



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
2018*



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:

Mr. Teng Wei (*Chairman*)
Mr. Gong Qingli (*CEO*)
Mr. Cheung Kam Fai
Mr. Lin Hongqiao

Non-executive Director:

Tao Yanyan (*Vice-chairman*)

Independent Non-executive Directors:

Mr. Tsang Wah Kwong
Dr. Leung Wing Cheung, William,
SBS, BBS, JP
Dr. Yang Tao

Audit Committee

Mr. Tsang Wah Kwong
(*Committee Chairman*)
Dr. Leung Wing Cheung, William,
SBS, BBS, JP
Dr. Yang Tao

Remuneration Committee

Dr. Leung Wing Cheung, William,
SBS, BBS, JP (Committee Chairman)
Mr. Tsang Wah Kwong
Dr. Yang Tao
Mr. Gong Qingli

Nomination Committee

Dr. Yang Tao (*Committee Chairman*)
Mr. Tsang Wah Kwong
Dr. Leung Wing Cheung, William,
SBS, BBS, JP
Mr. Gong Qingli

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

18/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Website

www.pingansecgp.com

Stock Code

00231



CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭 鄭 會 計 師 事 務 所 有 限 公 司

**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 30, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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 months period then ended, and certain explanatory notes. The 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, and to report our conclusion 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.

CHENG & CHENG LIMITED

Certified Public Accountants

Hong Kong

24 August 2018



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended	
	<i>Notes</i>	30.6.2018 (Unaudited) HK\$'000	30.6.2017 (Unaudited) HK\$'000
Revenue	3	44,645	15,033
Cost of sales		(5,344)	–
Gross profit		39,301	15,033
Other income		688	3,239
Distribution costs		(183,637)	(905)
Administrative expenses		(88,050)	(33,471)
Finance costs		(22,709)	(33,607)
Changes in fair value of investment properties under development		(15,095)	4,294
Fair value changes on financial assets at fair value through profit or loss	8	(17,000)	(4,406)
Fair value changes on derivative financial liabilities	16	9,200	22,950
Fair value change on crypto currencies		(262)	–
Gains on disposal of subsidiaries, net	19	–	12,067
Loss before tax		(277,564)	(14,806)
Income tax credit/(expenses)	4	3,122	(1,340)
Loss for the period	5	(274,442)	(16,146)
Loss for the period attributable to owners of the Company		(274,442)	(16,146)
			(Restated)
Loss per share	7	(5.81) cents	(0.34) cents
Basic and diluted (HK cents)			

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Six months ended	
		30.6.2018 (Unaudited) HK\$'000	30.6.2017 (Unaudited) HK\$'000
Loss for the period		(274,442)	(16,146)
Other comprehensive income Items that may be subsequently reclassified to profit or loss			
– Exchange differences arising on translation of financial statements of foreign operations		5,846	33,929
– Release of translation reserve upon disposal of subsidiaries	19	–	4,915
Other comprehensive income for the period		5,846	38,844
Total comprehensive (expense)/income for the period		(268,596)	22,698
Total comprehensive (expense)/income attributable to owners of the Company		(268,596)	22,698



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30.6.2018 (Unaudited) HK\$'000	31.12.2017 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	37,163	1,870
Investment properties	8	1,263,000	1,128,000
Goodwill	9	725,849	725,849
Intangible assets	8	315,870	324,512
Prepayment and deposit		–	137,450
Other deposits		5,263	273
		2,347,145	2,317,954
Current assets			
Loan receivable		–	30,000
Trade and other receivables	10	49,263	47,904
Contract assets		7,174	–
Crypto currencies		2,385	–
Financial assets at fair value through profit or loss	11	43,319	75,919
Pledged bank deposit	23	3,587	–
Bank balances and cash – trust accounts		224,660	101,560
Bank balances and cash – general accounts		121,670	88,986
		452,058	344,369
Current liabilities			
Trade and other payables	12	511,678	273,565
Contract liabilities	13	116,242	61,455
Borrowings – current portion	14	–	30,000
Tax liabilities		1,957	593
Amount due to a director	15	45,000	45,000
Amount due to a related party	15	3,883	3,883
Convertible notes	16	91,165	–
Derivative financial liabilities	16	19,200	28,400
		789,125	442,896
Net current liabilities		(337,067)	(98,527)
Total assets less current liabilities		2,010,078	2,219,427

