

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**金利豐金融集團有限公司**  
**KINGSTON FINANCIAL GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 01031)**

**UNAUDITED INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

**FINANCIAL HIGHLIGHTS**

- Turnover for the six months ended 30 September 2017 increased by approximately 17% to HK\$1,616,034,000 when compared to HK\$1,376,862,000 in the corresponding period of last year.
- Profit attributable to the owners of the Company for the six months ended 30 September 2017 increased by approximately 22% to HK\$908,887,000 when compared to HK\$744,420,000 in the corresponding period of last year, which was mainly due to the increase in income from margin and IPO financing business.
- Earnings per share for the six months ended 30 September 2017 increased by approximately 22% to HK5.23 cents when compared to HK4.29 cents in the corresponding period of last year.

The Board of Directors (“the Board”) of Kingston Financial Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30 September 2017 together with comparative figures for the six months ended 30 September 2016.

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

For the six months ended 30 September 2017

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2017</b>	2016
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	2	<b>1,616,034</b>	1,376,862
Other income		<b>16,771</b>	15,061
		<b>1,632,805</b>	1,391,923
Inventory consumed		<b>(10,267)</b>	(11,090)
Staff costs	3	<b>(149,534)</b>	(161,233)
Gaming commission		<b>(41,252)</b>	(48,665)
Broker commission		<b>(22,730)</b>	(23,217)
Interest expenses for securities brokerage, underwriting and placements, margin and IPO financing operations		<b>(128,119)</b>	(121,133)
Depreciation		<b>(54,622)</b>	(59,426)
Administrative expenses		<b>(60,736)</b>	(50,283)
Other operating expenses		<b>(64,261)</b>	(60,757)
		<b>(531,521)</b>	(535,804)
Finance income		<b>7,436</b>	1,743
Finance cost		<b>(15,197)</b>	(10,128)
Fair value (loss)/gain on held for trading investments		<b>(1,776)</b>	42,077
Exchange gain		<b>530</b>	1,213
Amortisation		<b>(7,066)</b>	(7,066)
		<b>(16,073)</b>	27,839
Profit before taxation	4	<b>1,085,211</b>	883,958
Taxation	5	<b>(173,923)</b>	(136,510)
Profit for the period		<b>911,288</b>	747,448

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2017</b>	2016
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period		<u>911,288</u>	<u>747,448</u>
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Surplus/(deficit) on revaluation of leasehold land and buildings	8	37,078	(127,455)
Item that may be reclassified subsequently to profit or loss:			
Unrealised loss arising from change in fair value of available-for-sale investments		<u>(99)</u>	<u>–</u>
Other comprehensive income/(loss) for the period, net of tax		<u>36,979</u>	<u>(127,455)</u>
<b>Total comprehensive income for the period</b>		<u>948,267</u>	<u>619,993</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		908,887	744,420
Non-controlling interests		<u>2,401</u>	<u>3,028</u>
		<u>911,288</u>	<u>747,448</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		945,866	616,965
Non-controlling interests		<u>2,401</u>	<u>3,028</u>
		<u>948,267</u>	<u>619,993</u>
<b>Earnings per share (cents per share)</b>	7		
— Basic		5.23	4.29
— Diluted		<u>5.23</u>	<u>4.29</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2017*

		30 September 2017 (unaudited) <i>HK\$'000</i>	31 March 2017 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	2,792,282	2,799,525
Statutory deposit for financial services business		7,725	7,147
Goodwill		10,996,683	10,996,683
Intangible assets	9	273,222	280,289
		<b>14,069,912</b>	14,083,644
<b>Current assets</b>			
Inventories		2,360	2,322
Available-for-sale investments		449	548
Held for trading investments		133,535	134,955
Advances to customers in margin financing	10	21,888,414	19,468,948
Trade and other receivables	11	298,883	151,920
Tax recoverable		97,239	97,231
Cash and bank balances			
— held on behalf of customers		1,388,950	2,410,359
Cash and bank balances			
— general accounts		428,510	304,762
		<b>24,238,340</b>	22,571,045
<b>Current liabilities</b>			
Trade and other payables	12	1,867,728	2,616,461
Amounts due to shareholders		2,264,911	2,311,911
Loan from a related company		8,846,807	7,948,861
Subordinated loans		700,000	700,000
Bank loans		3,502,336	2,005,834
Tax payable		152,970	59,623
		<b>17,334,752</b>	15,642,690
<b>Net current assets</b>		<b>6,903,588</b>	6,928,355
<b>Total assets less current liabilities</b>		<b>20,973,500</b>	21,011,999

