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## PING AN SECURITIES GROUP (HOLDINGS) LIMITED

### 平安證券集團 (控股) 有限公司

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 231)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 together with the comparative figures for the previous year are as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Revenue	4	<b>50,479</b>	50,465
Cost of sales		<b>(7,245)</b>	(20,199)
Gross profit		<b>43,234</b>	30,266
Other income	4	<b>90,256</b>	9,918
Distribution costs		<b>(4,418)</b>	(6,730)
Administrative expenses		<b>(97,579)</b>	(100,827)
Finance costs	5	<b>(169,845)</b>	(118,487)
Gain on disposal of investment property		<b>4,420</b>	18,430
Gain on disposal of intangible asset		<b>4,234</b>	-
Gain from changes in fair value of investment properties under development		<b>4,260</b>	206,182
Loss from changes in fair value of investment properties		<b>(111,015)</b>	(372,659)
Fair value change on financial assets at fair value through profit or loss		<b>18,730</b>	(10)
Fair value change on derivative financial assets		<b>-</b>	(18)
Fair value change on derivative financial liabilities		<b>111,585</b>	4,409
Fair value change on contingent consideration		<b>96,252</b>	57,265
Loss on extinguishment of promissory notes		<b>(34,963)</b>	-
Losses on disposal of property, plant and equipment		<b>-</b>	(122)
Impairment losses on inventories		<b>(419)</b>	(1,144)
Share of result of a joint venture		<b>(47,090)</b>	(2)
Gain on disposal of subsidiaries, net		<b>59,010</b>	-
<b>Loss before tax</b>		<b>(33,348)</b>	(273,529)
Income tax credit	6	<b>26,117</b>	41,522
<b>Loss for the year</b>	7	<b>(7,231)</b>	(232,007)

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Loss for the year attributable to:			
- Owners of the Company		<u>(7,231)</u>	<u>(232,007)</u>
Loss per share	8		
- Basic and diluted (HK cents)		<u>(0.04 cents)</u>	<u>(1.57 cents)</u>

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

For the year ended 31 December 2016

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Loss for the year	<u>(7,231)</u>	<u>(232,007)</u>
Other comprehensive expense		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
- Exchange differences arising on translation of financial statements of foreign operations	(77,571)	(76,737)
- Reclassification adjustment on translation reserve released on disposal of subsidiaries	<u>(886)</u>	<u>-</u>
Other comprehensive expense for the year	<u>(78,457)</u>	<u>(76,737)</u>
Total comprehensive expense for the year	<u>(85,688)</u>	<u>(308,744)</u>
Total comprehensive expense for the year attributable to:		
- Owners of the Company	<u>(85,688)</u>	<u>(308,744)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,179	35,663
Investment properties		605,000	2,389,000
Goodwill		725,330	725,330
Intangible assets		342,794	391,194
Available-for-sale investments		-	-
Interest in a joint venture		-	47,090
Other deposits		248	273
Financial assets at fair value through profit or loss		63,700	-
Prepayment for development of investment properties	9	253,006	271,736
		<u>1,992,257</u>	<u>3,860,286</u>
<b>CURRENT ASSETS</b>			
Inventories		-	7,053
Loan receivables		-	354,191
Financial assets at fair value through profit or loss		116	102
Trade and other receivables	9	36,537	125,184
Pledged bank balances		-	23,613
Bank balances and cash – trust accounts		192,104	144,643
Bank balances and cash – general accounts		65,577	213,214
		<u>294,334</u>	<u>868,000</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	267,218	378,549
Borrowings – current portion		29,806	16,155
Tax liabilities		3,380	12,668
Amount due to a related party		-	1,533
Amount due to a shareholder		69	75,711
Amount due to a joint venture		-	49,475
Derivative financial liabilities		11,289	125,041
Convertible notes – current portion		152,563	-
		<u>464,325</u>	<u>659,132</u>
<b>NET CURRENT (LIABILITIES) ASSETS</b>		<u>(169,991)</u>	<u>208,868</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,822,266</u>	<u>4,069,154</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		944,752	927,973
Reserves		640,651	691,308
<b>TOTAL EQUITY</b>		<u>1,585,403</u>	<u>1,619,281</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings – non-current portion		68,225	1,196,670
Deferred tax liabilities		104,043	212,673
Convertible notes – non-current portion		64,595	201,859
Promissory notes		-	636,019
Provision for contingent consideration		-	202,652
		<u>236,863</u>	<u>2,449,873</u>
<b>TOTAL EQUITY AND NON-CURRENT LIABILITIES</b>		<u>1,822,266</u>	<u>4,069,154</u>

