	231,165
At 31 December 2015 and 1 January 2016 (audited)	927,973	1,793,072	52	(4,285)	(1,097,531)	1,619,281
Loss for the period	-	-	-	-	(29,868)	(29,868)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	(41,066)	-	(41,066)
Total comprehensive expense for the period	-	-	-	(41,066)	(29,868)	(70,934)
Conversion of convertible notes into shares	4,479	8,252	-	-	-	12,731
<b>At 30 June 2016 (unaudited)</b>	<b>932,452</b>	<b>1,801,324</b>	<b>52</b>	<b>(45,351)</b>	<b>(1,127,399)</b>	<b>1,561,078</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	<b>Share capital</b>	<b>Share premium</b>	<b>Capital redemption reserve</b>	<b>Translation reserve</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2015						
(As previously reported)	661,253	1,084,365	52	113,351	(901,760)	957,261
Restatement*	-	-	-	(40,899)	36,236	(4,663)
At 1 January 2015 (As restated) (audited)	661,253	1,084,365	52	72,452	(865,524)	952,598
Loss for the period	-	-	-	-	(172,928)	(172,928)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	11,401	-	11,401
Total comprehensive income (expense) for the period	-	-	-	11,401	(172,928)	(161,527)
Conversion of convertible notes into shares	21,858	72,677	-	-	-	94,535
At 30 June 2015 (unaudited)	683,111	1,157,042	52	83,853	(1,038,452)	885,606

\* *Restatement due to correction of prior year errors was made to balances as at 1 January 2015. Details of the restatement were stated in Annual Report of the Company for the year ended 31 December 2015.*

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	<b>Six months ended</b>	
	<b>30.6.2016</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30.6.2015 (Unaudited) HK\$'000
Net cash used in operating activities	<b>(134,502)</b>	(125,208)
Net cash (used in) generated from investing activities	<b>(12,789)</b>	145,833
Net cash generated from (used in) financing activities	<b>31,996</b>	(143,994)
Net decrease in cash and cash equivalents	<b>(115,295)</b>	(123,369)
Cash and cash equivalents at beginning of the period	<b>213,214</b>	149,576
Effect of foreign exchange rate changes	<b>(13,240)</b>	2,308
Cash and cash equivalents at end of the period	<b>84,679</b>	28,515
Analysis of cash and cash equivalents		
Bank balances and cash	<b>80,904</b>	28,515
Bank balances and cash included in assets classified as held for sale	<b>3,775</b>	–
	<b>84,679</b>	28,515

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2016

### 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 under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following new and revised interpretation and amendments of Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 3. Segment information

The Group's operating segments, 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:

Property leasing	Property leased for rental income
Right to receive royalty fee	Royalty fee related to the royalty right leasing
Trading of goods	Operating of supermarket
Financial services	Securities dealing and financial services

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

For the six month ended 30.6.2016 (unaudited)

	Continuing operation		Discontinued operations			Total	
	Financial Services	Sub-total	Property leasing	Right to receive royalty fee	Trading of goods		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	8,339	8,339	13,529	-	3,700	17,229	25,568
Segment profit (loss)	700	700	(104,574)	(2,398)	(13,336)	(120,308)	(119,608)
Unallocated corporate expenses		(23,729)				(118)	(23,847)
Unallocated other revenue		176,821				20,911	197,732
Finance costs		(79,393)				(31,895)	(111,288)
Profit (loss) before tax		74,399				(131,410)	(57,011)

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For the six month ended 30.6.2015 (unaudited)

	Continuing operation		Discontinued operations			Total	
	Financial Services	Sub-total	Property leasing	Right to receive royalty fee	Trading of goods		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	-	-	9,567	-	2,741	12,308	12,308
Segment loss	-	-	(157,439)	(3,523)	(838)	(161,800)	(161,800)
Unallocated corporate expenses		(15,512)				(7)	(15,519)
Unallocated other revenue		4,722				2,366	7,088
Share of result of a joint venture		(1)				-	(1)
Finance costs		(8,471)				(31,715)	(40,186)
Loss before tax		(19,262)				(191,156)	(210,418)

**3. Segment information** *(continued)***Segment assets and liabilities**

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

	<b>As at 30.6.2016 (Unaudited) HK\$'000</b>	As at 31.12.2015 (Audited) HK\$'000
<b>Segment assets</b>		
Financial services	<b>1,411,884</b>	1,303,559
Total segment assets	<b>1,411,884</b>	1,303,559
Assets relating to discontinued operations	<b>2,206,500</b>	2,356,666
Unallocated corporate assets	<b>1,014,924</b>	1,068,061
Total consolidated assets	<b>4,633,308</b>	4,728,286
<b>Segment liabilities</b>		
Financial services	<b>227,761</b>	221,959
Total segment liabilities	<b>227,761</b>	221,959
Liabilities relating to discontinued operations	<b>1,450,800</b>	1,475,976
Unallocated corporate liabilities	<b>1,393,669</b>	1,411,070
Total consolidated liabilities	<b>3,072,230</b>	3,109,005

#### 4. Finance costs

	Six months ended	
	<b>30.6.2016 (Unaudited) HK\$'000</b>	30.6.2015 (Unaudited) HK\$'000 (restated)
Interest on:		
– borrowings wholly repayable within five years	<b>2,224</b>	1,962
– borrowings wholly repayable over five years	<b>1,207</b>	2,177
– convertible notes ( <i>note 19</i> )	<b>31,198</b>	4,332
– promissory notes ( <i>note 20</i> )	<b>44,764</b>	–
	<b>79,393</b>	8,471

#### 5. Income tax expenses

No provision for Hong Kong Profits tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period (1.1.2015 to 30.6.2015: Nil). 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	
	<b>30.6.2016 (Unaudited) HK\$'000</b>	30.6.2015 (Unaudited) HK\$'000 (restated)
Current tax		
PRC Enterprise Income Tax	–	–
Deferred tax	<b>(728)</b>	–
	<b>(728)</b>	–

**6. Profit (Loss) for the period from continuing operation**

Profit (Loss) for the period from continuing operation has been arrived at after charging:

	<b>Six months ended</b>	
	<b>30.6.2016 (Unaudited) HK\$'000</b>	30.6.2015 (Unaudited) HK\$'000 (restated)
Amortisation of intangible assets	<b>9,141</b>	–
Depreciation for property, plant and equipment	<b>782</b>	554
Total depreciation and amortisation	<b>9,923</b>	554
Auditor's remuneration	<b>300</b>	300
Minimum lease payments under operating lease	<b>785</b>	417

**7. Discontinued operations****珠海市百力行酒店管理有限公司**

On 30 May 2016, the Group entered into an agreement for the disposal of its intangible assets relating to the right to receive royalty fee. On 30 May 2016, the disposal was completed and the business of right to receive royalty fee which is solely carried out by 珠海市百力行酒店管理有限公司 (“百力行”) has become discontinued operations of the Group.

