



**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)

2019
Interim Report



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 54, 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. Gong Qingli (*CEO*)

Mr. Lin Hongqiao

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. Lin Hongqiao

Mr. Chan Kwan Pak

Company Secretary

Mr. Chan Kwan Pak

Auditors

CHENG & CHENG LIMITED

4/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

4th Floor North Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

Hong Kong Branch Registrar and Transfer Office

Tricor Tengis Limited

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183 Queen's Road East

Hong Kong

Registered Office

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41 Cedar Avenue

Hamilton HM 12

Bermuda

Head Office and Principal Place of Business

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Hong Kong

Website

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Stock Code

00231

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended	
	<i>Notes</i>	30.6.2019 (Unaudited) HK\$'000	30.6.2018 (Unaudited) HK\$'000
Revenue	3	45,464	44,645
Cost of sales		(11,863)	(5,344)
Gross profit		33,601	39,301
Other income		681	688
Distribution costs		(61,433)	(183,637)
Administrative expenses		(95,692)	(88,050)
Finance costs		(27,498)	(22,709)
Loss from changes in fair value of investment properties under development	8	(136,098)	(15,095)
Loss on the extinguishment of convertible notes		(9,592)	–
Fair value changes on financial assets at fair value through profit or loss		(297)	(17,000)
Fair value changes on derivative financial liabilities	16	8,273	9,200
Fair value change on crypto currencies		–	(262)
Impairment losses on goodwill		(701)	–
Loss before tax		(288,756)	(277,564)
Income tax credit	4	32,849	3,122
Loss for the period	5	(255,907)	(274,442)
Loss for the period attributable to:			
– Owners of the Company		(265,500)	(274,442)
– Non-controlling interests		9,593	–
		(255,907)	(274,442)
Loss per share	7		
Basic and diluted (HK cents)		(5.14) cents	(5.81) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended	
	30.6.2019 (Unaudited) HK\$'000	30.6.2018 (Unaudited) HK\$'000
Loss for the period	(255,907)	(274,442)
Other comprehensive income Items that may be reclassified subsequently to profit or loss		
– Exchange differences arising on translation of financial statements of foreign operations	(1,685)	5,846
Other comprehensive (expense)/income for the period	(1,685)	5,846
Total comprehensive expense for the period	(257,592)	(268,596)
Other comprehensive (expense)/income for the period attributable to:		
Owners of the Company	(623)	5,846
Non-controlling interests	(1,062)	–
	(1,685)	5,846
Total comprehensive expense attributable to:		
Owners of the Company	(266,123)	(268,596)
Non-controlling interests	8,531	–
	(257,592)	(268,596)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.6.2019 (Unaudited) HK\$'000	31.12.2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	10,376	12,504
Right-of-use assets	8	25,060	–
Investment properties	8	1,267,000	1,366,000
Goodwill	9	–	701
Intangible assets	8	297,439	306,630
Other deposits		2,284	2,309
Deferred tax assets		30	30
		1,602,189	1,688,174
Current assets			
Loan receivable		256,365	256,365
Financial assets at amortised cost		93,701	93,701
Tax recoverable		–	1,206
Financial assets at fair value through profit or loss	12	7,060	282
Trade and other receivables	10	69,005	44,721
Pledged bank deposit	11	3,423	3,453
Bank balances and cash – trust accounts	11	121,222	86,848
Bank balances and cash – general accounts	11	130,276	159,960
		681,052	646,536
Current liabilities			
Trade and other payables	13	677,714	602,763
Borrowings – current portion	14	47,671	6,906
Tax liabilities		1,478	–
Lease liabilities		14,801	–
Amount due to a related party	15	15,000	–
Convertible notes – current portion	16	92,193	97,940
Derivative financial liabilities	16	1,101	1,400
		849,958	709,009
Net current liabilities		(168,906)	(62,473)
Total assets less current liabilities		1,433,283	1,625,701

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	Notes	30.6.2019 (Unaudited) HK\$'000	31.12.2018 (Audited) HK\$'000
Capital and reserves			
Share capital	17	1,033,172	1,033,172
Reserves		(946,234)	(680,111)
Equity attributable to the owners of Company			
		86,938	353,061
Non-controlling interests		388,804	326,012
Total equity			
		475,742	679,073
Non-current liabilities			
Borrowings – non-current portion	14	71,530	70,869
Lease liabilities		12,668	–
Deferred tax liabilities		58,626	94,216
Convertible notes – non-current portion	16	169,528	168,435
Amount due to a related party	15	–	15,000
Prepayment from customers	13	645,189	598,108
		957,541	946,628
		1,433,283	1,625,701