## Notes:

### 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 PRC whose functional currency is Renminbi (“RMB”), the functional currency of the Company and its subsidiaries 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.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of HK\$7,231,000 during the year ended 31 December 2016 and as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$169,991,000.

In order to improve the Group’s financial position, to provide liquidity and cashflows and to sustain the Group as a going concern, the management has taken and/or will take the following measures:

- (a) 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 operations;
- (b) The Group entered into the New CB Subscription Agreement with Topsource (see note 11). The Group has agreed to issue, the New Convertible Bonds for aggregate principal amount of HK\$200 million.

The directors of the Company consider that, upon completion of the New CB Subscription, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis. Based on the facts and circumstances as made available thereto, the New CB Subscription has been completed on 27 February 2017.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The application of the amendments to HKFRSs in the current year has 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.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>1</sup>
HKFRS 16	Lease <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

### 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:

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
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 2016*

	<u>Property leasing</u>	<u>Right to receive royalty fee</u>	<u>Trading of goods</u>	<u>Financial services</u>	<u>Property development</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	18,078	-	4,155	28,246	-	50,479
Segment loss	(99,537)	(1,340)	(17,534)	(3,484)	(11,987)	(133,882)
Unallocated corporate expenses						(53,953)
Unallocated other income						371,422
Share of result of a joint venture						(47,090)
Finance costs						(169,845)
Loss before tax						(33,348)

##### *For the year ended 31 December 2015*

	<u>Property leasing</u>	<u>Right to receive royalty fee</u>	<u>Trading of goods</u>	<u>Financial services</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	22,760	-	10,532	17,173	50,465
Segment (loss) profit	(365,148)	(9,251)	(33,103)	195	(407,307)
Unallocated corporate expenses					(25,196)
Unallocated other income					277,463
Share of result of a joint venture					(2)
Finance costs					(118,487)
Loss before tax					(273,529)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2016 and 31 December 2015.

### 3. SEGMENT INFORMATION (Continued)

#### Segment revenues and results (Continued)

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, share of result of a joint venture, interest income, finance costs, gain on disposal of intangible asset, gain on disposal of subsidiaries, fair value change on financial assets at fair value through profit or loss, fair value change on derivative financial assets, fair value change on derivative financial liabilities and fair value change on contingent consideration. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

#### Segment assets and liabilities

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

	2016 HK\$'000	2015 HK\$'000
<i>Segment assets</i>		
Property leasing	-	2,175,587
Right to receive royalty fee	365	26,308
Trading of goods	-	150,200
Financial services	1,157,522	1,308,129
Property development	<u>863,967</u>	<u>-</u>
Total segment assets	<u>2,021,854</u>	3,660,224
Unallocated corporate assets	<u>264,737</u>	<u>1,068,062</u>
Total consolidated assets	<u>2,286,591</u>	<u>4,728,286</u>
<i>Segment liabilities</i>		
Property leasing	-	1,448,734
Right to receive royalty fee	12,466	15,967
Trading of goods	-	11,275
Financial services	198,026	221,959
Property development	<u>30,115</u>	<u>-</u>
Total segment liabilities	<u>240,607</u>	1,697,935
Unallocated corporate liabilities	<u>460,581</u>	<u>1,411,070</u>
Total consolidated liabilities	<u>701,188</u>	<u>3,109,005</u>

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, interest in a joint venture, property, plant and equipment of head office, pledged bank balances and bank balances and cash.
- all liabilities are allocated to operating segment liabilities other than certain other payables, borrowings, tax liabilities, deferred tax liabilities, amount due to a related party, amount due to a shareholder, amount due to a joint venture, derivative financial liabilities, convertible notes, promissory notes and provision for contingent consideration.