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(Continued)*

	Notes	30.6.2018 (Unaudited) HK\$'000	31.12.2017 (Audited) HK\$'000
Capital and reserves			
Share capital	17	944,752	944,752
Reserves		292,630	561,226
Total equity		1,237,382	1,505,978
Non-current liabilities			
Borrowings – non-current portion	14	70,208	69,547
Deferred tax liabilities		128,309	133,686
Convertible notes	16	158,715	234,994
Amount due to a related party	15	15,000	15,000
Prepayment from customers	12	400,464	260,222
		772,696	713,449
		2,010,078	2,219,427



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	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 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
At 1 January 2018 (audited)	944,752	1,828,103	52	(14,065)	(1,252,864)	1,505,978
Loss for the period	-	-	-	-	(274,442)	(274,442)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	5,846	-	5,846
Other comprehensive income for the period	-	-	-	5,846	-	5,846
Total comprehensive income/(expense) for the period	-	-	-	5,846	(274,442)	(268,596)
At 30 June 2018 (unaudited)	944,752	1,828,103	52	(8,219)	(1,527,306)	1,237,382

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

Notes	30.6.2018 (Unaudited) HK\$'000	30.6.2017 (Unaudited) HK\$'000
Net cash generated from operating activities	131,950	30,802
Investing activities		
Refund of deposit paid for development of investment properties under development	24,799	–
Additions of investment properties	(121,366)	(18,634)
Interest received	51	987
Increase in pledged bank deposits	(3,720)	–
Purchase of property, plant and equipment	(7,901)	–
Purchase of financial assets at fair value through profit or loss	–	(581)
Proceeds from disposal of financial assets at fair value through profit or loss	15,000	–
Net cash outflows arising on acquisition of a subsidiary	(499)	–
Net cash outflows arising on disposal of subsidiaries	–	(31)
	(93,636)	(18,259)
Financing activities		
Repayments of borrowings	–	(20,000)
Net proceeds from issuance of convertible bonds	–	200,000
Repayment to a shareholder	–	(44)
Proceed from related party	–	10,000
Payment for settlement of convertible bonds	–	(169,528)
Interest paid	(4,985)	(5,600)
Net cash (used in) generated from financing activities	(4,985)	14,828
Net increase in cash and cash equivalents	33,329	27,371
Cash and cash equivalents at 1 January	88,986	65,577
Effect of foreign exchange rate changes	(645)	391
Cash and cash equivalents at 30 June Represented by bank balances and cash – general accounts	121,670	93,339



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2018

1. Basis of preparation

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

2. Principal accounting policies

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle
Amendments to HKAS 40	Transfers of investment property

2. Principal accounting policies (Continued)

The adoption of these new standards, interpretations and amendments to HKFRSs has had no significant financial effect on the financial position or performance of the Group except for the adoption of HKFRS 15 and HKFRS 9 as explained below.

The Group applies, for the first time, HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments using the modified retrospective method for adoption. For the adoption of HKFRS 9, the Group has not restated comparative information and has not recognised any transition adjustments against the opening balance of equity at 1 January 2018. For the adoption of HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

The Group has performed an assessment on the impact of the adoption of HKFRS 15 and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised. However, as the presentation and disclosure requirements in HKFRS 15 are more detailed than those under HKAS 18, as required for the interim condensed financial information, the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 3 for the disclosure of disaggregated revenue.

HKFRS 9 Financial Instruments

The Group has performed an assessment and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised.



3. Segment information

The Group's operating segments are determined based on information reported to the Executive Directors, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performances.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Financial services	Securities dealing and financial services
Property development	Development of primarily hotel and commercial properties
Mining and trading of crypto currencies	Mining and trading of crypto currencies

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

For the six months period ended 30 June 2018 (unaudited)

	Financial services <i>HK\$'000</i>	Mining and trading of crypto currencies <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue recognised at a point in time	38,859	5,786	–	44,645
Segment profit (loss)	20,392	(21,882)	(216,591)	(218,081)
Unallocated corporate expenses				(46,662)
Unallocated other revenue				9,888
Finance costs				(22,709)
Loss before tax				(277,564)

3. Segment information (Continued)

For the six months period ended 30 June 2017 (unaudited)

	Financial services <i>HK\$'000</i>	Property development <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)

Disaggregation of revenue

Types of goods or service	Six months ended	
	30.6.2018 (Unaudited) <i>HK\$'000</i>	30.6.2017 (Unaudited) <i>HK\$'000</i>
Financial services segment		
Commission and brokerage income	3,167	2,364
Interest income from cash and margin clients	98	–
Placing and underwriting commission	6,219	10,169
Asset management fee income	28,845	–
Corporate finance advisory services fee income	530	2,500
	38,859	15,033
Mining and trading of crypto currencies segment		
Trading of crypto currencies	5,786	–
	44,645	15,033



