



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)

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.

CORPORATE INFORMATION

Board of Directors

Executive Directors:

Mrs. Nijssen Victoria
Mr. Cheung Kam Fai

Independent Non-executive Directors:

Dr. Dong Ansheng
Mr. Wong Yee Shun, Wilson
Mr. Tsang Wah Kwong

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representatives

Mr. Cheung Kam Fai
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 China (Hong Kong) 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

Stock Code

00231



**TO THE BOARD OF DIRECTORS OF
PING AN SECURITIES GROUP (HOLDINGS) LIMITED**

(incorporated in Bermuda with limited liability)

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

Introduction

We have reviewed the condensed consolidated financial statements of Ping An Securities Group (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe these condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Other Matter

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of change in equity and statement of cash flows for the six-month period ended 30 June 2016 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

CHENG & CHENG LIMITED

Certified Public Accountants

Hong Kong

17 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended	
	<i>Notes</i>	30.6.2017 (Unaudited) HK\$'000	30.6.2016 (Unaudited) HK\$'000
Revenue	3	15,033	25,568
Cost of sales		-	(6,510)
Gross profit		15,033	19,058
Other revenue		3,239	22,551
Distribution costs		(905)	(3,401)
Administrative expenses		(33,471)	(56,927)
Finance costs		(33,607)	(111,288)
Gain on disposal of investment property		-	4,109
Gain on disposal of intangible asset		-	4,234
Changes in fair value of investment properties		-	(111,483)
Changes in fair value of investment properties under development	8	4,294	7,865
Fair value changes on financial assets at fair value through profit or loss		(4,406)	1,634
Fair value changes on derivative financial liabilities	15	22,950	93,921
Fair value change on contingent consideration		-	72,716
Gains on disposal of subsidiaries	17	12,067	-
Loss before tax		(14,806)	(57,011)
Income tax (expenses)/credit	4	(1,340)	27,143
Loss for the period	5	(16,146)	(29,868)
Loss for the period attributable to owners of the Company		(16,146)	(29,868)
Loss per share	7		
Basic and diluted		(0.09) cents	(0.16) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended	
	<i>Note</i>	30.6.2017 (Unaudited) HK\$'000	30.6.2016 (Unaudited) HK\$'000
Loss for the period		(16,146)	(29,868)
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss			
– Exchange differences arising on translation of financial statements of foreign operations		33,929	(41,066)
– Release of translation reserve upon disposal of subsidiaries	17	4,915	–
Other comprehensive income/(expense) for the period		38,844	(41,066)
Total comprehensive income/(expense) for the period		22,698	(70,934)
Total comprehensive income/(expense) attributable to owners of the Company		22,698	(70,934)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	1,589	2,179
Investment properties	8	655,000	605,000
Goodwill	9	725,330	725,330
Intangible assets	8	333,653	342,794
Financial assets at fair value through profit or loss	11	–	63,700
Prepayment for development of investment properties		264,552	253,006
Other deposits		248	248
		1,980,372	1,992,257
Currents assets			
Trade and other receivables	10	111,490	36,537
Financial assets at fair value through profit or loss	11	59,991	116
Bank balances and cash – trust accounts		213,973	192,104
Bank balances and cash – general accounts		93,339	65,577
		478,793	294,334
Current liabilities			
Trade and other payables	12	386,632	267,218
Borrowings – current portion	13	9,972	29,806
Tax liabilities		4,945	3,380
Amount due to a shareholder	14	1,730	69
Amount due to a related party	14	10,000	–
Convertible notes	15	–	152,563
Derivative financial liabilities	15	42,100	11,289
		455,379	464,325
Net current assets/(liabilities)		23,414	(169,991)
Total assets less current liabilities		2,003,786	1,822,266