**Quick Silver Group**

On 27 April 2016, the Group entered into an agreement for the disposal of its entire equity interest in Quick Silver Global Enterprises Limited (“Quick Silver Group”). The principal activities of Quick Silver Group are properties leasing and operating of supermarket which are carried by Chongqing Kings Mall Business Management Company Limited (“Kings Mall Management”) and 重慶盛明滙名品百貨有限公司 respectively and have become discontinued operations of the Group. The disposal was completed on 18 August 2016.

The loss for the period from discontinued operations is analysed as follows:

	<b>Six months ended</b>	
	<b>30.6.2016 (Unaudited) HK\$'000</b>	30.6.2015 (Unaudited) HK\$'000 (restated)
Loss of 百力行 for the period	<b>(2,403)</b>	(3,521)
Loss of Quick Silver Group for the period	<b>(105,370)</b>	(150,145)
Gain on disposal of intangible asset	<b>4,234</b>	–
Loss for the period from discontinued operations	<b>(103,539)</b>	(153,666)



**7. Discontinued operations** (continued)

The results of the 百力行 and Quick Silver Group presented as discontinued operations included in the condensed consolidated income statement, were as follows:

For the six months ended 30 June 2016 (unaudited)

	百力行 HK\$'000	Quick Silver Group HK\$'000	Total HK\$'000
Revenue	–	17,229	17,229
Cost of sales	(1,383)	(5,127)	(6,510)
Gross (loss) profit	(1,383)	12,102	10,719
Other revenue	–	25,576	25,576
Gain on disposal of intangible asset	4,234	–	4,234
Fair value change on investment property	–	(111,483)	(111,483)
Administrative expenses	(1,020)	(27,541)	(28,561)
Finance costs	–	(31,895)	(31,895)
Profit (Loss) before income tax	1,831	(133,241)	(131,410)
Income tax	–	27,871	27,871
Profit (Loss) for the period	1,831	(105,370)	(103,539)

For the six months ended 30 June 2015 (unaudited)

	百力行 HK\$'000	Quick Silver Group HK\$'000	Total HK\$'000
Revenue	–	12,308	12,308
Cost of sales	(1,753)	(2,113)	(3,866)
Gross (loss) profit	(1,753)	10,195	8,442
Other revenue	7	2,566	2,573
Fair value change on investment property	–	(149,958)	(149,958)
Administrative expenses	(1,775)	(18,723)	(20,498)
Finance costs	–	(31,715)	(31,715)
Loss before income tax	(3,521)	(187,635)	(191,156)
Income tax	–	37,490	37,490
Loss for the period	(3,521)	(150,145)	(153,666)

**7. Discontinued operations** (continued)

Loss before income tax for the period from discontinued operations included the following:

For the six months ended 30 June 2016 (unaudited)

	百力行 HK\$'000	Quick Silver Group HK\$'000	Total HK\$'000
Loss before income tax is arrived at after charging (crediting)			
Other staff costs	167	6,566	6,733
Retirement benefit scheme contribution	–	23	23
Total staff costs	167	6,589	6,756
Amortisation of an intangible asset	1,383	–	1,383
Cost of inventories sold	–	2,911	2,911
Depreciation on property, plant and equipment	40	933	973
Impairment loss recognised on inventories	–	50	50
Minimum lease payments under operating lease charges	–	1,337	1,337
Rental income from investment properties	–	(13,529)	(13,529)
Direct operating expenses incurred in respect of investment properties that generated rental income during the period	–	4,154	4,154

For the six months ended 30 June 2015 (unaudited)

	百力行 HK\$'000	Quick Silver Group HK\$'000	Total HK\$'000
Loss before income tax is arrived at after charging (crediting)			
Other staff costs	235	4,077	4,312
Retirement benefit scheme contribution	–	427	427
Total staff costs	235	4,504	4,739
Amortisation of an intangible asset	1,753	–	1,753
Cost of inventories sold	–	308	308
Depreciation on property, plant and equipment	51	305	356
Minimum lease payments under operating lease charges	–	419	419
Rental income from investment properties	–	(9,567)	(9,567)
Direct operating expenses incurred in respect of investment properties that generated rental income during the period	–	53	53

**7. Discontinued operations** (continued)

For the six months ended 30 June 2016 (unaudited)

	百力行 HK\$'000	Quick Silver Group HK\$'000	Total HK\$'000
Net cash generated from (used in) operating activities	540	(93,043)	(92,503)
Net cash used in investing activities	–	(25,745)	(25,745)
Net cash (used in) generated from financing activities	(697)	33,271	32,574
Net decrease in cash and cash equivalent	(157)	(85,517)	(85,674)

For the six months ended 30 June 2015 (unaudited)

	百力行 HK\$'000	Quick Silver Group HK\$'000	Total HK\$'000
Net cash generated from (used in) operating activities	997	(39,627)	(38,630)
Net cash (used in) generated from investing activities	(8)	142,353	142,345
Net cash used in financing activities	(688)	(117,817)	(118,505)
Net increase (decrease) in cash and cash equivalent	301	(15,091)	(14,790)

**8. Dividend**

The Board of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 (1.1.2015 to 30.6.2015: Nil).

**9. Earnings (Loss) per share****(a) Basic earnings (loss) per share**

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

	<b>Six months ended</b>	
	<b>30.6.2016 (Unaudited) HK\$'000</b>	30.6.2015 (Unaudited) HK\$'000
Profit (loss) for the period from continuing operation	<b>73,671</b>	(19,262)
Loss for the period from discontinued operations	<b>(103,539)</b>	(153,666)
Loss for the period attributable to owners of the Company	<b>(29,868)</b>	(172,928)
	<b>30.6.2016 '000</b>	30.6.2015 '000
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 January	<b>18,559,469</b>	13,225,076
Effect of shares issued upon conversion of convertible notes	<b>24,837</b>	236,693
Weighted average number of ordinary shares at 30 June	<b>18,584,306</b>	13,461,769

## 9. Earning (Loss) per share (continued)

### (b) Diluted earnings (loss) per share

The diluted earnings (loss) per share for the periods ended 30 June 2016 and 30 June 2015 is equivalent to the basic earnings/(loss) per share for both periods as the potential shares arising from the conversion of the convertible bonds would increase (decrease) the earnings (loss) per share of the Group for both periods, and is regarded as anti-dilutive.