3. Segment information *(Continued)*

Segment assets and liabilities

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

	As at 30.6.2018 (Unaudited) HK\$'000	As at 31.12.2017 (Audited) HK\$'000
Segment assets		
Financial services	1,348,517	1,258,895
Mining and trading of crypto currencies	30,168	–
Property development	1,271,155	1,216,706
	<hr/>	<hr/>
Total segment assets	2,649,840	2,475,601
Unallocated corporate assets	149,363	186,722
	<hr/>	<hr/>
Total consolidated assets	2,799,203	2,662,323
	<hr/>	<hr/>
Segment liabilities		
Financial services	272,963	129,245
Mining and trading of crypto currencies	8,112	–
Property development	724,167	427,270
	<hr/>	<hr/>
Total segment liabilities	1,005,242	556,515
Unallocated corporate liabilities	556,579	599,830
	<hr/>	<hr/>
Total consolidated liabilities	1,561,821	1,156,345
	<hr/>	<hr/>

4. Income tax (credit)/expenses

Hong Kong Profits Tax has been provided for at the rate of 16.5% (30 June 2017: 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	
	30.6.2018 (Unaudited) HK\$'000	30.6.2017 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	2,160	1,775
Deferred tax	(5,282)	(435)
	(3,122)	1,340

5. Loss for the period

Loss for the period has been arrived at after charging:

	Six months ended	
	30.6.2018 (Unaudited) HK\$'000	30.6.2017 (Unaudited) HK\$'000
Amortisation of intangible assets	9,141	9,141
Depreciation for property, plant and equipment	21,984	329
Total depreciation and amortisation	31,125	9,470
Auditor's remuneration	500	300
Minimum lease payments under operating lease	6,342	1,352

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	
	30.6.2018 (Unaudited) HK\$'000	30.6.2017 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	(274,442)	(16,146)
	2018 '000	2017 '000 (Restated)
Weighted average number of ordinary shares Weighted average number of ordinary shares at 30 June (<i>note</i>)	4,723,763	4,723,763

Note: The number of shares for the purpose of loss per share were calculated to reflect the Share Consolidation (as defined in note 24). Comparative figures have also been restated on the assumption that the Share Consolidation had been effective in the prior period.

(b) Diluted loss per share

The diluted loss per share for the periods ended 30 June 2018 and 30 June 2017 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 months ended 30 June 2018, the Group purchases property, plant and equipment of approximately HK\$57,292,000 (six months ended 30 June 2017: nil).

The Group's investment properties under development as at the end of the current interim period were fair valued by AP Appraisal Limited ("AP Appraisal"), 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 decrease in fair value of investment properties under development of approximately HK\$15,095,000 has been recognized in profit or loss for the six months ended 30 June 2018 (six months ended 30 June 2017: increase of approximately HK\$4,294,000).

During the current interim period, additions of investment properties under development amounted to approximately HK\$158,131,000 (six months ended 30 June 2017: approximately HK\$18,634,000).

During the six months ended 30 June 2018, the Group acquired an intangible asset through acquisition of a subsidiary (see note 18) at a cash consideration of approximately HK\$499,000 (six months ended 30 June 2017: nil).

9. Goodwill

For the purpose of impairment testing, goodwill with indefinite useful lives has been allocated to the cash generating units of – Financial Services (the "CGU-FS") and Insurance Brokerage (the "CGU-IB"). The goodwill arose from the Group's acquisition of Grand Ahead Limited ("Grand Ahead") and its subsidiary in previous year and acquisition of Super Harvest Insurance Broker Limited ("Super Harvest") in 2017. The principal activities of CGU-FS were securities dealing and financial services, constituting the financial services segment and the principal activity of CGU-IB was insurance brokerage services. After the acquisition of Grand Ahead, the business focus of the Group became securities dealing and financial services, and after the acquisition of Super Harvest, the business focus of the Group also included insurance brokerage services. Accordingly, management of the Company had determined that it was the CGU-FS and CGU-IB that were expected to benefit from the synergies of the acquisitions of Grand Ahead and Super Harvest respectively.

Financial services segment

During the period ended 30 June 2018, the management of the Group determined that there was no impairment of goodwill based on its determination of recoverable amount of the CGU-FS.