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

	<i>Notes</i>	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
Capital and reserves			
Share capital	16	944,752	944,752
Reserves		663,349	640,651
Total equity		1,608,101	1,585,403
Non-current liabilities			
Borrowings – non-current portion	13	68,886	68,225
Deferred tax liabilities		105,790	104,043
Convertible notes	15	221,009	64,595
		395,685	236,863
		2,003,786	1,822,266

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	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 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
At 30 June 2016 (unaudited)	932,452	1,801,324	52	(45,351)	(1,127,399)	1,561,078
At 1 January 2017 (audited)	944,752	1,828,103	52	(82,742)	(1,104,762)	1,585,403
Loss for the period	-	-	-	-	(16,146)	(16,146)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	33,929	-	33,929
Release of translation reserve upon disposed of subsidiaries	-	-	-	4,915	-	4,915
Other comprehensive income for the period	-	-	-	38,844	-	38,844
Total comprehensive income/(expense) for the period	-	-	-	38,844	(16,146)	22,698
At 30 June 2017 (unaudited)	944,752	1,828,103	52	(43,898)	(1,120,908)	1,608,101

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	30.6.2017 (Unaudited) HK\$'000	30.6.2016 (Unaudited) HK\$'000
Net cash generated from (used in) operating activities	30,802	(132,018)
Investing activities		
Additions of investment properties	(18,634)	(6,962)
Interest received	987	16,677
Decrease in pledged bank balances	-	545
Purchase of property, plant and equipment	-	(1,485)
Loan receivables, advance to a third party	-	(2,130)
Purchase of financial assets at fair value through profit or loss	(581)	(30,000)
Proceeds from disposal of investment properties	-	12,873
Purchase of long-term investments	-	(34,602)
Net cash outflows arising on disposal of subsidiaries	(31)	-
Proceeds from disposal of intangible assets	-	32,296
Net cash used in investing activities	(18,259)	(12,788)
Financing activities		
New borrowings raised	-	42,294
Repayments of borrowings	(20,000)	(1,850)
Net proceeds from issuance of convertible bonds	200,000	-
Repayment to a shareholder	(44)	(7,834)
Proceed from/(repayment to) related party	10,000	(614)
Payment for settlement of convertible bonds	(169,528)	-
Interest paid	(5,600)	(2,484)
Net cash generated from financing activities	14,828	29,512
Net increase (decrease) in cash and cash equivalents	27,371	(115,294)
Cash and cash equivalents at 1 January	65,577	213,214
Effect of foreign exchange rate changes	391	(13,241)
Cash and cash equivalents at 30 June Represented by bank balances and cash – general accounts	93,339	84,679

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2017

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-month period ended 30 June 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

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

Amendments to HKAS 7
Amendments to HKAS 12

Statement of cash flows: Disclosure initiative
Income taxes: Recognition of deferred assets for unrealised losses

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
Right to receive royalty fee
Trading of goods
Financial services
Property development

Property leased for rental income
Royalty fee related to the royalty right leasing
Operating of supermarket
Securities dealing and financial services
Development of primarily hotel and commercial properties

3. Segment information (Continued)

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

For the six-month period ended 30.6.2017 (unaudited)

	Financial services <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Right to receive royalty fee <i>HK\$'000</i>	Trading of goods <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	15,033	-	-	-	-	15,033
Segment profit (loss)	1,343	(8,093)	-	-	-	(6,750)
Unallocated corporate expenses						(12,690)
Unallocated other revenue						38,241
Finance costs						(33,607)
Loss before tax						(14,806)

For the six-month period ended 30.6.2016 (unaudited)

	Financial services <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Right to receive royalty fee <i>HK\$'000</i>	Trading of goods <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	8,339	13,529	-	3,700	25,568
Segment profit (loss)	700	(104,574)	(2,398)	(13,336)	(119,608)
Unallocated corporate expenses					(23,847)
Unallocated other revenue					197,732
Finance costs					(111,288)
Loss before tax					(57,011)