## 10. Investment properties

	<b>Investment properties under development in the PRC</b>	<b>Completed investment properties in the PRC</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Fair value</b>			
As at 1 January 2015 (audited)	–	2,090,000	2,090,000
Additions	791	151,256	152,047
Disposals	–	(22,094)	(22,094)
Exchange adjustments	(13,771)	(96,503)	(110,274)
Acquisition of a subsidiary	445,798	–	445,798
Increase (decrease) in fair value recognized in profit or loss	206,182	(372,659)	(166,477)
As at 31 December 2015 and 1 January 2016 (audited)	639,000	1,750,000	2,389,000
Additions	3,791	3,170	6,961
Exchange adjustments	(15,156)	(40,924)	(56,080)
Increase (decrease) in fair value recognized in profit or loss	7,865	(111,483)	(103,618)
Disposals	–	(8,763)	(8,763)
Transferred to assets classified as held for sale	–	(1,592,000)	(1,592,000)
As at 30 June 2016 (unaudited)	635,500	–	635,500

The Group's investment properties as at 30 June 2016 and 31 December 2015 were situated in the PRC and were held under medium-term lease. As at 1 January 2016 the completed investment property held by the Group was located at Chongqing (the "Chongqing Property").

## 10. Investment properties *(continued)*

The fair value of the Chongqing Property as at 30 June 2016 and 31 December 2015 were arrived at on the basis of valuations carried out by Assets Appraisals Limited ("Asset Appraisal"), an independent qualified professional valuer not connected with the Group. The Chongqing Property was valued by the discounted cash flow method and where appropriate, the comparison method. Discounted cash flow approach is based on the present value of future economic benefits expected to be derived from the properties. The value of the Chongqing Property is developed by discounting future debt free cash flows available for distribution to the owners of the property to their present value at market derived rates of return appropriate for the risks and hazards of holding similar assets. Comparison method is based on prices realised or market prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

The underdevelopment investment properties, which included a piece of land located in Xiqiao Town, Foshan City, Guangdong Province (the "Properties") were acquired through the acquisition of a subsidiary on 28 August 2015. The fair value for the Properties as at 30 June 2016 and 31 December 2015 had been arrived at on the basis of a valuation carried out by Asset Appraisal, a professional independent valuer not connected to the Group. As the Properties is underdeveloped, the residual method is adopted by making reference to recent comparable sales transactions as available in the relevant property market (i.e. direct comparison approach) and taking into account the construction costs to reflect the quality of the completed development.

## 11. Goodwill

For the purpose of impairment testing, goodwill has been allocated to individual cash generating units (CGUs), comprising a subsidiary in financial services segment. During the period ended 30 June 2016, the management of the Group determines that there are no impairment of CGUs containing goodwill.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period with a pre-tax discount rate of 25.15%. Financial services segment's cash flows beyond the 5-year period are extrapolated using a declining growth rate. This growth rate is based on the economy, relevant industry and the past performance of the company. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin and such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of financial services segment to exceed the aggregate recoverable amount of financial services segment.

## 12. Intangible assets

	Trademark <i>HK\$'000</i>	License <i>HK\$'000</i>	Right to receive royalty fee <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
At 1 January 2015 (audited)	–	–	55,492	55,492
Additions from business combination	360,646	5,000	–	365,646
Exchange adjustment	–	–	(2,948)	(2,948)
At 31 December 2015 and 1 January 2016 (audited)	360,646	5,000	52,544	418,190
Disposal	–	–	(51,332)	(51,332)
Exchange adjustment	–	–	(1,212)	(1,212)
At 30 June 2016 (unaudited)	360,646	5,000	–	365,646
<b>Amortisation</b>				
At 1 January 2015 (audited)	–	–	20,150	20,150
Charge for the year	4,508	62	3,457	8,027
Exchange adjustment	–	–	(1,181)	(1,181)
At 31 December 2015 and 1 January 2016 (audited)	4,508	62	22,426	26,996
Charge for the period	9,016	125	1,383	10,524
Disposal	–	–	(23,270)	(23,270)
Exchange adjustment	–	–	(539)	(539)
At 30 June 2016 (unaudited)	13,524	187	–	13,711
<b>Carrying values</b>				
At 30 June 2016 (unaudited)	347,122	4,813	–	351,935
At 31 December 2015 (audited)	356,138	4,938	30,118	391,194

**13. Trade and other receivables**

At 30 June 2016, included in trade and other receivables are trade receivables of approximately HK\$27,375,000 (31.12.2015: approximately HK\$7,018,000).

The credit period granted to the Group's trade receivables generally ranges from 30 days to 120 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the reporting date.

	<b>30.6.2016 (Unaudited) HK\$'000</b>	31.12.2015 (Audited) HK\$'000
Within 3 months	<b>27,375</b>	5,640
4 to 6 months	-	-
Over 6 months	-	1,378
Total	<b>27,375</b>	7,018

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience and the financial standings of these customers, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered full recoverable. The Group does not hold any collateral over these balances.

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**14. Financial assets at fair value through profit or loss**

	<b>30.6.2016 (Unaudited) HK\$'000</b>	31.12.2015 (Audited) HK\$'000
Financial assets at fair value through profit or loss held for trading are analysed as follows:		
Equity securities listed in Hong Kong	<b>106</b>	102
Debt securities – unlisted	<b>31,630</b>	-
	<b>31,736</b>	102

At the reporting date, the fair value of listed securities is determined by the quoted market bid price available on the relevant exchange. The classification of the measurement of all the listed equity securities is Level 1 under the fair value hierarchy. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.