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2018 (audited)	944,752	1,828,103	52	(14,065)	(1,252,864)	1,505,978	-	1,505,978
Loss for the period	-	-	-	-	(274,442)	(274,442)	-	(274,442)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	5,846	-	5,846	-	5,846
Other comprehensive income for the period	-	-	-	5,846	-	5,846	-	5,846
Total comprehensive income/(expense) for the period	-	-	-	5,846	(274,442)	(268,596)	-	(268,596)
At 30 June 2018 (unaudited)	944,752	1,828,103	52	(8,219)	(1,527,306)	1,237,382	-	1,237,382
At 1 January 2019 (audited)	1,033,172	1,881,155	52	(29,475)	(2,531,843)	353,061	326,012	679,073
Loss for the period	-	-	-	-	(265,500)	(265,500)	9,593	(255,907)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	(623)	-	(623)	(1,062)	(1,685)
Other comprehensive expense for the period	-	-	-	(623)	-	(623)	(1,062)	(1,685)
Total comprehensive income/(expense) for the period	-	-	-	(623)	(265,500)	(266,123)	8,531	(257,592)
Capital contribution from non-controlling interests	-	-	-	-	-	-	173,624	173,624
Capital redemption from non-controlling interests	-	-	-	-	-	-	(115,363)	(115,363)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(4,000)	(4,000)
At 30 June 2019 (unaudited)	1,033,172	1,881,155	52	(30,098)	(2,797,343)	86,938	388,804	475,742

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

Notes	30.6.2019 (Unaudited) HK\$'000	30.6.2018 (Unaudited) HK\$'000
	Net cash (used in) generated from operating activities	131,950
	(58,436)	
	Investing activities	
	Refund of deposit paid for development of investment properties under development	24,799
	Additions of investment properties	(121,366)
	Interest received	51
	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	-
	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)
18	-	
	Net cash used in investing activities	(93,636)
	(58,975)	
	Financing activities	
	Proceeds from borrowings	-
	Repayments of borrowings	-
	Capital injection of non-controlling interest	-
	Capital redemption of non-controlling interest	-
	Payment for settlement of convertible notes	-
	Interest paid	(4,985)
	Net cash generated from (used in) financing activities	(4,985)
	88,683	
	Net (decrease) increase in cash and cash equivalents	33,329
	(28,728)	
	Cash and cash equivalents at 1 January	88,986
	159,960	
	Effect of foreign exchange rate changes	(645)
	(956)	
	Cash and cash equivalents at 30 June	121,670
	Represented by bank balances and cash - general accounts	
	130,276	

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2019

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 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

2. **Principal accounting policies** *(Continued)*

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis over the lease term.

2. Principal accounting policies (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets

Except for leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2. Principal accounting policies (Continued)

2.1.1 Key changes in accounting policies resulting from application on HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2. Principal accounting policies *(Continued)*

2.1.1 Key changes in accounting policies resulting from application on HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Lease modifications *(Continued)*

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2. Principal accounting policies (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. The Group recognises a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17 at its carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- (iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease terms of certain leases of properties in Hong Kong with extension and termination options.

2. Principal accounting policies (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$34,182,000 and right-of-use assets of HK\$32,164,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 13%.

	At 1 January 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018:	
Rented premises and other assets	40,290
Lease liabilities discounted at relevant incremental borrowings rate	(5,461)
Less: Recognition exemption – short-term leases	(647)
	<u>34,182</u>
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	<u>34,182</u>
Analysed as	
Current	13,875
Non-current	20,307
	<u>34,182</u>

2. Principal accounting policies (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	34,182
Less: Accrued lease liabilities relating to lease of property at 1 January 2019	<u>(2,018)</u>
	<u>32,164</u>
By class:	
Leasehold land and buildings	<u>32,164</u>

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustment HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	32,164	32,164
Current liability			
Trade and other payables	2,018	(2,018)	–
Lease liabilities	–	13,875	13,875
Non-current liability			
Lease liabilities	–	20,307	20,307

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:

Data verification service	Provision of data verification service
Financial services	Securities dealing and financial services
Insurance brokerage	Provision of insurance referral services
Loan financing	Provision of financing services
Mining and trading of crypto currencies	Mining and trading of crypto currencies
Property development	Development of primarily hotel and commercial properties

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 2019 (unaudited)

	Data verification services HK\$'000	Financial services HK\$'000	Insurance brokerage HK\$'000	Loan financing HK\$'000	Mining and trading of crypto currencies HK\$'000	Property development HK\$'000	Total HK\$'000
Revenue	13,089	9,367	2,657	20,351	-	-	45,464
Segment profit (loss)	(2,481)	(20,945)	(668)	20,266	(6)	(210,117)	(213,951)
Unallocated corporate expenses							(55,901)
Unallocated other revenue							8,594
Finance costs							(27,498)
Loss before tax							(288,756)

3. Segment information (Continued)

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

	Financial services HK\$'000	Mining and trading of crypto currencies HK\$'000	Property development HK\$'000	Total HK\$'000
Revenue recognised	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)

Disaggregation of revenue

Types of goods or service	Six months ended	
	30.6.2019 (Unaudited) HK\$'000	30.6.2018 (Unaudited) HK\$'000
Financial services segment		
Commission and brokerage income	1,326	3,167
Interest income from cash and margin clients	25	98
Placing and underwriting commission	1,437	6,219
Asset management fee income	–	28,845
Corporate finance advisory services fee income	500	530
Interest income from investment	6,079	–
	9,367	38,859
Loan financing segment		
Interest income from loans receivables	20,351	–
Insurance brokerage segment		
Commission from insurance brokerage	642	–
Commission from client referral	2,015	–
Data verification service segment		
Service income	13,089	–
Mining and trading of crypto currencies segment		
Trading of crypto currencies	–	5,786
	45,464	44,645

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 30.6.2019 (Unaudited) HK\$'000	As at 31.12.2018 (Audited) HK\$'000
Segment assets		
Loan financing	292,735	272,439
Financial services	527,918	498,261
Mining and trading of crypto currencies	–	–
Property development	1,271,186	1,370,315
Insurance brokerage	659	1,390
Data verification service	3,672	4,006
	<hr/>	<hr/>
Total segment assets	2,096,170	2,146,411
Unallocated corporate assets	187,071	188,299
	<hr/>	<hr/>
Total consolidated assets	2,283,241	2,334,710
	<hr/>	<hr/>
Segment liabilities		
Loan financing	7	2
Financial services	185,975	156,377
Mining and trading of crypto currencies	18,039	18,039
Property development	1,130,910	992,085
Insurance brokerage	748	918
Data verification service	2,061	4,553
	<hr/>	<hr/>
Total segment liabilities	1,337,740	1,171,974
Unallocated corporate liabilities	469,759	483,663
	<hr/>	<hr/>
Total consolidated liabilities	1,807,499	1,655,637
	<hr/>	<hr/>

4. Income tax credit

Hong Kong Profits Tax has been provided for at the rate of 16.5% (30 June 2018: 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	
	30.6.2019 (Unaudited) HK\$'000	30.6.2018 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	2,684	2,160
Deferred tax	(35,533)	(5,282)
	(32,849)	(3,122)

5. Loss for the period

Loss for the period has been arrived at after charging:

	Six months ended	
	30.6.2019 (Unaudited) HK\$'000	30.6.2018 (Unaudited) HK\$'000
Staff costs:		
– Directors' emoluments	4,482	4,372
– Other staff costs		
– Salaries and other benefits	28,207	13,622
– Retirement benefit scheme contribution	2,107	399
Total staff costs	34,796	18,393
Amortisation of intangible assets	9,191	9,141
Depreciation for property, plant and equipment	2,273	21,984
Depreciation of right-of-use assets	7,104	–
Total depreciation and amortisation	18,568	31,125
Auditor's remuneration	710	500
Minimum lease payments under operating lease	1,978	6,342

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	
	30.6.2019 (Unaudited) HK\$'000	30.6.2018 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	(265,500)	(274,442)
	2019 '000	2018 '000
Weighted average number of ordinary shares Weighted average number of ordinary shares at 30 June	5,165,863	4,723,763

(b) Diluted loss per share

The diluted loss per share for the periods ended 30 June 2019 and 30 June 2018 is equivalent to the basic loss per share for both periods as the potential shares arising from the conversion of the convertible notes 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 2019, the Group purchases property, plant and equipment of approximately HK\$155,000 (six months ended 30 June 2018: approximately HK\$57,292,000).