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

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

	As at 30.6.2017 (Unaudited) HK\$'000	As at 31.12.2016 (Audited) HK\$'000
Segment assets		
Financial services	1,362,749	1,157,522
Rights to receive royalty fee	–	365
Property development	976,074	863,967
Total segment assets	2,338,823	2,021,854
Unallocated corporate assets	120,342	264,737
Total consolidated assets	2,459,165	2,286,591
Segment liabilities		
Financial services	222,344	198,026
Rights to receive royalty fee	–	12,466
Property development	143,453	30,115
Total segment liabilities	365,797	240,607
Unallocated corporate liabilities	485,267	460,581
Total consolidated liabilities	851,064	701,188

4. Income tax expenses/(credit)

Hong Kong Profit Tax has been provided for at the rate of 16.5% (30 June 2016: 16.5%) on the estimated profit less estimated available tax losses. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30.6.2017 (Unaudited) HK\$'000	30.6.2016 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	1,775	196
Deferred tax	(435)	(27,339)
	1,340	(27,143)

5. Loss for the period

Loss for the period has been arrived at after charging:

	Six months ended	
	30.6.2017 (Unaudited) HK\$'000	30.6.2016 (Unaudited) HK\$'000
Amortisation of intangible assets	9,141	9,141
Depreciation for property, plant and equipment	329	782
Total depreciation and amortisation	9,470	9,923
Auditor's remuneration	300	300
Minimum lease payments under operating lease	1,352	785

6. Dividend

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

7. Loss per share**(a) Basic loss per share**

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

	Six months ended	
	30.6.2017 (Unaudited) HK\$'000	30.6.2016 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	(16,146)	(29,868)
	2017 '000	2016 '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	18,895,052	18,559,469
Effect of shares issued upon conversion of convertible notes	-	24,837
Weighted average number of ordinary shares at 30 June	18,895,052	18,584,306

(b) Diluted loss per share

The diluted loss per share for the periods ended 30 June 2017 and 30 June 2016 is equivalent to the basic loss per share for both periods as the potential shares arising from the conversion of the convertible bonds would decrease the loss per share of the Group for both periods, and are regarded as anti-dilutive.

8. Movements in property, plant and equipment, investment properties and intangible assets

During the six-month ended 30 June 2016, the Group purchases property, plant and equipment of approximately HK\$1,485,000 (2017: Nil).

The Group's investment properties under development as at the end of the current interim period were fair valued by Hung Association Appraisal And Professional Services Limited ("Hung Association"), a professional independent valuer not connected to the Group. As the properties are under development, 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. The resulting increase in fair value of investment properties under development of approximately HK\$4,294,000 has been recognized in profit or loss for the six months ended 30 June 2017 (1.1.2016 to 30.6.2016: increase of HK\$7,865,000).

During the current interim period, the Group acquired investment properties under development for a cash consideration of approximately HK\$18,634,000 (1.1.2016 to 30.6.2016: HK\$3,791,000).

During the six-month ended 30 June 2016, the Group disposed of certain intangible assets with an aggregate carrying amount of approximately HK\$28,062,000 for cash proceeds of approximately HK\$32,296,000, resulting in a gain on disposal of HK\$4,234,000 (2017: nil). The Group did not acquire any intangible assets for both periods.

9. 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 2017, the management of the Group determines that there are no impairment of CGUs containing goodwill based on its determination of recoverable amount of the CGU, for the period ended 30 June 2017.

The recoverable amount of the CGU has been determined based on its fair value less costs of disposal. The fair value of the CGU was arrived at on the basis of valuations carried out by Hung Association, a professional independent valuer not connected to the Group. The CGU was valued using the market comparison method. The market comparison method is based on prices realized or market prices of comparable transactions.

The key assumptions for market approach are those regarding the applicable price earning ratio, price to book value ratio and the price to revenue ratio (the P/E, P/B and P/R ratios respectively) which had made reference to the P/E, P/B and P/R of comparable market transactions.