The recoverable amount of this CGU is determined based on fair value less cost of disposal by reference to valuation report prepared by AP Appraisal, a professional independent valuer. The key assumptions for the calculations include discount rates, growth rates and expected changes to revenue and direct costs during the forecast period. The discount rates are estimated by using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU for which the estimates of future cash flows have not been adjusted. The growth rates are estimated by reference to the industrial and market data. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.



9. Goodwill *(Continued)***Financial services segment** *(Continued)*

The Group prepared cash flows forecasts derived from the most recent financial budgets approved by management for the next five years. Cash flows beyond five years are extrapolated using a steady 3% growth rate for the CGU. This growth rate does not exceed the average long-term growth rate for the relevant industry. The pretax rate used to discount the forecast cash flows for the CGU is 14.3% per annum. In the opinion of the directors of the Company, no impairment loss is required for the period ended 30 June 2018. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of this CGU.

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

Insurance brokerage

The recoverable amount of CGU-IB was determined based on the value-in-use calculation. This calculation uses cash flow projection which represents what management believes is the best estimate of what CGU-IB is able to achieve in their business life. The directors determined the cash flow projection based on its expectation for market development. The directors believed any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. Management of the Group determined that no impairment loss was considered necessary for the period ended 30 June 2018 as the result of impairment assessment performed.

10. Trade and other receivables

At 30 June 2018, included in trade and other receivables are trade receivables of approximately HK\$35,220,000 (31 December 2017: approximately HK\$30,312,000).

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

	30.6.2018 (Unaudited) HK\$'000	31.12.2017 (Audited) HK\$'000
Within 3 months	34,120	30,312
4 to 6 months	–	–
Over 6 months	1,100	–
Total	35,220	30,312

11. Financial assets at fair value through profit or loss

	30.6.2018 (Unaudited) HK\$'000	31.12.2017 (Audited) HK\$'000
Equity securities held for trading, at fair value listed in Hong Kong	43,319	54,919
Convertible notes at fair value, designated as at fair value through profit or loss – unlisted	–	21,000
	43,319	75,919

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.



12. Trade and other payables

At 30 June 2018 included in trade and other payables are trade payables of approximately HK\$228,995,000 (31 December 2017: approximately HK\$127,868,000).

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

	30.6.2018 (Unaudited) HK\$'000	31.12.2017 (Audited) HK\$'000
Within 3 months	228,995	127,868
4 to 6 months	-	-
Over 6 months	-	-
Total	228,995	127,868

As at 30 June 2018, the amount of approximately RMB334,948,000 (equivalent to approximately HK\$400,464,000) (31 December 2017: approximately RMB217,000,000 equivalent to approximately HK\$260,222,000) classified as non-current liability represents the prepayment received from customers as the Group started signing agreements of pre-leasing the property in 2017. As an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at initial contract price at 10th anniversary. Therefore, the prepayment from customers was classified as non-current.

As at 30 June 2018, the amount of other payables was approximately HK\$282,683,000 (31 December 2017: approximately HK\$145,697,000) represents value added tax and other tax payables amounted to approximately HK\$160,656,000 (31 December 2017: approximately HK\$56,174,000), construction payable for the amount of approximately HK\$29,509,000 (31 December 2017: approximately HK\$56,812,000) which is for construction of the Xiqiao Properties and other payables and deposits amounted to approximately HK\$92,518,000 (31 December 2017: approximately HK\$32,711,000).

13. Contract liabilities

As at 30 June 2018, the amount of contract liabilities was approximately RMB97,225,000 (equivalent to approximately HK\$116,242,000) (31 December 2017: approximately RMB51,254,000 equivalent to approximately HK\$61,455,000) under current liabilities represents the prepayment received from customers for decoration of the leasing property upon signing the pre-leasing agreements.

14. Borrowings

During both periods, no new loans were obtained by the Group. During the six months ended 30 June 2017, the Group repaid borrowings of approximately HK\$20,000,000 (six months ended 30 June 2018: nil).

Pursuant to a three-party agreement entered into between the Company, Vigo HK Investment Limited ("Vigo HK"), a related company of the Company, and a third party, which is recorded as loan receivable as at 31 December 2017 (the "Borrower"), loan amounted to HK\$30,000,000 was transferred to the Borrower. Upon the transfer, the Company released its obligation to Vigo HK to settle the loan and its right to receive loan receivable from the Borrower.

15. Amounts due to related parties/a director

(a) Amounts due to related parties

The amounts due to related parties represent advances granted by Mr. Liang Wenguan ("Mr. Liang"), who was the former controlling shareholder of the Company, and Mr. Liang Zhenye, who is the son of Mr. Liang, which are unsecured, interest-free and repayable in March 2020 and October 2018 respectively.