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
<b>Non-current liabilities</b>		
Bank loans	<b>685,000</b>	1,230,000
Deferred tax liabilities	<b>183,195</b>	180,861
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>868,195</b>	1,410,861
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>18,202,947</b>	17,053,551
	<hr/>	<hr/>
<b>Net assets</b>	<b>20,105,305</b>	19,601,138
	<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>		
Share capital — ordinary shares	<b>272,290</b>	272,290
Share capital — non-redeemable convertible preference shares	<b>75,000</b>	75,000
Reserves	<b>19,735,743</b>	19,233,977
	<hr/>	<hr/>
<b>Total equity attributable to owners of the Company</b>	<b>20,083,033</b>	19,581,267
<b>Non-controlling interests</b>	<b>22,272</b>	19,871
	<hr/>	<hr/>
<b>Total equity</b>	<b>20,105,305</b>	19,601,138
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited interim 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 “Stock Exchange”) and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2017. The accounting policies adopted in the preparation of unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017, except for the adoption of new and revised Standards, Amendments and Interpretations (“new/revised HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2017, noted below:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets on Unrealised Losses

The Directors of the Company reviewed and assessed the application of these standards in the current interim period and concluded that it has had no material effect on the amounts reported in these unaudited interim condensed consolidated financial statements and/or disclosure set out in these unaudited interim condensed consolidated financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 2 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their services, and has seven (six months ended 30 September 2016: seven) reporting operating segments as follows:

### **Financial services segments:**

- Securities brokerage, underwriting and placements segment is the provision of brokerage, underwriting and placements services for dealings in securities on recognised stock exchanges.
- Margin and initial public offering (“IPO”) financing segment is the provision of credits in these transactions.
- Other financial services mainly include provision of corporate finance advisory services, futures brokerage and asset management.

### **Hotel and gaming segments:**

- Hotel ownership and management segment is the operation of hotels and provision of hotel management services.
- Food and beverage segment is the operation of restaurants in hotels.
- Gaming segment is the provision of services to casino run by the licence holder Sociedade de Jogos de Macau, S.A. (“SJM”) in hotels.

### **Securities investment segment:**

- Securities investment segment is the trading of listed securities.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on a measure of adjusted earnings before interest, income tax, depreciation and amortisation (adjusted EBITDA). Interest income and expenditure and certain income and expenses (including depreciation, amortisation, finance cost, taxation and exchange gain) are not included in the result of each operating segment that is reviewed by the management. Other information provided, except as noted below, to the management is measured in a manner consistent with that in the consolidated financial statements.

Revenue between segments are carried out on terms equivalent to those that prevail in arm’s length transactions. The revenue from external customers reported to the management is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

## Operating segments

The following tables represent segment information of the Group provided to the Group's management for the six months ended 30 September 2017 and 2016, respectively.