The fair value is determined by level 3 of the fair value hierarchy within which the fair value measurement is categorized in its entirety.

10. Trade and other receivables

At 30 June 2017, included in trade and other receivables are trade receivables of approximately HK\$28,788,000 (31.12.2016: approximately HK\$24,375,000).

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.

	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
Within 3 months	28,788	24,375
4 to 6 months	-	-
Over 6 months	-	-
Total	28,788	24,375

11. Financial assets at fair value through profit or loss

	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
Equity securities held for trading, at fair value listed in Hong Kong	491	116
Convertible notes at fair value, designated as at fair value through profit or loss – unlisted	59,500	63,700
	59,991	63,816

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.

The fair value of convertible notes is determined by Level 3 of the fair value hierarchy within which the fair value measurement is categorized in its entirety. The convertible notes will be matured on January 2018 and June 2018 and are classified as current assets as at 30 June 2017 and classified as non-current assets as at 31 December 2016.

12. Trade and other payables

At 30 June 2017 included in trade and other payables are trade payables of approximately HK\$221,878,000 (31.12.2016: approximately HK\$197,351,000).

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

	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
Within 3 months	221,878	197,351
4-6 months	-	-
Over 6 months	-	-
	221,878	197,351

13. Borrowings

During both periods, no new loans were obtained by the Group. During the six-month ended 30 June 2017, the Group repaid borrowings of approximately HK\$20,000,000. (1.1.2016 to 30.6.2016: repaid borrowings of approximately HK\$1,850,000).

14. Amounts due to a related party/a shareholder

The amount due to a shareholder is unsecured, interest free and repayable on demand.

The amount due to a related party is unsecured, interest free and repayable within one year.

15. Convertible notes and derivative financial instruments

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 2016, 2015 CB 1 noteholders converted part of the 2015 CB1 into 273,619,630 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 2017, no 2015 CB 1 was converted into share by noteholders. The remaining convertible notes were redeemed on 7 March 2017.

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 ("Jayden"). 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 tranches 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 2017 and year ended 31 December 2016, no Ping An CB was converted into share by noteholders.

15. Convertible notes and derivative financial instruments *(Continued)*

On 20 November 2015, the Company issued Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK\$100,000,000 (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 2016, 2015 CB 2 noteholders converted part of the 2015 CB 2 into 61,963,189 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 2017, no 2015 CB 2 was converted into share by noteholders. The remaining convertible notes were redeemed on 19 May 2017.

On 27 February 2017, the Company issued Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK\$100,000,000 (the "2017 CB 1"). The 2017 CB 1 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2017 CB 1 and their maturity date on 26 February 2019, being two years from the date of its issuance, in multiples of HK\$100,000 at a conversion price of HK\$0.096 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 26 February 2019 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum shall accrue on daily basis on the outstanding principal amount of the bonds and payable on 20 June and 20 December in each year. During the period ended 30 June 2017, no 2017 CB 1 was converted into share by noteholders.

15. Convertible notes and derivative financial instruments *(Continued)*

On 27 February 2017, the Company issued another Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK\$100,000,000 (the "2017 CB 2"). The 2017 CB 2 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2017 CB 2 and their maturity date on 26 February 2020, being three years from the date of its issuance, in multiples of HK\$100,000 at a conversion price of HK\$0.096 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 26 February 2020 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum shall accrue on daily basis on the outstanding principal amount of the bonds and payable on 20 June and 20 December in each year. During the period ended 30 June 2017, no 2017 CB 2 was converted into share by noteholders.

At the end of the reporting period, the 2017 CB 1, 2017 CB 2, and Ping An CB were valued by the directors of the Company with reference to valuation report issued by Hung Association, an independent professional valuer not connected to the Group.