(b) Amount due to a director

The amount due to a director represents an advance granted by Mr. Cheung Kam Fai, which is unsecured, interest-free and repayable in September 2018.

16. Convertible note/bonds and derivative financial instruments

On 25 September 2015, the Company issued a zero-coupon convertible note (the "Note") 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 Note is denominated in Hong Kong dollar. The Note entitles the holder to convert it into ordinary shares of the Company on any business day during a period commencing from the date of the 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 conversion share subject to adjustments in certain events. The maturity date of is 24 September 2020. During the period ended 30 June 2018 and the year ended 31 December 2017, no part of the Note was converted into shares by the noteholder.

On 27 February 2017, the Company issued Hong Kong dollar denominated convertible bonds with the aggregate principal amount of HK\$100,000,000 (the "2017 CB1"). The 2017 CB1 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2017 CB1 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 conversion share subject to adjustments in certain events. The shares to be issued and allotted upon conversion 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 2017 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 bonds. 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 2018 and year ended 31 December 2017, no part of the 2017 CB1 was converted into shares by the holders.

16. Convertible note/bonds and derivative financial instruments *(Continued)*

On 27 February 2017, the Company also issued another Hong Kong dollar denominated convertible bonds with the aggregate principal amount of HK\$100,000,000 (the "2017 CB2"). The 2017 CB2 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2017 CB2 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 conversion share subject to adjustments in certain events. The shares to be issued and allotted upon conversion 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 2017 CB2 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 bonds. 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 2018 and year ended 31 December 2017, no part of the 2017 CB2 was converted into shares by the holders.

At 31 December 2017 and 30 June 2018, the conversion option component of the 2017 CB1, the 2017 CB2, and the Note were valued by the directors of the Company with reference to valuation report issued by AP Appraisal, an independent professional valuer not connected to the Group.

The principal amounts of the 2017 CB1, the 2017 CB2 and the Note are divided into straight debt component and embedded conversion option on initial recognition. The debt component is recognised in the condensed consolidated statement of financial position as current liabilities for the 2017 CB1 and as non-current liabilities for the 2017 CB2 and the Note as the holders of the 2017 CB1, the 2017 CB2 and the Note cannot require the Company to settle before their maturity. The embedded conversion options are recognised in the condensed consolidated statement of financial position as current liabilities.

At initial recognition, the derivative components of the 2017 CB1, the 2017 CB2 and the Note were measured at fair value. Subsequently, the debt components are measured at amortised cost. The effective interest rate of the debt component is from 12.42% to 21.25%. Embedded conversion option is measured at fair value with changes in fair value recognised in profit or loss.

The debt component of the 2017 CB2 and the Note with carrying amount of approximately HK\$158,715,000 (31 December 2017: approximately HK\$234,994,000) is classified as non-current liabilities.

16. Convertible note/bonds and derivative financial instruments (Continued)

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

	Debt component <i>HK\$'000</i>	Derivative financial liabilities – Embedded conversion option <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2017 (audited)	217,158	11,289	228,447
Issue of convertible note/bonds during the year	146,239	53,761	200,000
Interest charge	49,262	–	49,262
Interest paid	(8,137)	–	(8,137)
Gain arising on changes of fair value	–	(36,650)	(36,650)
Settlement of convertible note/bonds	(169,528)	–	(169,528)
As at 31 December 2017 and 1 January 2018 (audited)	234,994	28,400	263,394
Interest charge	19,871	–	19,871
Interest paid	(4,985)	–	(4,985)
Gain arising on changes of fair value	–	(9,200)	(9,200)
As at 30 June 2018 (unaudited)	249,880	19,200	269,080



16. Convertible note/bonds 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:

	The Note	2017 CB1	2017 CB2
30 June 2018			
Share price	HK\$0.093	HK\$0.093	HK\$0.093
Conversion price (note (a))	HK\$0.20	HK\$0.096	HK\$0.096
Expected volatility (note (b))	59.09%	39.29%	41.80%
Expected life (note (c))	2.24 years	0.66 years	1.66 years
Risk free rate (note (d))	1.891%	1.588%	1.789%
31 December 2017			
Share price	HK\$0.079	HK\$0.079	HK\$0.079
Conversion price (note (a))	HK\$0.20	HK\$0.096	HK\$0.096
Expected volatility (note (b))	62.68%	42.51%	60.50%
Expected life (note (c))	2.74 years	1.16 years	2.16 years
Risk free rate (note (d))	1.465%	1.098%	1.335%

Notes:

- Upon completion of the Share Consolidation (as defined in note 24) on 1 August 2018, the conversion price for Ping An CB, 2017 CB1 and 2017 CB2 would be HK\$0.8, HK\$0.384 and HK\$0.384 respectively.
- Expected volatility was determined by calculating the historical volatility of the Company's share price.
- Expected life was the expected remaining life of the convertible note/bonds.
- The risk-free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

The higher the expected volatility percentage, the higher the fair value of the derivative financial liabilities. Changes in other inputs might not bring significant impact to the fair value.