### For the six months ended 30 September 2017 (unaudited)

	Securities brokerage, underwriting and placements <i>HK\$'000</i>	Margin and IPO financing <i>HK\$'000</i>	Other financial services <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Hotel ownership and management <i>HK\$'000</i>	Food and beverage <i>HK\$'000</i>	Gaming <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>									
External customers	150,364	1,084,977	58,499	1,293,840	85,026	11,307	225,861	-	1,616,034
Inter-segment	10	-	660	670	29,579	-	5,970	-	36,219
	<u>150,374</u>	<u>1,084,977</u>	<u>59,159</u>	<u>1,294,510</u>	<u>114,605</u>	<u>11,307</u>	<u>231,831</u>	<u>-</u>	<u>1,652,253</u>
<b>Adjusted EBITDA</b>	<u>137,908</u>	<u>884,987</u>	<u>50,039</u>	<u>1,072,934</u>	<u>75,219</u>	<u>(6,201)</u>	<u>65,937</u>	<u>(1,685)</u>	<u>1,206,204</u>
<b>Segment Assets</b>				<u>34,781,860</u>	<u>2,334,498</u>	<u>314,965</u>	<u>435,981</u>	<u>133,535</u>	<u>38,000,839</u>
Capital Expenditure				110	3,596	474	1,064	-	5,244
<b>Segment Liabilities</b>				<u>15,960,550</u>	<u>203,016</u>	<u>12,560</u>	<u>40,894</u>	<u>-</u>	<u>16,217,020</u>

### For the six months ended 30 September 2016 (unaudited)

	Securities brokerage, underwriting and placements <i>HK\$'000</i>	Margin and IPO financing <i>HK\$'000</i>	Other financial services <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Hotel ownership and management <i>HK\$'000</i>	Food and beverage <i>HK\$'000</i>	Gaming <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>									
External customers	118,450	921,681	18,348	1,058,479	73,059	13,538	231,786	-	1,376,862
Inter-segment	12	-	540	552	24,864	-	4,628	-	30,044
	<u>118,462</u>	<u>921,681</u>	<u>18,888</u>	<u>1,059,031</u>	<u>97,923</u>	<u>13,538</u>	<u>236,414</u>	<u>-</u>	<u>1,406,906</u>
<b>Adjusted EBITDA</b>	<u>105,553</u>	<u>716,267</u>	<u>7,543</u>	<u>829,363</u>	<u>64,095</u>	<u>(5,427)</u>	<u>69,276</u>	<u>42,255</u>	<u>999,562</u>
<b>Segment Assets</b>				<u>31,805,848</u>	<u>2,102,279</u>	<u>375,426</u>	<u>632,082</u>	<u>206,187</u>	<u>35,121,822</u>
Capital Expenditure				452	4,918	895	1,514	-	7,779
<b>Segment Liabilities</b>				<u>14,292,607</u>	<u>205,333</u>	<u>11,522</u>	<u>29,762</u>	<u>-</u>	<u>14,539,224</u>



As the assets and liabilities of financial services segments, including securities brokerage, underwriting and placements, margin and IPO financing and other financial services, are regularly reviewed by the directors of the Company in total for the group as a whole, the measure of total assets and liabilities by each operating segments under financial services business is therefore not presented.

### 3 STAFF COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (including directors' remuneration)		
— salaries, wages and other benefits	<b>148,822</b>	160,529
— contributions to defined contribution retirement plan	<b>712</b>	704
	<u><b>149,534</b></u>	<u>161,233</u>

### 4 PROFIT BEFORE TAXATION

The profit before taxation has been arrived at after charging/(crediting) the following:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating lease charges	<b>14,788</b>	15,634
Bad debts recovery	—	(15)
	<u><b>14,788</b></u>	<u>(15)</u>

### 5 TAXATION

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong profits tax	<b>175,000</b>	139,305
Macau Complementary Tax	<b>1,645</b>	586
Over Provision in respect of prior years	—	(272)
Deferred tax	<b>(2,722)</b>	(3,109)
	<u><b>173,923</b></u>	<u>136,510</u>

Hong Kong profits tax has been provided for six months ended 30 September 2017 and 2016 at a rate of 16.5%.

Macau Complementary Tax has been provided for the six months ended 30 September 2017 and 2016 at a rate of 12%. Details of contingent liabilities for Macau Complementary Tax are disclosed in note 13.

## 6 DIVIDENDS

A dividend of approximately HK\$434,113,000 that related to the financial year ended 31 March 2017 was paid in September 2017 (2016: HK\$347,290,000).