#### 4. REVENUE AND OTHER INCOME

The Group's revenue from sales of finished goods, rental income from leasing of investment properties, commission and brokerage income and underwriting income for the year is as follows:

	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>		
Rental income	18,078	22,760
Trading of goods	4,155	10,532
Commission and brokerage income	5,596	1,234
Underwriting income	<u>22,650</u>	<u>15,939</u>
	<u>50,479</u>	<u>50,465</u>
<b>Other income</b>		
Interest income	23,483	6,083
Other loan interest income	995	716
Gain on trading of listed securities	-	2,800
Sundry income	11,803	319
Waiver of amount due to a joint venture	49,475	-
Convertible note interest income	<u>4,500</u>	<u>-</u>
	<u>90,256</u>	<u>9,918</u>

#### 5. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interests on:		
- Bank and other borrowings	47,885	70,367
- Convertible notes	64,942	21,546
- Promissory notes	<u>57,018</u>	<u>26,574</u>
	<u>169,845</u>	<u>118,487</u>

#### 6. INCOME TAX CREDIT

	2016 HK\$'000	2015 HK\$'000
Current tax		
- Hong Kong Profits Tax	<u>3,560</u>	<u>852</u>
Deferred tax		
- Credit for the year	<u>(29,677)</u>	<u>(42,374)</u>
Income tax credit	<u>(26,117)</u>	<u>(41,522)</u>

Hong Kong Profits Tax is calculated at the rate of 16.5% (2015: 16.5%) of the estimated assessable profit for the year.

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%.

## 7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Staff costs:		
- Directors' emoluments	3,602	3,081
- Other staff costs:		
- Salaries and other benefits	16,750	18,063
- Retirement benefit scheme contributions	<u>1,798</u>	<u>1,735</u>
Total staff costs	<u>22,150</u>	<u>22,879</u>
Amortisation of intangible assets	19,669	8,027
Depreciation for property, plant and equipment	<u>2,386</u>	<u>2,390</u>
Total depreciation and amortisation	<u>22,055</u>	<u>10,417</u>
Cost of inventories sold	3,487	8,932
Impairment losses on inventories	419	1,144
Auditor's remuneration		
- audit services	1,200	1,000
- other services	522	-
Minimum lease payments under operating lease	3,712	2,294
Rental income from investment properties (included in revenue)	(18,078)	(22,760)
Direct operating expenses incurred in respect of investment properties that generated rental income during the year	<u>5,156</u>	<u>8,834</u>

## 8. LOSS PER SHARE

### (a) BASIC LOSS PER SHARE

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

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Loss for the year attributable to the owners of the Company	<u>7,231</u>	<u>232,007</u>
	<b>2016</b>	2015
	<b>'000</b>	<b>'000</b>
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 January	18,559,469	13,225,076
Effect of shares issued upon conversion of convertible notes	93,005	460,867
Effect of shares issued	-	1,132,989
Effect of repurchases of shares	<u>-</u>	<u>(6,666)</u>
Weighted average number of ordinary shares at 31 December	<u>18,652,474</u>	<u>14,812,266</u>

### (b) DILUTED LOSS PER SHARE

The diluted loss per share for the years ended 31 December 2016 and 31 December 2015 is equivalent to the basic loss per share for both years as the potential shares arising from the conversion of the convertible bonds would decrease the loss per share of the Group for both years, and this is regarded as anti-dilutive.