17. Share capital

	No. of shares	Per share HK\$	Amount HK\$'000
Authorised			
At 1 January 2017, 31 December 2017 and 30 June 2018			
Ordinary shares of HK\$0.05 each	60,000,000,000	0.05	3,000,000
Issued and fully paid			
At 1 January 2017, 31 December 2017 and 30 June 2018			
	18,895,052,012	0.05	944,752

18. ACQUISITION OF ASSET THROUGH ACQUISITION OF A SUBSIDIARY

During the six months ended 30 June 2018, the Group entered into a sale and purchase agreement with Ms. Cheung Ching Ching Daisy ("Ms. Cheung") in relation to the acquisition of the entire share capital of Super Harvest Finance Limited (formerly known as "Xin Da Finance Limited") ("Super Harvest Finance"), a company incorporated in the Hong Kong, for a consideration of approximately HK\$499,000. Super Harvest Finance has not yet commenced its business. Ms. Cheung, who is an independent third party, owns 100% shares of Super Harvest Finance before the acquisition. The completion date of the acquisition was 24 January 2018.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value <i>HK\$'000</i>
Intangible asset	499
Satisfied by:	
Cash and bank	499
Net cash outflow arising from acquisition:	
Bank balances and cash	(499)

The directors of the Company are of the opinion that the acquisition of Super Harvest Finance is in substance an acquisition of asset, instead of an acquisition of business, as Super Harvest Finance has an intangible asset of money lending license without operation as at the acquisition date.



19. 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 Fairyoung Technology Holdings Limited ("Fairyoung"), 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 Fairyoung	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

Consideration received

	Fairyoung 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

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

19. 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)

20. 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 2018			
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	43,319	–	–	43,319
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	–	19,200	19,200
	31 December 2017			
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	54,919	–	–	54,919
Unlisted convertible notes	–	–	21,000	21,000
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	–	28,400	28,400

20. Fair value measurements of financial instruments (Continued)

During the six months ended 30 June 2018 and the year ended 31 December 2017, there were no transfers between all levels.

Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Financial asset – convertible notes <i>HK\$'000</i>	Derivative financial liabilities – Embedded conversion option of convertible notes <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017 (audited)	(63,700)	11,289	(52,411)
Additional	–	53,761	53,761
Converted into ordinary shares	40,500	–	40,500
Arising on changes in fair value	2,200	(36,650)	(34,450)
At 31 December 2017 and 1 January 2018 (audited)	(21,000)	28,400	7,400
Disposal	21,000	–	21,000
Arising on changes in fair value	–	(9,200)	(9,200)
At 30 June 2018 (unaudited)	–	19,200	19,200

21. 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 2018, the remuneration for key management personnel of the Group was approximately HK\$3,867,000 (six months ended 30 June 2017: approximately HK\$1,299,000).
- (ii) During the six months ended 30 June 2017, the rental expenses paid to a related company which is owned by a son of the former controlling shareholder of the Company and a brother of the former director, Mrs. Nijssen Victoria of the Company of HK\$840,000 (six months ended 30 June 2018: nil).

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

At 30 June 2018 and 31 December 2017, the Group's total future minimum lease payments under non-cancellable operating leases in respect of land and buildings were payable as follows:

	30.6.2018 (Unaudited) HK\$'000	31.12.2017 (Audited) HK\$'000
Within one year	18,138	1,816
In the second to fifth year	30,888	–
	49,026	1,816

(b) Capital commitments

	30.6.2018 (Unaudited) HK\$'000	31.12.2017 (Audited) HK\$'000
Contracted but not provided for	849,254	890,791

23. Pledge of assets

As at 30 June 2018, bank balances of RMB3,000,000 (equivalent to approximately HK\$3,587,000) (31 December 2017: nil) in pledged bank deposit and approximately RMB403,000 (equivalent to approximately HK\$482,000) (31 December 2017: nil) included in bank balances and cash-general accounts were pledged to secure borrowings from the tenants of a PRC subsidiary of the Group.