The board has resolved not to declare any interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

## 7 EARNINGS PER SHARE

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK cent</b>	<b>HK cent</b>
Basic earnings per share	<u>5.23</u>	<u>4.29</u>
Diluted earnings per share	<u>5.23</u>	<u>4.29</u>

### (a) Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the purpose of basic earnings per share	<u>908,887</u>	<u>744,420</u>

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Weighted average number of ordinary shares	<b>13,614,480,666</b>	13,614,480,666
Weighted average number of non-redeemable convertible preference shares	<u>3,750,000,000</u>	<u>3,750,000,000</u>
Weighted average number of shares for the purpose of basic earnings per share	<u>17,364,480,666</u>	<u>17,364,480,666</u>

### (b) Diluted earnings per share

Diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the periods ended 30 September 2017 and 2016.

## 8 PROPERTY, PLANT AND EQUIPMENT

As at 30 September 2017, the directors considered that the fair value of the Group's leasehold land and buildings for own use was approximate to the valuation amounts as at 31 March 2017 which the valuations were carried out by an independent valuer AA Property Services Limited. During the period under review, in the opinion of directors, there were no changes in valuation techniques for their assessment and such techniques were consistent with those adopted in the preparation of the Group's annual report for the year ended 31 March 2017.

During the period under review, the after tax revaluation surplus of approximately HK\$37,078,000 (six months ended 30 September 2016: revaluation deficit HK\$127,455,000) has been recognised in other comprehensive income and accumulated in the property revaluation reserve of the Group.

During the period under review, the Group's acquisition of property, plant and equipment amounted to approximately HK\$5,244,000 (six months ended 30 September 2016: approximately HK\$7,779,000).

## 9 INTANGIBLE ASSETS

The intangible assets represented the costs of the 15 subsurface mineral leases which were transferred from 15 permits during the financial year ended 31 March 2017. The 15 permits were initially granted by the Saskatchewan Ministry of Energy and Resources, currently known as the Ministry of the Economy of Saskatchewan, in 2008 to prospect for subsurface minerals in mining Elk point, Saskatchewan, Canada with area of approximately 3,989.95 square kilometers.

The intangible asset is amortised on a straight-line basis over its estimated useful life of 24 years.

## 10 ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
Directors of subsidiaries and their associates	<b>190,464</b>	77,597
Other margin clients	<b>21,764,699</b>	19,458,100
Less: Allowance for doubtful debt	<b>(66,749)</b>	(66,749)
	<b><u>21,888,414</u></b>	<u>19,468,948</u>

The movements in impairment loss on advances to customers in margin financing, all assessed individually, are as follows:

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
At the beginning of the period/year	<b>66,749</b>	20,642
Impairment loss recognised	–	58,754
Bad debt written off	–	(12,647)
	<b><u>66,749</u></b>	<u>66,749</u>

Advances to customers in margin financing are repayable on demand and carry interest at approximately Hong Kong Dollar Prime rate plus 3%. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 30 September 2017, total market value of securities pledged as collateral in respect of the loan to margin clients was approximately HK\$79,703,231,000 (31 March 2017: HK\$75,132,966,000).

No aging analysis is disclosed for advances to customers in margin financing as, in the opinion of the directors, an aging analysis is not meaningful in view of the business nature of securities dealings and margin financing.

## 11 TRADE AND OTHER RECEIVABLES

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
Trade receivables from financial services segments	203,476	34,683
Trade receivables from hotel and gaming segments	74,290	67,555
Other receivables, deposits and prepayments	21,117	49,682
	<u>298,883</u>	<u>151,920</u>

### Trade receivables from financial services segments

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients	120,835	13,715
Clearing House	66,139	8,590
Brokers and dealers	623	623
Accounts receivable arising from the ordinary course of business of dealing in futures contracts:		
Clearing house	7,523	7,128
Accounts receivable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	8,356	4,627
	<u>203,476</u>	<u>34,683</u>

The settlement terms of accounts receivable attributable to dealing in securities are one or two days after trade date, and those of accounts receivable attributable to dealing in futures are one day after trade date. All accounts receivable from cash clients are not past due at the reporting dates for which the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

Accounts receivable from clearing houses, brokers, dealers and corporate finance clients are current.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management.