## 15. Assets classified as held for sale/liabilities associated with assets classified as held for sale

### Quick Silver Group and Fortune House Group

On 27 April 2016, the Group entered into an agreement for the disposal of its entire equity interest in Quick Silver Global Enterprises Limited ("Quick Silver Group") and Fortune House Worldwide Holdings Limited (Fortune House Group). The principal activities of Quick Silver Group are properties leasing and operating of supermarket which are carried by Chongqing Kings Mall Business Management Company Limited ("Kings Mall Management") and 重慶盛明滙名品百貨有限公司 respectively and have become discontinued operations of the Group. The principal activity of Fortune House Group is investment holding. The disposal was completed on 18 August 2016.

The assets and liabilities attributable to Quick Silver Group and Fortune House Group have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position.

	<b>Quick Silver Group</b> (Unaudited) <i>HK\$'000</i>	<b>Fortune House Group</b> (Unaudited) <i>HK\$'000</i>	<b>Total</b> (Unaudited) <i>HK\$'000</i>
Property, plant and equipment	5,721	27,176	32,897
Investment property	1,592,000	–	1,592,000
Financial asset	34,602	–	34,602
Trade receivables	8,077	–	8,077
Other receivables	114,807	47	114,854
Inventories	6,066	–	6,066
Prepayment and deposits	61,472	–	61,472
Loan and receivables	346,021	–	346,021
Amount due to related companies	658	–	658
Pledged bank balances	23,068	–	23,068
Cash on hand	358	–	358
Bank balances	3,214	203	3,417
Amounts due from group companies	1,399	–	1,399
	2,197,463	27,426	2,224,889
Less: Amounts due from group companies eliminated on consolidation	(1,399)	–	(1,399)
Total assets classified as held for sale	2,196,064	27,426	2,223,490

**15. Assets classified as held for sale/liabilities associated with assets classified as held for sale** (continued)

	<b>Quick Silver Group</b> (Unaudited) HK\$'000	<b>Fortune House Group</b> (Unaudited) HK\$'000	<b>Total</b> (Unaudited) HK\$'000
Account payables	893	–	893
Construction cost payables, other payables and accrued charges	100,401	7	100,408
Refundable deposits received	47,093	–	47,093
Rental received in advance	4,105	–	4,105
Secured bank borrowings	5,767	–	5,767
Amount due to a related company	16	–	16
Amount due to a shareholder	66,391	–	66,391
Secured bank borrowings – non-current portion	1,134,275	13,096	1,147,371
Deferred tax	73,399	–	73,399
Amounts due to group companies	1,808,603	45,458	1,854,061
	3,240,943	58,561	3,299,504
Less: Amounts due to group companies eliminated on consolidation	(1,808,603)	(45,458)	(1,854,061)
Total liabilities classified as held for sale	1,432,340	13,103	1,445,443
Net assets classified as held for sale	763,724	14,323	778,047

**16. Trade and other payables**

	<b>30.6.2016</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.12.2015 (Audited) HK\$'000
Account payables		
– Clearing house and cash client	<b>214,659</b>	149,610
– Others	–	3,703
Construction cost payables, other payables and accrued charges	<b>67,184</b>	144,827
Outstanding consideration for acquisition of an intangible asset through acquisition of a subsidiary	<b>10,000</b>	10,000
Refundable deposits received	<b>1,384</b>	66,274
Rental received in advance	–	4,135
Loan from a director	<b>20,000</b>	–
	<b>313,227</b>	378,549

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

	<b>30.6.2016</b> <b>HK\$'000</b>	31.12.2015 HK\$'000
0-60 days	<b>214,659</b>	152,377
61-90 days	–	–
> 90 days	–	936
	<b>214,659</b>	153,313

**17. Borrowings**

During the current period, no new loans were obtained by the Group and repaid bank borrowings of approximately HK\$1,850,000 (1.1.2015 to 30.6.2015: repaid bank borrowings of approximately HK\$50,626,000).

**18. Amount due to a related party/a shareholder/a joint venture**

The amounts due to a related party/a shareholder/a joint venture are unsecured, interest free and repayable on demand.

**19. Convertible notes and derivative financial instruments**

On 28 October 2014, the Company issued Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK\$261,500,000 (the "2014 Convertible Note"). The 2014 Convertible Note entitles the holders to convert them into ordinary shares of the Company at any time after the date of issue of the 2014 Convertible Note and their maturity date on 27 April 2016, being eighteen month from the date of its issue, in multiples of HK\$100,000 at a conversion price of HK\$0.183 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 27 April 2016 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 27 April 2016. During the year ended 31 December 2015, 2014 Convertible Note noteholders converted all of the remaining 2014 Convertible Note into 437,158,469 ordinary shares of HK0.05 each in the Company at the conversion price of HK\$0.183 per share.

On 8 September 2015, the Company issued Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK\$242,960,000 (the "2015 CB 1"). The 2015 CB 1 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2015 CB 1 and their maturity date on 7 March 2017, being eighteen months from the date of its issuance, in multiples of HK\$100,000 at a conversion price of HK\$0.163 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 7 March 2017 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 7 March 2017. During the year ended 31 December 2015, 2015 CB 1 noteholders converted part of the 2015 CB1 into 695,460,108 ordinary shares of HK0.05 each in the Company at the conversion price of HK\$0.163 per share.

**19. Convertible notes and derivative financial instruments** *(continued)*

During the period ended 30 June 2016, 2015 CB1 noteholders converted part of the 2015 CB1 into 27,607,361 shares of HK\$0.05 each in the Company at the conversion price of HK\$0.163 per share.

On 25 September 2015, the Company issued zero-coupon convertible notes (the "Ping An CB") with a nominal value of approximately HK\$100,000,000 as part of the consideration for the acquisition of Grand Ahead and its subsidiaries (the "Grand Ahead Group") from Jayden Wealth Holdings Limited ("Jadyen"). The Ping An CB is denominated in Hong Kong dollars. The Ping An CB entitles the holders to convert them into ordinary shares of the Company on any Business Day during a period commencing from the date of this Note and ending on the Maturity Date (both days inclusive), the whole by trenches of at least one-twentieth of the principal amount of the Note into Shares at any time and from time to time at the Conversion Price of HK\$0.2 per convertible share subject to adjustments in certain events. The maturity date of Ping An CB is 24 September 2020.

During the period ended 30 June 2016 and year ended 31 December 2015, no Ping An CB was converted into share by noteholders.