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\$136,098,000 has been recognized in profit or loss for the six months ended 30 June 2019 (six months ended 30 June 2018: decrease of approximately HK\$15,095,000).

During the current interim period, additions of investment properties under development amounted to approximately HK\$51,938,000 (six months ended 30 June 2018: approximately HK\$158,131,000).

The Group pledged certain area of its investment properties for other borrowings from independent third parties (see note 14).

Upon adoption of HKFRS16, the Group recognised HK\$32,164,000 right-of-use assets and during the six months ended 30 June 2019, depreciation amounted HK\$7,104,000.

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\$500,000 (six months ended 30 June 2019: nil).

9. Goodwill

For the purpose of impairment testing, goodwill with indefinite useful lives has been allocated to the cash generating units of – Insurance Brokerage (the "CGU-IB") and data verification services and data integration (the "CGU-DV"). The goodwill arose from the Group's acquisition of Super Harvest Insurance Broker Limited ("Super Harvest") in 2017 and acquisition of 聯潤(上海)信息科技有限公司有限責任公司 ("聯潤") in 2018. The principal activity of CGU-IB was insurance brokerage services. 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-IB that expected to benefit from the synergies of the acquisition of 聯潤.

Insurance Brokerage and data verification services

The recoverable amount of CGU-IB and CGU-DV were 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 and CGU-DV are able to achieve in their business life. The directors determined the cash flow projection based on its expectation for market development, which the recoverable amount is less than the aggregate carrying amount of CGU-IB and CGU-DV. Accordingly impairment loss of HK\$519,000 and HK\$182,000 in respect of goodwill of CGU-IB and CGU-DV, respectively, is recognised in profit or loss during the period ended 30 June 2019.

10. Trade and other receivables

At 30 June 2019, included in trade and other receivables are trade receivables of approximately HK\$12,031,000 (31 December 2018: approximately HK\$14,517,000).

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.

	30.6.2019 (Unaudited) HK\$'000	31.12.2018 (Audited) HK\$'000
Within 3 months	11,861	14,513
4 to 6 months	137	4
Over 6 months	33	–
Total	12,031	14,517

11. Pledged bank deposit/bank balances and cash

	Notes	30.6.2019 (Unaudited) HK\$'000	31.12.2018 (Audited) HK\$'000
Bank balances and cash – general accounts	(a)	130,276	159,960
Bank balances and cash – trust accounts	(b)	121,222	86,848
Pledged bank deposit	(a),(c)	3,423	3,453
		254,921	250,261

Notes:

- (a) At 30 June 2019, the balances that were placed with banks in the PRC amounted to approximately HK\$33,446,000 (31 December 2018: approximately HK\$17,679,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government. Bank balances amounted to approximately HK\$21,279,000 (31 December 2018: approximately HK\$17,165,000) was held by Super Harvest Global Fund SPC, which is controlled by the Company but with nil equity ownership. Bank balances carry interest at floating rates based on daily bank deposit rates for both period/year.
- (b) The Group maintains segregated accounts with authorised institutions to hold client money in the normal course of business.
- (c) Pledged bank deposits represent deposits pledged to banks to secure borrowings from the tenants of a PRC subsidiary of the Group amounting to approximately RMB3,009,000 (equivalent to approximately HK\$3,423,000) (31 December 2018: approximately RMB3,000,000 (equivalent to approximately HK\$3,453,000)).

12. Financial assets at fair value through profit or loss

	30.6.2019 (Unaudited) HK\$'000	31.12.2018 (Audited) HK\$'000
Equity securities held for trading, at fair value		
Listed in Hong Kong	4,301	98
Listed outside Hong Kong	2,615	–
Unlisted investment fund	144	184
	7,060	282

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.

The fair value of unlisted investment fund is determined by the quoted market bid price available in active market. The classification of the measurement of all the unlisted investment fund 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.

13. Trade and other payables

At 30 June 2019 included in trade and other payables are trade payables of approximately HK\$122,602,000 (31 December 2018: approximately HK\$99,808,000).