The principal amounts of 2017 CB1, 2017 CB2 and the Ping An CB are divided into straight debt components and embedded conversion options on initial recognition. The debt component is recognised in the condensed consolidated statement of financial position as non-current liabilities (the holders of 2017 CB1, 2017 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 condensed 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% to 21.25% (2016: 12.42% to 54.99%). Embedded conversion options are measured at fair value with changes in fair value recognised in profit or loss. During the period ended 30 June 2017, fair value gain of HK\$22,950,000 (1.1.2016 to 30.6.2016: HK\$93,921,000) was recognised in profit or loss.

15. Convertible notes and derivative financial instruments (Continued)

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

	Debt component <i>HK\$'000</i>	Embedded conversion option <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2016 (audited)	201,859	125,041	326,900
Interest charge	64,942	–	64,942
Converted into ordinary shares	(49,643)	(2,167)	(51,810)
Gain arising on changes of fair value	–	(111,585)	(111,585)
As at 31 December 2016 and 1 January 2017 (audited)	217,158	11,289	228,447
Issue of convertible notes during the period	146,239	53,761	200,000
Interest charge	30,263	–	30,263
Interest paid	(3,123)	–	(3,123)
Settlement of convertible notes	(169,528)	–	(169,528)
Gain arising on changes of fair value	–	(22,950)	(22,950)
As at 30 June 2017 (unaudited)	221,009	42,100	263,109

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	2017 CB1	2017 CB2
Share price	HK\$0.072	HK\$0.072	HK\$0.072
Conversion price	HK\$0.2	HK\$0.096	HK\$0.096
Expected volatility (note a)	67.67%	64.77%	64.79%
Expected life (note b)	3.24 years	1.66 years	2.66 years
Risk-free rate (note c)	0.918%	0.72%	0.84%

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.

16. Share capital

	No. of shares	Per share HK\$	Amount HK\$'000
Authorised			
At 1 January 2016, 31 December 2016 and 30 June 2017			
Ordinary shares of HK\$0.05 each	60,000,000,000	0.05	3,000,000
Issued and fully paid			
At 1 January 2016			
Issue of new shares on conversion of convertible note (note a)	18,559,469,193	0.05	927,973
	335,582,819	0.05	16,779
At 31 December 2016, 1 January 2017 and 30 June 2017			
	18,895,052,012	0.05	944,752

During the year ended 31 December 2016 and the six months ended 30 June 2017, the movements of the authorised and issued share capital of the Company are as following:

- (a) Ordinary shares of 335,582,819 with a nominal value of approximately HK\$16,779,000 were issued upon the conversion of the 2015 CB 1 amounting to approximately HK\$13,681,000 and 2015 CB 2 amounting to approximately HK\$3,098,000 during the year ended 31 December 2016.

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

17. Disposal of subsidiaries

The Group entered into a sale and purchase agreement with an independent third party on 16 January 2017 to dispose of the Group's equity interest in Fairyung Technology Holdings Limited ("Fairyung"), Primefield Limited ("Primefield") and Upperland Limited ("Upperland") for a consideration of US\$1 each (subject to adjustment of any changes in the external debts). The transaction was completed on 16 January 2017.

The Group entered into a sale and purchase agreement with an independent third party on 5 June 2017 to dispose of the Group's equity interest in Fortune Target Limited ("Fortune Target") for a consideration of US\$100 (subject to adjustment of any changes in the external debts). The transaction was completed on 5 June 2017.

Disposal of subsidiaries

	<i>HK\$'000</i>
Gain on disposal of Fairyung	555
Gain on disposal of Fortune Target	7,629
Gain on disposal of Primefield	23
Gain on disposal of Upperland	3,860
	<hr/>
Total gains on disposal of subsidiaries	12,067
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Consideration received

	Fairyung Technology	Fortune Target	Primefield	Upperland	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Consideration received in cash and cash equivalents during the period ended 30 June 2017	-*	1	-*	-*	1
	<hr style="border: 1px solid black;"/>	<hr style="border: 1px solid black;"/>	<hr style="border: 1px solid black;"/>	<hr style="border: 1px solid black;"/>	<hr style="border: 1px solid black;"/>

* Consideration received in cash and cash equivalents amounted to US\$1.