No aging analysis is disclosed for trade receivables from financial services segments as, in the opinion of the directors, an aging analysis is not meaningful in view of the business nature of securities dealings.

### Trade receivables from hotel and gaming segments

The Group generally allows an average credit period of 30 days to its customers. The following is an aging analysis of trade receivables at the end of the reporting period:

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
0–30 days	37,432	50,365
31–60 days	14,942	11,687
61–90 days	1,141	907
Over 90 days	<u>44,406</u>	<u>27,980</u>
	97,921	90,939
Allowance for doubtful debt	<u>(23,631)</u>	<u>(23,384)</u>
	<u><b>74,290</b></u>	<u><b>67,555</b></u>

## 12 TRADE AND OTHER PAYABLES

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
Trade payables from financial services segments	1,400,245	2,480,424
Trade payables from hotel and gaming segments	15,199	14,621
Other payables and accruals	<u>452,284</u>	<u>121,416</u>
	<u><b>1,867,728</b></u>	<u><b>2,616,461</b></u>

## Trade payables from financial services segments

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities:		
Cash clients	<b>654,891</b>	976,696
Margin clients	<b>722,933</b>	1,482,139
	<b>1,377,824</b>	2,458,835
Dividend payable to clients	<b>7,610</b>	28
Clearing house	–	8,914
Accounts payable arising from the ordinary course of business of dealing in futures contracts:		
Clients	<b>11,812</b>	10,418
Accounts payable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	<b>35</b>	36
Asset management services	<b>2,964</b>	2,193
	<b>1,400,245</b>	2,480,424

The settlement terms of accounts payable attributable to dealing in securities are one or two days after the trade date, and those of accounts payable attributable to dealing in futures are one day after trade date.

No aging analysis is disclosed for payables to margin clients as, in the opinion of the directors, an aging analysis is not meaningful in view of the business nature of securities dealings and margin financing.

## Trade payables from hotel and gaming segments

The following is an aging analysis of trade payables at the end of the reporting period:

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
0–30 days	<b>11,808</b>	8,978
31–60 days	<b>2,083</b>	3,466
61–90 days	<b>1,060</b>	724
Over 90 days	<b>248</b>	1,453
	<b>15,199</b>	14,621

As at the 30 September 2017, included in trade and other payables was an amount of HK\$1,388,950,000 (31 March 2017: HK\$2,410,359,000) payable to clients and other institutions in respect of trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities.

### 13 COMMITMENTS AND CONTINGENT LIABILITIES

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
Expenditure contracted but not provided for in respect of:		
— Property, plant and equipment	<u><b>3,421</b></u>	<u>1,335</u>

The Group's wholly owned subsidiary Good Start Group Limited received tax notices issued by Macau Financial Services Bureau dated 29 April 2014 and 18 May 2016 assessing its Macau Complementary Tax payable for the years of assessment 2009 and 2010 and years of assessment 2011 and 2012 respectively. The tax amounts per tax notices for aforementioned years of assessment were approximately HK\$15,000,000, HK\$20,000,000, HK\$24,400,000 and HK\$25,400,000 respectively.

The Group's another wholly owned subsidiary Target All Investments Limited received tax notices issued by Macau Financial Services Bureau dated 26 August 2015 and 24 October 2016 assessing its Macau Complementary Tax payable for the years of assessment 2011 and 2012 and years of assessment 2013 and 2014 respectively. The tax amounts per tax notices for aforementioned years of assessment were approximately HK\$1,300,000, HK\$1,000,000, HK\$3,800,000 and HK\$6,300,000.

The Group lodged objection to appeal against the aforesaid notices according to stipulated appeal procedures. The Review Committee of Macau Financial Services Bureau (the "Committee") issued their decisions to reject all appeals by the Group in relation to the aforesaid Macau Complementary Tax payable.