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

	30.6.2019 (Unaudited) HK\$'000	31.12.2018 (Audited) HK\$'000
0-60 days	122,486	99,808
61-120 days	21	-
121-180 days	89	-
Total	122,602	99,808

As at 30 June 2019, the amount of approximately RMB567,121,000 (equivalent to approximately HK\$645,189,000) (31 December 2018: approximately RMB519,636,000 equivalent to approximately HK\$598,108,000) 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 2019, the amount of other payables was approximately HK\$555,112,000 (31 December 2018: approximately HK\$498,099,000) represents value added tax and other tax payables amounted to approximately HK\$205,874,000 (31 December 2018: approximately HK\$160,214,000), construction payable for the amount of approximately HK\$194,919,000 (31 December 2018: approximately HK\$214,715,000) which is for construction of the Xiqiao Properties. As acting as the fund manager of the funds, there are approximately HK\$46,451,000 (31 December 2018: approximately HK\$46,451,000) current accounts with the funds. And the amount of approximately HK\$12,502,000 (31 December 2018: approximately HK\$9,028,000) represents the amounts received in advance as subscription monies of the fund which were to be invested in fixed-rate senior notes to be issued by the Company, the underlying investments of the fund, which were subsequently issued in July 2019. Also, the amount of approximately HK\$14,998,000 (31 December 2018: approximately HK\$14,998,000), represents the PRC tax payable which arose from a disposal of subsidiary recognised in a previous year. Other payables and deposits amounted to approximately HK\$80,368,000 (31 December 2018: approximately HK\$52,693,000).

14. Borrowings

During the six months ended 30 June 2019, the Group obtained loans amounted to approximately HK\$50,534,000 (31 December 2018: HK\$9,208,000), granted by independent third parties which is secured by certain investment properties. During the six months ended 30 June 2019, the Group repaid borrowings of approximately HK\$9,689,000 (31 December 2018: HK\$2,302,000).

15. Amount due to a related party

The amount due to a related party as at 30 June 2019 represents advances granted by Mr. Liang, who is the ex-shareholder of the Company, of HK\$15,000,000 (31 December 2018: HK\$15,000,000), which is unsecured, interest-free and repayable in March 2020.

16. Convertible note/bonds and derivative financial instruments

On 25 September 2015, the Company issued a zero-coupon convertible note (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 dollar. The Ping An CB 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 Ping An CB is 24 September 2020. During the period ended 30 June 2019 and the year ended 31 December 2018, no part of the Ping An CB 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 2019 and year ended 31 December 2018, no part of the 2017 CB1 was converted into shares by the holders.

On 26 February 2019, the Company and the holder of 2017 CB1 entered in to deed of amendment, pursuant to which principal amount of 2017 CB1 was decreased from HK\$100,000,000 to HK\$90,000,000 ("2019CB"), the maturity date of 2017 CB1 was extended from 26 February 2019 to 26 February 2021 and the interest rate was increased from 5% per annum to 6% per annum. Interest payment dates were not changed. The conversion price of each conversion share was changed from HK\$0.384 (as adjusted) to HK\$0.2365 per conversion share. During the period ended 30 June 2019, no part of 2019 CB was converted to into shares by the holder.

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 2019 and year ended 31 December 2018, no part of the 2017 CB2 was converted into shares by the holders.

At 31 December 2018 and 30 June 2019, the conversion option component of the 2017 CB1, the 2017 CB2, the 2019 CB and the Ping An CB 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 Ping An CB 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, CB2 and as non-current liabilities for the 2019 CB and the Ping An CB as the holders of the 2017 CB2, the 2019 CB and the Ping AN CB 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, the 2019 CB and the Ping An CB were measured at fair value. Subsequently, the debt components are measured at amortised cost. The effective interest rate of the debt component is from 11.57% 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, the 2019 CB and the Ping An CB classified as non-current liabilities and current liabilities as at 30 June 2019 amounted to approximately HK\$169,528,000 and HK\$92,193,000 respectively.

The debt component of the 2017 CB1, 2017 CB2 and Ping An CB classified as non-current liabilities and current liabilities as at 31 December 2018 amounted to approximately HK\$168,435,000 and HK\$97,940,000 respectively.