17. Disposal of subsidiaries (Continued)**Analysis of assets and liabilities over which control was lost**

	Fairyoung Technology HK\$'000	Fortune Target HK\$'000	Primefield HK\$'000	Upperland HK\$'000	Total HK\$'000
Property, plant and equipment	–	298	–	–	298
Trade and other receivables	7	1,791	1	49	1,848
Bank balances and cash	–	32	–	–	32
Other payables	(562)	(14,454)	(24)	(3,909)	(18,949)
Taxation	–	(210)	–	–	(210)
Net liabilities disposed of	(555)	(12,543)	(23)	(3,860)	(16,981)

Gain on disposal of subsidiaries

	Fairyoung Technology HK\$'000	Fortune Target HK\$'000	Primefield HK\$'000	Upperland HK\$'000	Total HK\$'000
Consideration received	–*	1	–*	–*	1
Less:					
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss in respect of loss of control of subsidiaries	–	4,915	–	–	4,915
Net liabilities disposed of	(555)	(12,543)	(23)	(3,860)	(16,981)
Gain on disposal of subsidiaries	555	7,629	23	3,860	12,067

Net cash outflow on disposal of subsidiaries

	Fairyoung Technology HK\$'000	Fortune Target HK\$'000	Primefield HK\$'000	Upperland HK\$'000	Total HK\$'000
Consideration received in cash and cash equivalents during the period ended 30 June 2017	–*	1	–*	–*	1
Less: bank balances and cash disposed of	–	(32)	–	–	(32)
Net cash outflow on disposal of subsidiaries	–	(31)	–	–	(31)

18. 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).

	30 June 2017			
	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	491	–	–	491
Unlisted convertible notes	–	–	59,500	59,500
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	–	–	42,100	42,100

18. Fair value measurements of financial instruments (Continued)**31 December 2016**

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	116	–	–	116
Unlisted convertible notes	–	–	63,700	63,700
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	–	–	11,289	11,289

During the six months ended 30 June 2017 and the year ended 31 December 2016, there were no transfers between all levels.

19. 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) During the six months ended 30 June 2017, the remuneration for key management personnel of the Group was approximately HK\$1,299,000 (1.1.2016 to 30.6.2016: approximately HK\$1,361,000).
- (ii) During the six months ended 30 June 2017, the rental expenses paid to a related company which is owned by a son of a substantial shareholder of the Company and a brother of the director, Mrs. Nijssen Victoria of the Company of HK\$840,000.

During the six months ended 30 June 2016, the rental expenses paid to Mai Shunxiang (the mother of Mrs. Nijssen Victoria) amounted to HK\$300,000.

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

At 30 June 2017 and 31 December 2016, the Group's total future minimum lease payments under non-cancellable operating leases in respect of land and buildings were payable as follows:

	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
Within one year	2,494	1,423
In the second to fifth year	840	103
	3,334	1,526

(b) Capital commitments

	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
Contracted but not provided for	767,521	721,260

21. Pledge of assets

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

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 provision of financial services in Hong Kong. For the six months ended 30 June 2017, the Group recorded a turnover of HK\$15,033,000 from its financial services sector (six months ended 30 June 2016: HK\$8,339,000).

As the investment properties located in Foshan is still under development during the six months ended 30 June 2017, no turnover was recorded. For the corresponding period in 2016, the Group recorded a turnover of HK\$13,529,000 from its property leasing, which were attributed by its subsidiaries disposed of during 2016.

Besides, as the subsidiaries which carried the business of trading of goods were disposed of during 2016, no turnover was recorded for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$3,700,000).