On 20 November 2015, the Company issued Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK\$100,100,000 (the "2015 CB 2"). The 2015 CB 2 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2015 CB 2 and their maturity date on 19 May 2017, being eighteen month from the date of its issuance, in multiples of HK\$100,000 at a conversion price of HK\$0.163 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank *pari passu* in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 19 May 2017 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 19 May 2017. During the year ended 31 December 2015, 2015 CB 2 noteholders converted part of the 2015 CB 2 into 106,134,945 ordinary shares of HK0.05 each in the Company at the conversion price of HK\$0.163 per share.

During the period ended 30 June 2016, 2015 CB2 noteholders converted part of the 2015 CB2 into 61,963,189 shares of HK\$0.05 each in the Company at the conversion price of HK\$0.163 per share.

At the end of the reporting periods, the 2015 CB 1, 2015 CB 2, and Ping An CB were valued by the directors of the Company with reference to valuation report issued by Asset Appraisal, an independent professional valuer not connected to the Group.

**19. Convertible notes and derivative financial instruments** (continued)

The principal amounts of 2015 CB1, 2015 CB2 and the Ping An CB are divided into straight debt component and embedded conversion option on initial recognition. The debt component is recognised in the consolidated statement of financial position as current and non-current liabilities (the holders of 2015 CB1, 2015 CB2 and the Ping An CB cannot require the Company to settle the convertible notes before the maturity of the convertible notes). The embedded conversion options are recognised in the consolidated statement of financial position as current liabilities.

At initial recognition, the derivative components of convertible notes are measured at fair value. Any excess of proceed, over the amount initially recognised as the derivative component is recognised as the debts component. Subsequently, the debt components are measured at amortised cost. The effective interest rate of the debt component is 12.42%, 37.3% and 54.99% (2015: 12.42%, 37.3% and 54.99%). Embedded conversion options are measured at fair value with changes in fair value recognised in profit or loss.

The movements of the debt component and derivatives components of the year/period are set out as below:

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	<b>Debt component</b> <i>HK\$'000</i>	<b>Embedded conversion option</b> <i>HK\$'000</i>	<b>Early redemption option</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 1 January 2015 (audited)	67,013	35,780	(12,590)	90,203
Issue of convertible notes during the year	274,080	176,627	–	450,707
Interest charge	21,546	–	–	21,546
Converted into ordinary shares	(160,780)	(82,957)	12,572	(231,165)
(Gain) Loss arising on changes of fair value	–	(4,409)	18	(4,391)
As at 31 December 2015 and 1 January 2016 (audited)	201,859	125,041	–	326,900
Interest charge (note 4)	31,198	–	–	31,198
Converted into ordinary shares	(10,747)	(1,984)	–	(12,731)
Gain arising on changes of fair value	–	(93,921)	–	(93,921)
As at 30 June 2016 (unaudited)	<b>222,310</b>	<b>29,136</b>	<b>–</b>	<b>251,446</b>
		<b>30.6.2016 (Unaudited) HK\$'000</b>		31.12.2015 (Audited) HK\$'000
Current portion of convertible notes		<b>161,415</b>		–
Non-current portion of convertible notes		<b>60,895</b>		201,859
		<b>222,310</b>		201,859

**19. Convertible notes and derivative financial instruments** (continued)

The fair values of the derivative financial assets and liabilities are calculated using the binomial model. The inputs into the model were as follows:

	Ping An CB	2015 CB1	2015 CB2
Share price	HK\$0.109	HK\$0.109	HK\$0.109
Conversion price	HK\$0.2	HK\$0.163	HK\$0.163
Expected volatility (note a)	56.05%	63.4%	63.4%
Expected life (note b)	4.23 years	0.6 years	0.89 years
Risk free rate (note c)	0.6%	0.25%	0.276%

Notes:

- (a) Expected volatility was determined by calculating the historical volatility of the Company's share price.
- (b) Expected life was the expected remaining life of the convertible note.
- (c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

**20. Promissory notes**

On 28 August 2015, the Company issued the promissory notes ("PN1") with a principal amount of HK\$428,000,000 as part of the consideration for the Group's acquisition of the entire issued share capital of Full Boom. The PN1 has a maturity of 36 months from the date of issue and bears simple interest at a rate of 5% per annum. The valuation of the PN1 as at the date of its issue was carried out by Asset Appraisal, a professional independent valuer not connected to the Group, using Hullwhite model. The discount rate is derived from risk premium specific to the Company with reference to market sources. The fair value of the PN1 is recorded as financial liabilities stated at amortised cost in accordance with HKAS 39.

On 25 September 2015, the Company issued another promissory notes ("PN2") with a principal amount of HK\$400,000,000 as part of the consideration for the Group's acquisition of the entire issued share capital of Grand Ahead. The PN2 has a maturity of 36 months from the date of issue and bear simple interest at a rate of 2% per annum. The valuation of the PN2 as at the date of its issue was carried out by Asset Appraisal, a professional independent valuer not connected to the Group, using the discounted cash flow approach by applying an appropriate discount rate on the estimated future cash outflows on repayment of the PN2. The discount rate is derived from market risk-free rate and risk premium specific to the Company with reference to market sources. The fair value of the PN2 is recorded as financial liabilities stated at amortised cost in accordance with HKAS 39.

**20. Promissory notes** (continued)

Movements of the PN1 and PN2 are set out as follows:

	<b>30.6.2016</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.12.2015 (Audited) HK\$'000
At 1 January	<b>636,019</b>	–
Fair value of PN1 at the date of issue (28 August 2015)	–	331,307
Fair value of PN2 at the date of issue (25 September 2015)	–	285,525
Interest expenses (note 4)	<b>44,764</b>	26,574
Interest payable	–	(7,387)
At end of the period/year	<b>680,783</b>	636,019

**21. Provision for contingent consideration**

In connection with the acquisition of net assets through an acquisition of the Quick Silver Group, provision for contingent consideration represented the acquisition-date fair value of contingent consideration for the Convertible Note, which will be issued by the Company after certain conditions fulfilled as specified in the acquisition agreement signed on 27 February 2011 for the Quick Silver Group and the supplemental agreement signed on 19 May 2011, as part of the consideration transferred in exchange for the Quick Silver Group.

The provision for contingent consideration is classified as a financial liability as it is resulted from a contract that will or may be settled in the Company's own equity instruments and is a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. The amount will then be measured at fair value with changes in fair value recognised in profit or loss.

The provision for contingent consideration was valued by the Directors with reference to valuation report issued by Asset Appraisal.