After receiving the final decision of the Committee on their rejection of the Group's appeal, the Group made the tax payment according to stipulated regulation requirement before making further appeal in court. With regard to each of the Committee's rejection of the Group's appeal, the Group separately submitted initial petitions to the court on 9 December 2014 and 24 October 2016 for Good Start Group Limited and submitted initial petitions to the court on 10 March 2016 and 17 February 2017 for Target All Investments Limited. The legal proceedings are still in progress up to the date of this announcement. As advised by local tax consultant and lawyer, the directors considered that the Group has valid grounds for the legal proceedings and they believed that the gaming revenue generated through Good Start Group Limited and Target All Investments Limited's Service Agreement with SJM is not subject to Macau Complementary Tax since it is derived from SJM gaming revenue, which gaming revenue is exempted pursuant to Macau Law. Accordingly, no provision of taxation is considered necessary given that the chances for the chargeability is not probable.

If the legal proceedings relating to the Macau Complementary Tax payables for the years of assessment 2009, 2010, 2011, and 2012 for Good Start Group Limited, and years of assessment 2011, 2012, 2013, and 2014 for Target All Investments Limited being eventually unsuccessful and if the same basis of taxation is applied to all years of assessment up to September 2017, the tax recoverable amount of HK\$97,200,000 will be offset against the tax obligation and the Group will additionally need to pay approximately HK\$101,612,000 of Macau Complementary Tax for its mass market business in Macau. Pursuant to the Macau Complementary Tax law, the assessment on an estimated assessable profit in a year of assessment will lapse in five consecutive years after that year of assessment, thus no tax liability was expected for the year of assessment before 2009.

The Company had no other material contingent liabilities at the end of the reporting period.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

On behalf of the Board of Directors (the “Board”) of Kingston Financial Group Limited (the “Company”), I am pleased to announce the interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2017 (the “Period”).

### **OVERVIEW**

The Group is principally engaged in the provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering (“IPO”) financing, corporate finance advisory services, futures brokerage and asset management services. The Group also provides gaming and hospitality services in Macau.

The Group’s unaudited turnover was approximately HK\$1,616,034,000 for the Period, representing an increase of approximately 17% as compared to approximately HK\$1,376,862,000 for the six months ended 30 September 2016 (the “Previous Period”).

The unaudited net profit attributable to the owners of Company for the Period amounted to approximately HK\$908,887,000, representing an increase of approximately 22% as compared to approximately HK\$744,420,000 for the Previous Period. The increase was mainly attributed to the increase in income from margin and IPO financing business. Basic earnings per share for the Period increased by approximately 22% to HK5.23 cents when compared to HK4.29 cents in the Previous Period.

### **BUSINESS AND FINANCIAL REVIEW**

Despite political tensions and uncertainties around the world, major economic regions have been more synchronized in economic growth than before. The new administration in the US of “simplification” is seen to be contributing to the economic growth and leading the rest of the world in applying a retrospective lens to the aggregate of regulatory changes proposed and implemented in the recovery phase of the global economy. Confidence and future growth prospects have been notably improved within the European economy, followed by the presidential election in France. The economic backdrop in Asia remains strong and structurally resilient. Capital market conditions were supportive in the first half of 2017, which acted as a growth driver for the Group’s financial services segment business. China’s economic data has also experienced resilience after a slower period. China’s financial regulators have taken measures to enhance market credibility and transparency, minimize vulnerability and monitor financial compliance in banking, securities, and insurance industries. With careful coordination and calibration, these moves are seen positive for the national economy.

Against this backdrop, for the six months ended 30 September 2017, the average daily turnover of the Hong Kong securities market was approximately HK\$85.8 billion, representing an increase of 31.2% as compared to approximately HK\$65.4 billion for the Previous Period. There were 74 newly-listed companies during the Period, as compared to 55 reported newly listed companies for the Previous Period. With the geographical advantages of its close proximity to China and the integration of the Hong Kong and China markets, Hong Kong’s IPO market remains active and the world’s leading IPO centre. The growing local financial market definitely played an important role for driving up the Company’s business activities.



Looking forward, it is anticipated that the cross-border stock connect schemes would continue to create gleaming opportunities for the Hong Kong economy and stock market, thus reinforcing Hong Kong's status as an international finance center in China's multilayered capital markets. It might also bring in synergistic value to further develop the Group's business in the region.