The Group's unaudited consolidated loss for the period under review amounted to HK\$16,146,000, representing a decrease of approximately 46% in loss when compared with the loss of HK\$29,868,000 for the six months ended 30 June 2016. The improvement was mainly attributable to the decrease in administrative expenses and finance costs.

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, was the main income generator of the Group. During the period, PASL achieved good performance in placing and underwriting business on the strength of its specialist experience in this area and its strong network. PASL was also active in IPO-related transactions during the period. Revenue from PASL increased by 80% to HK\$15,033,000 (six months ended 30 June 2016: HK\$8,339,000).

Another arm of the Group is property development. The Group's land in Foshan City, Guangdong Province is being developed into a project with total gross floor area of approximately 200,000 square metres comprising shops, offices, hotel and service apartments. Leasing of some serviced apartments has commenced in mid-2017. Completion of this development project will be by stages.

As regards fund raising exercise, convertible bonds ("New CBs") in the total principal amount HK\$200 million were issued on 27 February 2017. HK\$169,528,000 of the proceeds from the new CBs was used to settle the old convertible bonds ("Old CBs") in the aggregate principal amount of HK\$157,700,000 previously issued by the Company, which were due on 7 March 2017 and 19 May 2017 respectively and their relevant interests, upon their redemption. The remaining balance will be allocated as working capital of PASL.

Looking forward, the launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will bring ample opportunities for our stock market. In the recent months, the market sentiment has been turning hot and the Hang Seng Index has soared to its recent high, and the IPO market in Hong Kong is thriving. We are confident that our brokerage arm as a specialist in IPO-related transactions will be benefitted from this trend.

FINANCIAL REVIEW

Revenue and earnings

During the period under review, PASL recorded a turnover amounting to HK\$15,033,000 (six months ended 30 June 2016: 8,339,000) comprising commission, brokerage income and underwriting income.

The investment properties under development located in Foshan City recorded a gain from change in fair value of HK\$4,294,000 during the period (six months ended 30 June 2016: HK\$7,865,000).

On the other hand, the Group also recorded a gain from change in fair value of on derivative financial liabilities of HK\$22,950,000 during the period (six months ended 30 June 2016: fair value gain on derivative financial liabilities and contingent consideration of HK\$93,921,000 and HK\$72,716,000 respectively).

During the period, administrative expenses decreased by HK\$23,456,000 or 41% to HK\$33,471,000, mainly due to disposal of subsidiaries during the second half of 2016.

During the period, the decrease in finance cost of HK\$77,681,000 as compared to six months ended 30 June 2016 was mainly due to redemption of convertible bonds with aggregate principal amount of HK\$157.70 million on 7 March 2017 and 19 May 2017 and the release of two promissory notes with aggregate principal amount of HK\$828,000,000 in the second half of 2016.

The Group had entered into agreements for the disposal of several subsidiaries during the six months ended 30 June 2017 and recorded a gain on disposal of HK\$12,067,000 (six months ended 30 June 2016: Nil).

As the investment properties located in Foshan is still under development during the six months ended 30 June 2017, no turnover was recorded. For the corresponding period in 2016, the Group recorded a turnover of HK\$13,529,000 from its property leasing, which were attributed by its subsidiaries disposed of during 2016.

Besides, as the subsidiaries carried the business of trading of goods were disposed of during 2016, no turnover was recorded for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$3,700,000).

Liquidity, financial resources, charge on assets and gearing

As at 30 June 2017, the Group's current assets and current liabilities were HK\$478,793,000 and HK\$455,379,000 respectively.

As at 30 June 2017, no asset of the Group was charged or pledged.

The Group's gearing ratio as at 30 June 2017 was 35%, 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 2017, the Group had capital commitments of HK\$767,521,000.

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

As at 30 June 2017, the Group had a total of approximately 60 employees (30 June 2016: 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.