	<i>HK\$'000</i>
As at 1 January 2015 (audited)	259,917
Changes in fair value	(57,265)
As at 31 December 2015 and 1 January 2016 (audited)	202,652
Changes in fair value	(72,716)
As at 30 June 2016 (unaudited)	129,936



**21. Provision for contingent consideration** *(continued)*

The fair values of the provision for contingent consideration are calculated using the binomial model. The inputs into the model were as follows:

**Convertible note**

	<b>30.6.2016</b>	31.12.2015
Share price	<b>HK\$0.109</b>	HK\$0.176
Conversion price	<b>HK\$0.128</b>	HK\$0.128
Expected volatility <i>(note a)</i>	<b>59.19%</b>	61.59%
Expected life <i>(note b)</i>	<b>5.5 years</b>	6 years
Risk free rate <i>(note c)</i>	<b>0.682%</b>	1.1768%

*Notes:*

- (a) Expected volatility was determined by calculating the historical volatility of the Company's share price.
- (b) Expected life was the expected remaining life of the convertible Note.
- (c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

The convertible Note will be issued on 31 December 2016 based on the best estimation of the management of the Company on the current status of conditions for issuing those convertible notes.

**22. Share capital**

	<b>No. of shares</b>	<b>Per share HK\$</b>	<b>Amount HK\$'000</b>
<b>Authorised</b>			
At 1 January 2015, 31 December 2015 and 30 June 2016			
Ordinary shares of HK\$0.05 each	60,000,000,000	0.05	3,000,000
<b>Issued and fully paid</b>			
At 1 January	13,225,075,670	0.05	661,253
Issue of new shares by placing (note a)	613,400,000	0.05	30,670
Issue of consideration shares (note b)	3,500,000,000	0.05	175,000
Issue of new shares on conversion of convertible note (note c)	1,238,753,523	0.05	61,938
Repurchases of shares	(17,760,000)	0.05	(888)
At 31 December 2015 and 1 January 2016	18,559,469,193	0.05	927,973
Issue of new shares on conversion of convertible note (note c)	89,570,550	0.05	4,479
At 30 June 2016	18,649,039,743	0.05	932,452

During the year ended 31 December 2015 and the period ended 30 June 2016, the movements of the authorised and issued share capital of the Company are as following:

- (a) Pursuant to a subscription agreement dated 8 September 2015, 613,400,000 new shares of the Company were issued at the subscription price of HK\$0.163 per subscription share. Details of the issue of the shares are set out in the Company's announcement dated 8 September 2015.
- (b) During the year ended 31 December 2015, the Company issued 3,500,000,000 shares of HK\$0.05 each in the Company at the price of HK\$0.185 per share for a total consideration of HK\$647,500,000 as part of the consideration in respect of the acquisition of Grand Ahead.
- (c) Ordinary shares of 89,570,550 (2015: 1,238,753,523) with nominal value of approximately HK\$4,479,000 (2015: HK\$61,938,000) were issued upon the conversion of the 2014 Convertible Note amounting for HK\$Nil (2015: HK\$91,450,000), 2015 CB 1 amounting to approximately HK\$4,472,000 (2015: HK\$121,534,000) and 2015 CB 2 amounting to approximately HK\$8,259,000 (2015: HK\$18,181,000) during the period ended 30 June 2016.

**22. Share capital (continued)**

The new shares rank pari passu in all respects with the existing shares.

**Purchase of own shares**

During the year ended 31 December 2015, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Purchase price Highest HK\$	Purchase price Lowest HK\$	Aggregate Price paid \$'000
July 2015	17,760,000	0.157	0.137	2,722

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HK\$2,722,000 was paid. The premium of approximately HK\$1,834,000 on the repurchase of such shares was charged to the share premium account.

**23. Fair value measurements of financial instruments**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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**30 June 2016**

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets at fair value through profit or loss</b>				
Equity securities listed in Hong Kong	106	–	–	106
Debt securities – unlisted	–	–	31,630	31,630
<b>Financial liabilities at fair value through profit or loss:</b>				
Derivative financial instruments	–	–	29,136	29,136
Provision for contingent consideration	–	–	129,936	129,936

**23. Fair value measurements of financial instruments** (continued)**31 December 2015**

	<b>Level 1</b> HK\$'000	<b>Level 2</b> HK\$'000	<b>Level 3</b> HK\$'000	<b>Total</b> HK\$'000
<b>Financial assets at fair value through profit or loss</b>				
Equity securities listed in Hong Kong	102	–	–	102
<b>Financial liabilities at fair value through profit or loss:</b>				
Derivative financial instruments	–	–	125,041	125,041
Provision for contingent consideration	–	–	202,652	202,652

During the period ended 30 June 2016 and the year ended 31 December 2015, there were no transfers between all levels.

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**24. Related party transactions**

Except as disclosed in the condensed consolidated financial statements elsewhere, the Group entered into the following transactions with its related parties:

- (i) As at 30 June 2016, Mr. Liang provided a personal guarantee to banks for the repayment of the bank loans of approximately HK\$1,153,138,000 (31.12.2015: approximately HK\$1,136,450,000).
- (ii) During the period ended 30 June 2016, the remuneration for key management personnel of the Group was approximately HK\$1,361,000 (1.1.2015 to 30.6.2015: approximately HK\$1,315,000).
- (iii) Pursuant to a tenancy agreement entered into between New China IQ Limited ("New China"), a wholly owned subsidiary of the Company, and Mai Shunxing (the mother of Liang Huixin, an Executive Director) on 26 January 2016, New China agreed to rent a property owned by Mai Shunxing at a monthly rental of HK\$50,000 for the period from 1 January 2016 to 31 December 2017. During the period ended 30 June 2016, total rent of HK\$300,000 were paid to Mai Shunxing (1.1.2015 to 30.6.2015: HK\$300,000).