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 2018 (audited)	234,994	28,400	263,394
Interest charge	41,381	–	41,381
Interest paid	(10,000)	–	(10,000)
Gain arising on changes of fair value	–	(27,000)	(27,000)
As at 31 December 2018 and 1 January 2019 (audited)	266,375	1,400	267,775
Fair value change on modification	(7,974)	7,974	–
Interest charge	18,839	–	18,839
Interest paid	(5,111)	–	(5,111)
Settlement of convertible bonds	(10,000)	–	(10,000)
Loss on extinguishment of convertible notes	(408)	–	(408)
Gain arising on changes of fair value	–	(8,273)	(8,273)
As at 30 June 2019 (unaudited)	261,721	1,101	262,822

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:

	Ping An CB	2017 CB1	2017 CB2	2019 CB
30 June 2019				
Share price	HK\$0.107	–	HK\$0.107	HK\$0.107
Conversion price (note (a))	HK\$0.8	–	HK\$0.384	HK\$0.2365
Expected volatility (note (b))	55.83%	–	58.6%	51.64%
Expected life (note (c))	1.23 years	–	0.66 years	1.66 years
Risk free rate (note (d))	1.62%	–	1.71%	1.59%
31 December 2018				
Share price	HK\$0.237	HK\$0.237	HK\$0.237	–
Conversion price (note (a))	HK\$0.8	HK\$0.384	HK\$0.384	–
Expected volatility (note (b))	46.19%	58.29%	48.29%	–
Expected life (note (c))	1.73 years	0.16 years	1.16 years	–
Risk free rate (note (d))	1.75%	1.75%	1.75%	–

Notes:

- Upon completion of the Share Consolidation 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 2018	60,000,000,000	0.05	3,000,000
Share consolidation	(45,000,000,000)	—	—
At 31 December 2018 and 30 June 2019	15,000,000,000	0.2	3,000,000
Issued and fully paid			
At 1 January 2018	18,895,052,012	0.05	944,752
Issue of new shares by placing	1,768,400,000	0.05	88,420
Share consideration	(15,497,589,009)	—	—
At 31 December 2018 and 30 June 2019	5,165,863,003	0.2	1,033,172

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\$500,000. Super Harvest Finance has not yet commenced its business. Ms. Cheung, who is an independent third party, owned 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 HK\$'000
Intangible asset	500
Satisfied by:	
Cash and bank	500
Net cash outflow arising from acquisition:	
Bank balances and cash	(500)

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 licence without operation as at the acquisition date.

19. 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 2019

	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	4,301	–	–	4,301
Equity securities listed outside Hong Kong	2,615	–	–	2,615
Unlisted investment funds	144	–	–	144
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	–	1,101	1,101

31 December 2018

	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	98	–	–	98
Unlisted investments funds	184	–	–	184
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	–	1,400	1,400

19. Fair value measurements of financial instruments (Continued)

During the six months ended 30 June 2019 and the year ended 31 December 2018, 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 2018 (audited)	(21,000)	28,400	7,400
Disposal	15,000	–	15,000
Arising on changes in fair value	6,000	(27,000)	(21,000)
At 31 December 2018 and 1 January 2019 (audited)	–	1,400	1,400
Fair value change on modification	–	7,974	7,974
Arising on changes in fair value	–	(8,273)	(8,273)
At 30 June 2019 (unaudited)	–	1,101	1,101

20. 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 2019, the remuneration for key management personnel of the Group was approximately HK\$6,940,000 (six months ended 30 June 2018: approximately HK\$3,867,000).

21. Capital commitments

	30.6.2019 (Unaudited) HK\$'000	31.12.2018 (Audited) HK\$'000
Contracted but not provided for	217,334	231,875

22. Event after the end of reporting period

As announced by the Company on 16 August 2019, the Company proposed to implement:

- a. the reduction of the issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HK\$0.19 on each of the then issued shares of par value of HK\$0.20 each such that the par value of each issued share be reduced from HK\$0.20 to HK\$0.01 and reduction of the authorised share capital of the Company by reducing the par value of all shares from HK\$0.20 each to HK\$0.01 each resulting in the reduction of the authorised share capital of the Company from HK\$3,000,000,000 divided into 15,000,000,000 shares of par value HK\$0.20 each to HK\$150,000,000 divided into 15,000,000,000 shares of par value HK\$0.01 each (the "New Shares") (collectively, the "Capital Reduction");
- b. immediately upon the Capital Reduction becoming effective, the authorised share capital of the Company be increased from HK\$150,000,000 divided into 15,000,000,000 New Shares of par value HK\$0.01 each to HK\$3,000,000,000 divided into 300,000,000,000 New Shares of par value HK\$0.01 each (the "Capital Increase");
- c. immediately upon the Capital Reduction becoming effective, the entire credit amount arising in the books of the Company from the Capital Reduction be transferred to the contributed surplus account of the Company (the "Contributed Surplus");
- d. the Directors be authorised to utilise and apply any credit balance in the Contributed Surplus in accordance with the bye-laws of the Company and all applicable laws, including the application of any credit balance to set off against accumulated losses of the Company, as and when the Directors may consider appropriate.