## 9. TRADE AND OTHER RECEIVABLES

	Notes	2016 HK\$'000	2015 HK\$'000
Trade receivables from			
- Clearing house and cash clients	(a)(b)	24,375	5,597
- Others	(b)	<u>-</u>	<u>1,421</u>
		<u>24,375</u>	<u>7,018</u>
Payment in respect of the maintenance of the Group's			
Chongqing property		-	30,697
Advance property management fee		-	8,264
Advance to a third party		-	38,165
Other receivables, prepayment and deposit		<u>265,168</u>	<u>312,776</u>
		<u>265,168</u>	<u>389,902</u>
		<u>289,543</u>	<u>396,920</u>
Represented by:			
Non-current portion		253,006	271,736
Current portion		36,537	125,184
		<u>289,543</u>	<u>396,920</u>

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**

The credit period granted to the Group's trade receivables generally ranges from 30 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 end of the reporting period.

	2016 HK\$'000	2015 HK\$'000
Within 3 months	24,375	5,640
4 to 6 months	-	-
Over 6 months	<u>-</u>	<u>1,378</u>
Total	<u>24,375</u>	<u>7,018</u>

The Group does not hold any collateral over these balances.

## 9. TRADE AND OTHER RECEIVABLES (Continued)

### (b) Trade receivables – others (continued)

Ageing of trade receivables which are past due but not impaired

	2016 HK\$'000	2015 HK\$'000
Overdue by:		
Within 3 months	-	-
4 to 6 months	-	-
Over 6 months	-	1,378
	<u>-</u>	<u>1,378</u>
Total	<u>-</u>	<u>1,378</u>

As at 31 December 2015, trade receivables that were past due but not impaired related to an independent customer that has signed an agreement with the Group to settle the balance by 4 installments. The balance was fully received in 2016.

Trade receivables that were neither past due nor impaired related to customers for who have no recent history of default.

## 10. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Account payables		
- Clearing house and cash clients	197,351	149,610
- Others	-	3,703
Construction cost payables, other payables, accrued charges and others	64,443	144,827
Outstanding consideration for acquisition of intangible asset through acquisition of a subsidiary	-	10,000
Deposits received	5,424	66,274
Rental received in advance	-	4,135
	<u>267,218</u>	<u>378,549</u>

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

	2016 HK\$'000	2015 HK\$'000
0 - 60 days	197,351	152,377
61 – 90 days	-	-
Over 90 days	-	936
	<u>197,351</u>	<u>153,313</u>

## **11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

On 20 January 2017, the Company and Topsorce International Holding Co., Limited (“Topsorce”), a company incorporated in the Hong Kong with limited liabilities, wholly owned by Shanghai Xinhua Publishing Group Limited (“Xinhua Publishing”), entered into the convertible bond subscription agreement (“New CB Subscription Agreement”) whereby Topsorce has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the New Convertible Bonds (“2017 CB”) for the aggregate principal amount of HK\$200 million pursuant to the terms and conditions set out in the announcement on 20 January 2017.

On the same date as the New CB Subscription Agreement, the Company was informed by the Mr. Liang Wenguan (“Mr. Leung”), Mr. Cheung Kam Fai (“Mr. Cheung”) and Madex International Company Limited, which is wholly owned by Mr. Liang (Collectively the “Sellers”) that on 20 January 2017, the Well Up (Hong Kong) Limited (“Offeror”) entered into the Share Sale and Purchase Agreement (“Share Sale and Purchase Agreement”) with the Sellers, the guarantor and the Buyer’s guarantor, pursuant to which the Offeror conditionally agreed to purchase, and the Sellers conditionally agreed to sell the shares, being an aggregate of 6,911,498,463 shares, representing approximately 36.58% of the entire issued share capital of the Company at the 20 January 2017, for a total consideration of HK\$663,503,852 (equivalent to HK\$0.096 per share) in cash.

The 2017 CB in an aggregate principal amount of HK\$200 million were issued by the Company to Topsorce on 27 February 2017.