24. Event after the end of reporting period

As announced by the Company on 5 July 2018, the Company proposed to implement share consolidation involving a share consolidation of every four issued and unissued existing shares of par value of HK\$0.05 each into one consolidated share of par value of HK\$0.20 (the "Share Consolidation"). Share Consolidation was duly passed at the special general meeting of the Company held on 1 August 2018. Further details of the Share Consolidation are set out in the Company's announcement dated 5 July 2018 and the Company's circular dated 12 July 2018.

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 June 2018 (“HY2018”), the Group recorded a turnover of HK\$44,645,000, while the turnover for the six months ended 30 June 2017 (“HY2017”) was HK\$15,033,000. The Group’s unaudited consolidated loss for HY2018 was HK\$274,442,000, representing an increase of approximately 16 times when compared with the loss of HK\$16,146,000 for HY2017.

For HY2018, the Company’s principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in the business of provision of securities brokerage, securities underwriting and placements and financial advisory services, property leasing and development and mining and trading of crypto currencies.

For HY2018, the Group recorded a turnover of HK\$44,645,000 (HY2017: HK\$15,033,000), representing an increase of approximately 2 times when compared with HY2017. As the Group’s investment properties were still under development, the financial services sector and the mining and trading of crypto currencies were the income generator of the Group for the period under review.

The Group’s unaudited consolidated loss for HY2018 amounted to HK\$274,442,000, representing an increase of approximately 16 times when compared with the loss of HK\$16,146,000 for HY2017. The substantial increase in loss was mainly attributable to (i) recognition of agency fee, value added tax and property tax expenses in connection with pre-leasing of investment properties under development in Foshan, Guangdong Province as expenses for the period, while the corresponding rental receipts could not be recognized as income simultaneously; (ii) no gain on disposal of investments was recorded in the period under review while there was a gain of approximately HK\$12 million on disposal of subsidiaries in the corresponding period in 2017; and (iii) significant increase in administrative expenses in the period due to expansion of business, additional costs incurred in staffing and office expenses.

The Group’s land in Foshan City, Guangdong Province, the PRC, the flagship investment property development project of the Group, is being developed into a complex of shops, offices and hotel (including some serviced apartments) with a total gross floor area of approximately 241,000 square metres. Pre-leasing of some serviced apartments has commenced from 2017 with approximately 75,000 – 76,000 square metres having been pre-leased for over 30 years and rental income amounting to approximately HK\$520 million was received in advance. As an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at the initial contract price at the 10th anniversary of the date of pre-leasing. Accordingly, corresponding rental income from pre-leasing could not be recognised at this stage.



During HY2018, revenue generated from financial services increase substantially from HK\$15,033,000 to HK\$38,859,000 mainly attributable to the asset management fee income arising from asset management services commenced in 2018. Moreover, as the Group commenced the trading of crypto currencies generated from the crypto currencies computer mining hardwares acquired during HY2018, trading proceeds of approximately HK\$5,786,000 was included in the revenue of HY2018.

The Group's combination of Fintech and the traditional way of provision of financial services are growing in shape. On the traditional front, we have embarked on more fund management and insurance brokerage business alongside the securities dealing business. As regards Fintech, the development of online investment platforms and, mobile apps is about to bear fruit.

To cope with the Group's rapid expansion, the Group moved in its new headquarters to Admiralty at the end of the period under review. Strategically located in the hub of the city, the Group's new home has promoted its corporate image and offered convenience to its clients and workforce. With a total floor area substantially larger than before, the new headquarters have housed a pool of talents, which has enhanced the overall operational efficiency of the Group. With this new cohesive force the Group is prepared to stride forward its brighter future.

FINANCIAL REVIEW

As mentioned in business review section, the Group recorded a turnover of HK\$44,645,000 (HY2017: HK\$15,033,000) comprising commission and brokerage income and underwriting income, asset management fee income and proceeds from trading of crypto currencies representing an increase of approximately 2 times as compared with that HY2017.

The cost of sales represented the operating cost of the crypto currencies computer mining hardwares during HY2018.

As mentioned in business review section, the increase in distribution costs from HK\$905,000 to HK\$183,637,000 in HY2018 was mainly attributable to the recognition of agency fee, value added tax and property tax expenses for pre-leasing of investment properties under development launched by a PRC subsidiary. Moreover, due to expansion of business during HY2018, additional costs incurred in staffing and other office expenses, and hence administrative expenses increased from HK\$33,471,000 to HK\$88,050,000.

During HY2018, finance costs decreased from HK\$33,607,000 to HK\$22,709,000. The change were mainly attributable to the decrease of convertible notes interests of HK\$10,412,000 upon redemption of two convertible notes in HY2017.