(a to d collectively, the "Capital Reorganisation")

Further details of the Capital Reorganisation are set out in the Company's announcement dated 16 August 2019 and the Company's circular dated 22 August 2019.

BUSINESS REVIEW

For the six months ended 30 June 2019 (“HY2019”), the Group recorded a turnover of HK\$45,464,000 while the turnover for the six months ended 30 June 2018 (“HY2018”) was HK\$44,645,000. The Group’s unaudited consolidated loss for HY2019 was HK\$255,907,000, representing a decrease of approximately 7% when compared with the loss of HK\$274,442,000 for HY2018.

For the period under review, the Company’s principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in the business of provision of securities brokerage, securities underwriting and placements and financial advisory services and property development. Moreover, its subsidiaries commenced loan financing, data verification service and insurance brokerage service in the second half of 2018.

For HY2019, the Group recorded a turnover of HK\$45,464,000 (HY2018: HK\$44,645,000), representing an increase of approximately 2% when compared with HY2018. As the Group’s investment properties are still under development, no turnover was generated from this sector. Turnover as generated by financial service sector, loan financing sector, data verification service sector and insurance brokerage sector were HK\$9,367,000, HK\$20,351,000, HK\$13,089,000 and HK\$2,657,000 respectively in HY2019.

The Group’s unaudited consolidated loss for HY2019 amounted to HK\$255,907,000, representing a decrease of approximately 7% when compared with the loss of HK\$274,442,000 for HY2018. The decrease in loss was mainly attributable to (i) the substantial decrease in agency fee, value added tax and property tax expenses recognized as distribution costs in connection with lesser pre-leasing of investment properties under development in Foshan, Guangdong Province in the period under review; (ii) the loss from change in fair value of investment properties under development substantially increase in the period under review; and (iii) as a result of the loss from change in fair value of investment properties under development as mentioned in (ii), the deferred tax credit (included in income tax credit) arising thereof increase substantially in the period under review.

China’s residential property market showed signs of cooling in the period under review and the slowdown was more pronounced in second and third tier cities. Without exception, the performance of the property sector of the Group was less than satisfactory and the pre-leasing activities were sluggish during the period. No rental income from pre-leasing was recognized. The property sector had recorded a loss of approximately HK\$210 million, slightly improved as compared with the loss of approximately HK\$217 million recorded in the corresponding period last year.

The financial services business did not perform well during the period and had recorded a loss of approximately HK\$21 million, while the segment recorded a profit of approximately HK\$20 million in the corresponding period last year. Other than the decrease in pre-IPO related transactions and less commission and margin finance income resulting from the thin trading stock market, the main reason for the unsatisfactory performance of this segment is that no asset management fee income was generated from fund management during the period under review.

As regards other segments, the mining and trading of crypto currencies business had come to a complete halt. The newly introduced insurance brokerage business recognized revenue of approximately HK\$2.7 million and a loss of approximately HK\$0.7 million. Another new line of business is data verification services, which recognized revenue of approximately HK\$13 million and a loss of approximately HK\$2.5 million. Loan financing was a good performer during the period and recorded revenue of approximately HK\$20 million and a profit of approximately HK\$20 million.

PROSPECTS AND OUTLOOK

Hong Kong economy is under a downward pressure in this year. As a small and open economy, Hong Kong will be affected by its external trade performance with the mounting trade frictions between mainland China and the United States, two of its largest trading partners. The negative impact might spread to the financial markets and other economic sectors. As the financial market is facing uncertainties, the Group will remain cautious in the foreseeable future.

On the China property front, China's easing economy owing to some challenges such as trade tensions and the uncompleted deleveraging campaign has put pressure to the property market, especially those in the second and third tier cities. Further preleasing of the Group's property in Foshan has experienced difficulty due to the lukewarm economy. The trend is expected to continue in the remaining part of the year.

Despite the difficult time this year, the Group will continually better equipped ourselves and explore more variety of business opportunities so as to grasp any chance when the market turns to the better again.