**25. Commitments****(a) Operating lease commitments**

At 30 June 2016 and 31 December 2015, the Group's total future minimum lease payments under non-cancellable operating leases in respect of land and buildings were payable as follows:

	<b>30.6.2016 (Unaudited) HK\$'000</b>	31.12.2015 (Audited) HK\$'000
Within one year	<b>1,423</b>	1,423
In the second to fifth year	<b>814</b>	1,525
	<b>2,237</b>	2,948

**(b) Capital commitments**

	<b>30.6.2016 (Unaudited) HK\$'000</b>	31.12.2015 (Audited) HK\$'000
Contracted but not provided for	<b>746,742</b>	764,978

**26. Contingent liabilities**

During the period from 1 January 2004 to 31 December 2006, certain units and shops of the investment properties located in Chongqing were sold to independent third parties (the "Buyers") under sale and purchase agreements (the "SP Agreements"). Leasing agency contracts and mortgage contracts were signed together with SP Agreements among the Buyers, Chongqing Kings Mall Business Management Company Limited ("Kings Business", a wholly owned subsidiary of the Company acquired from Profit China Investments Development Limited ("Profit China")) and Chongqing Xin Jia Jun Construction and Decoration Engineering Co. Ltd. ("Xin Jia Jun"). Pursuant to the terms of the leasing agency contracts, Xin Jia Jun would pay the Buyers an annual rental income equivalent to ten percent of the purchase price of the properties over twenty years.

Based on the legal advice from the legal adviser of the Group, the Directors considered that they have strong and valid ground of defence in relation to the potential claims in respect of the Buyers without entering into cancellation agreements regarding the units the Buyers had bought ("Problematic Properties") and the Directors considered that Kings Business would not suffer material financial losses arising from such litigation and has the right to occupy and lease the Problematic Properties to other tenants to generate rental income.

**26. Contingent liabilities** *(continued)*

On 27 February 2011, pursuant to a deed of indemnity executed by Profit China and Mr. Liang in favour of the Group at the date of acquisition completion, Profit China and Mr. Liang will indemnify the Group against all costs that the Group may suffer in relation to the investment properties acquired on the acquisition of the Quick Silver Group and any disputes and litigation (whether commencing before or after the acquisition completion) against the Group arising or accruing in relation to the operation of the Quick Silver Group on or before the date of acquisition completion (the "Indemnified Liabilities").

In addition, on 19 May 2011, Zhu Hai Port Plaza Development Company Limited entered into an undertaking to bear the aforesaid Indemnified Liabilities to the extent that such losses, liabilities and expenses have not been settled by Mr. Liang pursuant to his obligations under the indemnity agreement executed by him in favour of the Acquired Group that the Acquired Group may suffer.

In view of the above, the Directors consider that the probable litigations, if any, would not have any significant financial impacts on the financial positions of the Company.

**27. Pledge of assets**

As at 30 June 2016, bank balances of approximately HK\$23,068,000 (31.12.2015: approximately HK\$23,613,000), leasehold land and buildings and investment properties with carrying value of approximately HK\$27,005,000 (31.12.2015: approximately HK\$27,450,000) and approximately HK\$1,592,000,000 (31.12.2015: approximately HK\$1,750,000,000) respectively, were pledged to secure general banking facilities granted to the Group or borrowings of the Group.

In addition, the Group has pledged its entire equity interest in New China to secure banking facilities of approximately HK\$13,096,000 granted to the Group for the period ended 30 June 2016.

## BUSINESS REVIEW AND PROSPECTS

During the period under review, the Company's principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in property investment and development, and trading of goods in mainland China and provision of financial services in Hong Kong. For the six months ended 30 June 2016, the Group recorded a turnover of HK\$8,339,000 from its financial services sector (six months ended 30 June 2015: Nil). The Group also recorded a turnover of HK\$17,229,000 from its property investment and development and trading of goods sectors, representing an increase of approximately 40% from HK\$12,308,000 for the corresponding period in 2015.

The Group's unaudited consolidated loss for the period under review amounted to HK\$29,868,000, representing a decrease of approximately 83% compared with the loss of HK\$172,928,000 for the six months ended 30 June 2015. The improvement was mainly attributable to the fair value gain on derivative financial liabilities and provision for contingent consideration amounting to approximately HK\$93,921,000 and HK\$72,716,000 respectively.

During the period, our Chongqing arcade Shenghui Plaza (the "Plaza") recorded rental income amounted to HK\$13,529,000 (six months ended 30 June 2015: HK\$9,567,000), representing an increase of approximately 41%. The supermarket in the Plaza recorded a revenue amounted to HK\$3,700,000 (six months ended 30 June 2015: HK\$2,741,000), representing an increase of approximately 35%. However, due to the disposal of the investing holding company of the Plaza, they have been classified as discontinued operations.

In view of the uncertain future prospects of the commercial property market of the PRC as a result of the growing popularity of online shopping, the Company entered into disposal agreements in April 2016 to dispose of the Plaza and an office premises in Hong Kong. The consideration for the disposals is fully set off against the outstanding promissory notes issued by the Company in the principal amount of HK\$828,000,000 (carrying amounts of HK\$680,783,000 as at 30 June 2016). The disposals were completed on 18 August 2016. The total liabilities and interest expenses of the Group will thus be substantially reduced. There will no longer be any rental income from the Plaza or revenue from the supermarket since then.

Also as part of our streamline operation, we disposed of Xiang Quan Hotel in May 2016. There was no royalty fee income during the period (six months ended 30 June 2015: Nil).

The Group's land in Foshan City, Guangdong Province, the PRC is being developed into a project with gross floor area of approximately 94,400 square metres, 92,000 square metres and 8,800 square metres for shops, offices and hotel development. It is expected that pre-sale of the project will commence in 2017.

Our major subsidiary, Ping An Securities Limited (“PASL”), which provides a wide range of financial services including the provision of securities brokerage, securities underwriting and placements and financial advisory services in Hong Kong, started to make contribution to the Group. PASL is in the process of setting up a joint venture in mainland China (the “China Joint Venture”) under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) in order to capture opportunities arising from the booming development in the capital markets in China. The establishment of the China Joint Venture, if approved, would represent the Group’s presence in China’s securities sector.

We believe that our strategic move has streamlined our businesses and will enhance value for our shareholders in the longer future.

## **FINANCIAL REVIEW**

### **Revenue and earnings**

During the period under review, Ping An Securities recorded a turnover amounted to HK\$8,339,000 (six months ended 30 June 2015: Nil) comprising commission, brokerage income and underwriting income.

The investment property under development located in Foshan City recorded a gain from change in fair value of HK\$7,865,000 during the current period (six months ended 30 June 2015: Nil).

On the other hand, the Group also recorded a gain from change in fair value of on derivative financial liabilities and contingent liabilities of HK\$93,921,000 and HK\$72,716,000 respectively during the current period (six months ended 30 June 2015: fair value gain on contingent consideration of HK\$1,206,000).