The investment properties under development located in Foshan City recorded a loss from change in fair value of HK\$15,095,000 at the end of HY2018 (HY2017: gain of HK\$4,294,000).

For HY2018, the Group recognised a fair value gain on derivative financial liabilities of HK\$9,200,000 as compared to fair value gain on derivative financial liabilities of HK\$22,950,000 for HY2017. The Group also recorded a fair value loss of HK\$17,000,000 on financial assets at fair value through profit or loss for HY2018 as compared to a fair value loss of HK\$4,406,000 for HY2017.

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

As at 30 June 2018, the Group's current assets and current liabilities were HK\$452,058,000 and HK\$789,125,000 respectively.

As at 30 June 2018, bank balances of RMB3,000,000 (equivalent to approximately HK\$3,587,000) included in pledged bank deposit and approximately RMB403,000 (equivalent to approximately HK\$482,000) included in bank balances and cash-general accounts were pledged to secure borrowings from the tenants of a PRC subsidiary of the Group.

The Group's gearing ratio as at 30 June 2018 was 56%, which is calculated on the Group's total liabilities divided by its total assets.

As at 30 June 2018, capital commitments contracted but not provided for were approximately HK\$849,254,000.

As at 30 June 2018, the Group had no contingent liabilities.

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 2018, the Group had a total of approximately 125 employees (30 June 2017: 60 employees), who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The employees are covered by the Mandatory Provident Fund Scheme and medical insurance in Hong Kong and the social security fund in the PRC.

DIRECTORS' INTERESTS

As at 30 June 2018, 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 underlying Shares:

Name of Director	Nature of interests	Description of securities	Number of underlying shares	Approximate percentage or attributable percentage of shareholding
Cheung Kam Fai	Beneficial owner	Convertible Bonds	125,000,000 (Note)	0.66%

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

Save as disclosed above, as at 30 June 2018, 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 2018, 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	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Well Up (Hong Kong) Limited ("Well Up") (Note)	Beneficial owner	11,984,542,634	63.43%
King Focus International Limited ("King Focus") (Note)	Interests of controlled corporation	11,984,542,634	63.43%
Ever Step Holdings Limited ("Ever Step") (Note)	Interests of controlled corporation	11,984,542,634	63.43%
Chong Sing Holdings FinTech Group Limited ("Chong Sing") (Note)	Interests of controlled corporation	11,984,542,634	63.43%
Cui Xintong ("Ms. Cui") (Note)	Founder of discretionary trust who can influence how the trustee exercise her discretion	11,984,542,634	63.43%
Lee Ken-yi Terence ("Mr. Lee") (Note)	Spouse	11,984,542,634	63.43%
TMF (Cayman) Limited ("TMF") (Note)	Trustee	11,984,542,634	63.43%
Deep Wealth Holdings Limited ("Deep Wealth") (Note)	Interests of controlled corporation	11,984,542,634	63.43%

Name of substantial shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Charm Success Group Limited ("Charm Success") (Note)	Interests of controlled corporation	11,984,542,634	63.43%
Finest Achieve Limited ("Finest Achieve") (Note)	Interests of controlled corporation	11,984,542,634	63.43%
HongDa Financial Holdings Limited ("HongDa") (Note)	Interests of controlled corporation	11,984,542,634	63.43%

Note:

Well Up is wholly-owned by King Focus. King Focus, which is in turn owned as to 49% by Charm Success, 37% by Ever Step and 14% by Finest Achieve, respectively.

Charm Success is wholly-owned by Deep Wealth, which is in turn wholly-owned by TMF as a trustee. Ms. Cui is the founder of the Trust and Mr. Lee is the spouse of Ms. Cui.

Ever Step is wholly-owned by Chong Sing.

Therefore each of King Focus, Ever Step, Chong Sing, Charm Success, Deep Wealth, TMF, Ms. Cui and Mr. Lee is deemed to be interested in 63.43% of the entire issued share capital of the Company. Through such interests, each of them is therefore deemed to be interested in Shares in which Well Up is interested for the purpose of 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, and Shanghai Xinhui is deemed to be interested in the same number of shares in which Topsouce was interested under the SFO.

Save as disclosed above, as at 30 June 2018, there was no other person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

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 2018.

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 2018 have been reviewed by the Audit Committee and by the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA 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 2018.

By Order of the Board

Ping An Securities Group (Holdings) Limited

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

Teng Wei

Chairman & Executive Director

Hong Kong, 24 August 2018