Further details of the possible conditional mandatory general cash offers are set out in the Company’s announcement dated 20 January 2017.

## **12. COMPARATIVE FIGURES**

In order to conform with the current year’s presentation, deposit of HK\$271,736,000 as at 31 December 2015 included in current assets has been reclassified to non-current assets.

## **DIVIDENDS**

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2016 (2015: nil).

## **RESULTS**

For the year ended 31 December 2016, the Group recorded a turnover of HK\$50,479,000, whereas the turnover for the last year was HK\$50,465,000. The Group's audited consolidated loss for the current year amounting to HK\$7,231,000, representing a decrease of approximately 97% in loss when comparing with the loss of HK\$232,007,000 for the year ended 31 December 2015.

## **BUSINESS REVIEW**

For the year ended 31 December 2016, the Company's principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in the business of property leasing and development, trading of goods in mainland China, provision of securities brokerage, securities underwriting and placements and financial advisory services. For the year ended 31 December 2016, the Group recorded a turnover of HK\$28,246,000 from its financial services sector (2015: HK\$17,173,000), representing an increase of approximately 64% when compared with the year 2015. The Group also recorded a total turnover of HK\$22,233,000 (2015: HK\$33,292,000) from its property leasing and trading of goods sectors, representing a decrease of approximately 33% when compared with the year 2015.

The Group's audited consolidated loss for the year amounted to HK\$7,231,000, representing a decrease of approximately 97% in loss when compared with the loss of HK\$232,007,000 for the year of 2015. The improvement was mainly attributable to (i) a sharp decrease in loss arising from changes in fair value of investment properties of HK\$59,722,000; (ii) a significant increase in the net gain on fair value changes of derivative instruments of HK\$226,567,000 as compared to the net gain of HK\$61,646,000 for year 2015; and (iii) the net gain on disposal of subsidiaries of HK\$59,010,000 during 2016.

During the year, our Chongqing arcade Shenghui Plaza (the "Plaza") recorded rental income amounting to HK\$18,078,000 (2015: HK\$22,760,000), representing a decrease of approximately 21%. The supermarket in the Plaza recorded a revenue amounting to HK\$4,155,000 (2015: HK\$10,532,000), representing a decrease of approximately 61%. These decreases were due to the disposal of the investing holding company of the Plaza, the Plaza and the supermarket ceased to be the assets of the Group from 18 August 2016.

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 disposals were completed on 18 August 2016. The total liabilities and interest expenses of the Group have been substantially reduced since then.

The Group's land in Foshan City, Guangdong Province, the PRC, another flagship property development project, is being developed into a complex of shops, offices and hotel (including some serviced apartments) with a total gross floor area of approximately 198,000 square metres. It is expected that leasing of some serviced apartments with approximately 18,000-19,000 square metres will commence in mid-2017.

Another line of our principal business, 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 account for a bigger share of the contribution to the Group in the year under review. However, the performance of PASL was less satisfactory than expected during the year due to the decrease in pre-IPO related transactions when compared with 2015.

## FINANCIAL REVIEW

### *Revenue and earnings*

During the year under review, the Group's Shenghui Plaza (the "Plaza") in Chongqing, which was disposed of upon the completion of the disposal of the investing holding company of the Plaza on 18 August 2016, recorded rental income amounting to HK\$18,078,000 (2015: HK\$22,760,000), representing a decrease of approximately 21%. The supermarket set up in the Plaza providing international goods and groceries, also disposed of upon the disposal of the Plaza on 18 August 2016, recorded a turnover amounting to HK\$4,155,000 (2015: HK\$10,532,000), representing a decrease of approximately 61%. Ping An Securities recorded a turnover amounting to HK\$28,246,000 (2015: HK\$17,173,000) comprising commission and brokerage income and underwriting income, representing an increase of approximately 65%.