Administrative expenses increased by HK\$12,854,000 or 83% to HK\$28,366,000, mainly due to the administrative expenses incurred by the newly subsidiaries acquired during the second half of 2015.

The increase in finance cost of HK\$70,922,000 as compared to six months ended 30 June 2015 was mainly due to the interest expenses incurred on the promissory notes and convertible notes issued during the second half of 2015 amounted to HK\$44,764,000 and HK\$31,198,000 respectively.



The Group had entered into agreements for the disposal of the right to receive royalty fee in Xiang Quan Hotel and the entire equity interest in Quick Silver Global Enterprises Limited ("Quick Silver Group") during the period under review. The principal activities of Quick Silver Group are leasing of its completed investment property, Shenghui Plaza, in Chongqing and operating a supermarket in the Plaza. These activities were classified as discontinued operations and recorded a loss of HK\$103,539,000 during the period under review (six months ended 30 June 2015: loss of HK\$153,666,000).

The Group's Shenghui Plaza in Chongqing recorded rental income amounted to HK\$13,529,000 (six months ended 30 June 2015: HK\$9,567,000), representing an increase of approximately 41%. The supermarket in the Plaza recorded a turnover amounted to HK\$3,700,000 (six months ended 30 June 2015: HK\$2,741,000), representing an increase of approximately 35%.

For the period under review, cost of sales arising from discontinued operations included cost of goods sold of the supermarket and Shenghui Plaza in Chongqing amounted to HK\$6,510,000 (six months ended 30 June 2015: HK\$3,886,000). The disposal of the right to receive royalty right in Xiang Quan Hotel recorded a gain of HK\$4,234,000 (six months ended 30 June 2015: Nil). Other revenue arising from discontinued operations of HK\$25,576,000 (six months ended 30 June 2015: HK\$2,573,000) mainly included the interest income arising from the loan receivable of approximately of HK\$16,000,000 and government subsidiaries of approximately HK\$4,000,000.

Moreover, the completed investment property in Chongqing recorded a loss from change in fair value of HK\$111,483,000 during the current period (six months ended 30 June 2015: loss of HK\$149,958,000).

### **Liquidity, financial resources, charge on assets and gearing**

As at 30 June 2016, the Group's current assets and current liabilities were HK\$2,870,825,000 and HK\$2,014,608,000 respectively. The total secured bank loans amounted to HK\$1,153,138,000.

As at 30 June 2016, main charges on assets of the Group included bank balances of HK\$23,068,000, investment properties with fair value of HK\$1,592,000,000 and leasehold land and buildings with carrying value amounted of HK\$27,005,000.

The Group's gearing ratio as at 30 June 2016 was 66%, which is calculated on the Group's total liabilities divided by its total assets.

The Board believes that the Group's cash holding, liquid asset value and future revenue will be sufficient to fund its capital expenditure and meet its working capital requirements.

## **CAPITAL COMMITMENTS**

As at 30 June 2016, the Group had capital commitments of HK\$746,742,000.

## **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**

The Group has a total of approximately 250 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 in Hong Kong and the social security fund in the PRC.

## **CHANGES IN DIRECTORS' INFORMATION**

Pursuant to Rule 13.51B of the Listing Rules, the changes in Directors' information during the period under review and up to the date of this interim report are as follows:

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- (1) Mr. Cheung Kam Fai, executive director of the Company, and has been appointed as the managing director of the Company in addition to his directorship with effect from 17 August 2016.
- (2) Ms. Liang Huixin has changed her name to Mrs. Nijssen Victoria with effect from 14 March 2016.

## DIRECTORS' INTERESTS

As at 30 June 2016, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

### *Long positions in Shares*

#### **Interests in Shares and underlying Shares:**

<b>Name of Director</b>	<b>Nature of interests</b>	<b>Number of Shares held</b>	<b>Number of underlying shares</b>	<b>Approximate percentage or attributable percentage of shareholding</b>
Mr. Cheung Kam Fai	Beneficial owner	2,932,000,000	425,000,000	18.00%
Mr. Wong Yee Shuen, Wilson	Beneficial owner		6,134,969	0.03%

Save as disclosed above, as at 30 June 2016, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

At as 30 June 2016, the following parties (other than the Directors and the chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

### Long positions in Shares

#### (a) Interests in Shares:

Name of substantial shareholder	Personal Interests	Corporate Interests	Total	Percentage of interest
Mr. Liang Wenguan ("Mr. Liang")	2,958,949,292	1,020,549,171 (Note 1)	3,979,498,463	21.33%

*Note 1:* The Shares were held by Madex International Company Limited, a company which is 100% owned by Mr. Liang.

#### (b) Interests in underlying shares:

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Name of substantial shareholder	Nature of of interests	Description of securities	Number of underlying shares	Approximate % of interests
Mr. Liang	Beneficial	Convertible Note (Note 2)	1,174,609,375	6.30%

*Note 2:* Pursuant to a very substantial acquisition and connected transaction as detailed in a circular of the Company dated 25 May 2011, the Company will, subject to the fulfillment of certain conditions, grant three convertible notes ("Convertible Notes") to Profit China Investment Development Limited ("Profit China"), which is 100% held by Ms. Tam Ping Foon Calana in trust for Mr. Liang. The First Convertible Note was subsequently granted. On 12 March 2014, the Company, Profit China and Mr. Liang mutually agreed to fully discharge and release all or any rights, obligations and responsibilities under the S&P Agreement relating to issue the Third Convertible Note. As at 30 June 2014, the outstanding principal amount of the Second Convertible Note that may, upon fulfilment of certain conditions, be granted to Profit China was HK\$150,350,000 (representing 1,174,609,375 conversion shares).

## 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 2016 except for certain deviations as follows:

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. During the period under review, the Company had no chairman or chief executive officer and 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.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Director and Independent Non-executive Directors of the Company had no fixed term of office during the period, but all of them are subject to the relevant provisions of the bye-laws ("Bye-laws") of the Company and any other applicable laws whereby they shall vacate or retire from their office.

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Dr. Dong Ansheng did not attend the special general meeting of the Company held on 14 January 2016 and the annual general meeting of the Company held on 1 June 2016 ("AGM") due to other business commitments, and Mr. Wong Yee Shuen, Wilson did not attend the AGM due to other business commitments.

## 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 2016 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 2016.

By Order of the Board

**Ping An Securities Group (Holdings) Limited**

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

**Zhang Guodong**

*Executive Director*