FINANCIAL REVIEW

As mentioned in business review section, the Group recorded a turnover of HK\$45,464,000 (HY2018: HK\$44,645,000) comprising commission and brokerage income and underwriting income, loan financing income, insurance brokerage income and data verification services income.

As mentioned in business review section, the substantial decrease in distribution costs from HK\$183,637,000 to HK\$61,433,000 in HY2019 was mainly attributable to the recognition of agency fee, value added tax and property tax expenses for lesser pre-leasing of investment properties under development launched by a PRC subsidiary.

During HY2019, finance costs increased from HK\$22,709,000 to HK\$27,498,000. The change were mainly attributable to the interest element of lease liability of approximately HK\$2,000,000 and additional interest expenses on other borrowings incurred during the period under review.

Loss on extinguishment of convertible notes amounted to HK\$9,592,000 incurred in HY2019 mainly represented the payment of handling charges for the extension of the repayment date of a convertible note.

The loss from change in fair value of investment properties under development located in Foshan City substantially increased to HK\$136,098,000 in the period under review (HY2018: HK\$15,095,000).

As a result of the loss from change in fair value of investment properties under development as mentioned above, the deferred tax credit (included in income tax credit) arising thereof increase substantially to HK\$35,533,000 (HY2018: HK\$5,282,000).

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

As at 30 June 2019, the Group's current assets and current liabilities were HK\$681,052,000 and HK\$849,958,000 respectively.

As at 30 June 2019, bank balances of RMB3,009,000 (equivalent to approximately HK\$3,423,000) included in pledged bank deposit were pledged to secure borrowings from the tenants of a PRC subsidiary of the Group.

The Group's gearing ratio as at 30 June 2019 was 79%, which is calculated on the Group's total liabilities divided by its total assets.

As at 30 June 2019, capital commitments contracted but not provided for were approximately HK\$217,334,000.

As at 30 June 2019, 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 2019, the Group had a total of approximately 158 employees (30 June 2018: 125 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' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2019, none of the Directors and the chief executive of the Company or their associates had any interest or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2019, the interests of substantial shareholders (other than the Directors or chief executives) in the Shares or the underlying shares of the Company which were required to be notified to the Company pursuant to Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in Shares:

(a) Interest 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	2,996,135,658	58.00%
King Focus International Limited ("King Focus") (Note)	Interests of controlled corporation	2,996,135,658	58.00%
Ever Step Holdings Limited ("Ever Step") (Note)	Interests of controlled corporation	2,996,135,658	58.00%
Chong Sing Holdings FinTech Group Limited ("Chong Sing") (Note)	Interests of controlled corporation	2,996,135,658	58.00%
Cui Xintong ("Ms. Cui") (Note)	Founder of discretionary trust who can influence how the trustee exercise his discretion	2,996,135,658	58.00%
Lee Ken-yi Terence ("Mr. Lee") (Note)	Spouse	2,996,135,658	58.00%
TMF (Cayman) Limited ("TMF") (Note)	Trustee	2,996,135,658	58.00%

Name of substantial shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Deep Wealth Holdings Limited ("Deep Wealth") (Note)	Interests of controlled corporation	2,996,135,658	58.00%
Charm Success Group Limited ("Charm Success") (Note)	Interests of controlled corporation	2,996,135,658	58.00%
Finest Achieve Limited ("Finest Achieve") (Note)	Interests of controlled corporation	2,996,135,658	58.00%
HongDa Financial Holdings Limited ("HongDa") (Note)	Interests of controlled corporation	2,996,135,658	58.00%

Note:

Well Up is wholly-owned by King Focu. 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 58% 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)	640,966,348	12.41%
Shanghai Xinhua Distribution Group Co., Ltd. ("Shanghai Xinhui")	Interest of controlled corporation	Convertible Bonds (Note)	640,966,348	12.41%

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 2019, 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 were granted nor outstanding pursuant to the share option scheme adopted at the annual general meeting of the Company held on 23 June 2011.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019, except the following deviation:

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. Since the resignation of Mr. Teng Wei on 15 April 2019, the Company has not appointed a chairman. 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.

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 2019 have been reviewed by the Audit Committee before recommendation to the Board for approval.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

By Order of the Board

Ping An Securities Group (Holdings) Limited

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

Gong Qingli

CEO & Executive Director

Hong Kong, 29 August 2019