For the year under review and before the completion of the disposal of the investing holding company of the Plaza, part of the Plaza in Chongqing was disposed of and a gain on disposal of HK\$4,420,000 (2015: gain of HK\$18,430,000) was recorded. On the other hand, the Plaza also recorded a loss from change in fair value of HK\$111,015,000 (2015: loss of HK\$372,659,000).

The investment property under development located in Foshan City recorded a gain from change in fair value of HK\$4,260,000 at the end of 2016 (2015: gain of HK\$206,182,000).

During the year under review, as the joint venture had waived the amount advanced to the Group amounting to HK\$49,475,000, the Group recognized the amount waived as other income. As a result of the above waiver, the Group had to share the loss of the joint venture amounting to HK\$47,090,000 during 2016 (2015: share of loss of HK\$2,000).

Moreover, the Group also recorded a net gain from change in fair value of HK\$226,567,000 on financial assets at fair value through profit or loss, derivative financial assets, derivative financial liabilities and contingent consideration during 2016 (2015: net gain of HK\$61,646,000).

Besides, the Group recorded interest income of HK\$23,483,000 (2015: HK\$6,083,000) which was mainly attributable to the interest income earned from the fixed-rate loan receivables of RMB300,000,000. The loan receivables were derecognized upon the completion of the disposal of the investing holding company of the Plaza on 18 August 2016.

For the year under review, cost of sales included cost of goods sold of the supermarket amounting to HK\$3,487,000 (2015: HK\$8,932,000).

The increase in finance cost of HK\$51,358,000 as compared to 2015 was mainly attributable to the increase of interest expenses incurred on the promissory notes and convertible notes during 2016. As most of the convertible notes and promissory notes were issued in the second half of 2015, more interest expenses were incurred in 2016 as compared to 2015.

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

As at 31 December 2016, the Group's current assets and current liabilities were HK\$294,334,000 and HK\$464,325,000 respectively. Please refer to note 1 to this announcement for details of the measures that the management has taken and/or will take to improve the liquidity and cashflows of the Group.

As at 31 December 2016, no assets of the Group were charged.

The Group's gearing ratio as at 31 December 2016 was 31%, which is calculated on the Group's total liabilities divided by its total assets.

## **PROSPECTS AND OUTLOOK**

Looking forward, after the onset of the Shenzhen-Hong Kong Stock Connect scheme in December 2016 and the easing of investment of more mainland China funds in Hong Kong, the capital market of mainland China is more open to international investors. We are confident that Hong Kong, as a major international financial centre close to the China market, will play an important role in this regard and be benefitted from it. With the improving market sentiment and investment appetite in 2017, the Group will be ready to capture the opportunity that the next market upturn will bring.

## **CAPITAL COMMITMENTS**

As at 31 December 2016, capital commitments contracted but not provided for were approximately HK\$721 million.

## **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.

## **CONTINGENT LIABILITIES**

As at 31 December 2016, the Group had no contingent liabilities.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

Please refer to note 11 to this announcement for details.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2016, the Group had a total of approximately 60 employees (2015: approximately 200), 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 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:

- (1) 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 and CEO. 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.
- (2) Under Code Provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. None of the non-executive director or the independent non-executive directors are appointed for a specific term but all of them would be subject to retirement by rotation in accordance with the Company’s Bye-laws.

## **AUDIT COMMITTEE**

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 2016 and discussed with management and the external auditors the accounting principles and policies adopted by the Company.

## **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](http://www.hkexnews.hk)) and the Company ([www.pingansecgp.com](http://www.pingansecgp.com)). The annual report of the Company for the year ended 31 December 2016 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.

By Order of the Board of  
**Ping An Securities Group (Holdings) Limited**  
**Nijssen Victoria**  
*Executive Director*

Hong Kong, 23 March 2017

*As at the date of this announcement, the Board comprises Mrs. Nijssen Victoria and Mr. Cheung Kam Fai as executive directors; and Dr. Dong Ansheng and Mr. Wong Yee Shuen, Wilson and Mr. Tsang Wah Kwong as independent non-executive directors.*