DIRECTORS' INTERESTS

As at 30 June 2017, 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:

Name of Director	Nature of interests	Number of Shares held	Number of underlying shares	Approximate percentage or attributable percentage of shareholding
Cheung Kam Fai	Beneficial owner	2,932,000,000	125,000,000 <i>(Note)</i>	16.18%

Note: Convertible bonds convertible between 25 September 2015 and 24 September 2020.

Save as disclosed above, as at 30 June 2017, 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 2017, 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	Nature of interests	Note	Total	Approximate % of interests
Mr. Liang Wenguan ("Mr. Liang")	Beneficial owner		2,958,949,292	15.66%
	Interests of controlled corporation	1	1,020,549,171	5.40%
			<u>3,979,498,463</u>	<u>21.06%</u>
Well Up (Hong Kong) Limited ("Well Up")	Beneficial owner	2	6,911,498,463	36.58%
King Focus International Limited ("King Focus")	Interests of controlled corporation	3	6,911,498,463	36.58%
Ever Step Holdings Limited ("Ever Step")	Interests of controlled corporation	4	6,911,498,463	36.58%
Credit China Fintech Holdings Limited ("Credit China")	Interests of controlled corporation	5	6,911,498,463	36.58%
Cui Xintong ("Ms. Cui")	Interests of controlled corporation	6	6,911,498,463	36.58%
Lee Ken-yi Terence ("Mr. Lee")	Interests of spouse	7	6,911,498,463	36.58%
Charm Success Group Limited ("Charm Success")	Interests of controlled corporation	4	6,911,498,463	36.58%

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

Note 2: On 20 January 2017, Well Up (Hong Kong) Limited, as buyer and Mr. Liang, Madex International Company Limited ("Madex") and Cheung Kam Fai, as sellers, entered into a share sale and purchase agreement, pursuant to which the Buyer conditionally agreed to purchase, and the Sellers conditionally agreed to sell the sale shares, being an aggregate of 6,911,498,463 shares, representing approximately 36.58% of the entire issued share capital of the Company. This transaction is still in progress.

Note 3: As Well Up is wholly-owned by King Focus, King Focus is deemed to be interested in the 6,911,498,463 shares which Well Up was interested under the SFO.

Note 4: As Ever Step and Charm Success respectively hold 37% and 49% interests of King Focus. Ever Step and Charm Success are deemed to be interested in the 6,911,498,463 shares under the SFO.

Note 5: As Ever Step is wholly-owned by Credit China, Credit China is deemed to be interested in the 6,911,498,463 shares under the SFO.

Note 6: As Charm Success is wholly-owned by Ms. Cui, Ms. Cui is deemed to be interested in the 6,911,498,463 shares under the SFO.

Note 7: As Mr. Lee is the spouse of Ms. Cui, Mr. Lee is deemed to be interested in the shares in which Ms. Cui has interested under the SFO.

(b) Interests in underlying shares:

Name of substantial shareholder	Nature of interests	Description of securities	Number of underlying shares	Approximate % of interests
Topsouce International Holding Co., Limited ("Topsouce")	Beneficial owner	Convertible Bonds (Note)	2,083,333,333	11.03%
Shanghai Xinhua Distribution Group Co., Ltd. ("Shanghai Xinhui")	Interest of controlled corporation	Convertible Bonds (Note)	2,083,333,333	11.03%

Note: Since Topsouce is wholly-owned by Shanghai Xinhua, Shanghai Xinhui is deemed to be interested in the same number of underlying shares in which Topsouce was interested under the SFO.

SHARE OPTION SCHEME

During the period, no share options have been 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 2017 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 rotation under 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 annual general meeting of the Company held on 24 May 2017 ("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 Audit Committee of the Company reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 that had been reviewed by the auditor, Cheng & Cheng Limited.

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 2017.

By Order of the Board
Ping An Securities Group (Holdings) Limited
(Carrying on business in Hong Kong as PAN Securities Group Limited)
Nijssen Victoria
Executive Director

Hong Kong, 17 August 2017