As for Macau gaming segment, following a 26-month decline, it began to enter into a stable phase and regained momentum. The opening of new resorts and business diversification strategy of casinos have helped to revive revenue by attracting more customers. According to the Macao Government Tourism Office, visitor arrivals to Macau from April to September 2017 reached 16.0 million, representing an increase of 3.6% over the same period in 2016. The Group's hotel and gaming business has performed steadily in line with the industry's development.

### **Securities Brokerage, Underwriting and Placements**

Securities brokerage, underwriting and placement services is one of the main revenue streams of the Group. The Group undertakes the origination, structuring and marketing of placements of equity and equity-related securities. It also provides across-the-board solutions to clients' financing needs. The Group has successfully undertaken the roles of placing agents and underwriters for listed companies in a wide range of industries.

The Hong Kong securities market remained resilient with its strong international investment position, and significant growth of trading activities brought by the cross-border stock connect schemes. During the Period, the Group recorded a revenue of approximately HK\$150,364,000 (the Previous Period: HK\$118,450,000), representing an increase of approximately 27% compared to the Previous Period, which also accounted for approximately 12% (the Previous Period: 11%) of the Group's financial service segment revenue.

### **Margin and IPO Financing**

To complement the Group's securities brokerage services, the Group also provides margin and IPO financing services. Margin financing is made available to clients who have opened margin accounts with the Group to purchase securities with funds borrowed from it to leverage their investments. IPO financing is the grant of loans to clients for subscriptions of shares relating to an IPO.

During the Period, the Group continued its stellar performance in margin and IPO financing, with revenue amounted to approximately HK\$1,084,977,000 (the Previous Period: HK\$921,681,000), representing a rise of approximately 18% as compared to the Previous Period, which also accounted for approximately 84% (the Previous Period: 87%) of the Group's financial service segment revenue. Leveraging on the Group's compelling advantages from strong capital base and prudent risk management policies to credit control, the Group managed to achieve steady development in the segment over the years.

## **Other Financial Services mainly include Corporate Finance Advisory Services, Futures Brokerage and Asset Management**

Complementing the securities brokerage, underwriting and placements, and margin and IPO financing, the Group also provides a full range of financing services to its clients including corporate finance advisory services, futures brokerage and asset management.

The Group holds licence under the Securities and Futures Ordinance to engage in advising on corporate finance activities. The scope of services provided includes advising on corporate finance transactions, sponsoring IPOs and advising clients on deal structure and financing strategies in the context of mergers and acquisitions, equity fund raising exercises, takeovers and other notifiable transactions.

The Group provides brokerage services for index futures trading on the Futures Exchange, including After Hours Futures Trading. Clients can place orders online and through telephone.

The Group also provides portfolio management services. The asset management business generates revenue by charging management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively.

Thanks to the Group's experienced management team and favorable market condition, this segment recorded revenue of approximately HK\$58,499,000 (the Previous Period: HK\$18,348,000), representing an increase of approximately 219%, which also accounted for approximately 4% (the Previous Period: 2%) of the Group's financial service segment revenue.

## **Hotel Business**

In addition to financial services business, the Group is also engaged in hotel business in Macau, which comprises hotel room rental, food and beverage operation catering to international and local markets.

Credit to the Group's marketing and promotional programs, revenue for the Period amounted to approximately HK\$96,333,000 (the Previous Period: HK\$86,597,000), representing an increase of approximately 11% compared to the Previous Period. Hotel business contributed approximately 30% (the Previous Period: 27%) of the total hotel and gaming business turnover.

The average occupancy rates of the two hotels, namely Casa Real and Grandview, were approximately 88% (the Previous Period: 86%) and 89% (the Previous Period: 76%) respectively.

## **Gaming Business**

The Group's gaming operation is run by the licence holder Sociedade de Jogos de Macau, S.A. The two casinos continued to provide solid contributions to the Group.

Gaming revenue, including gaming revenue and food and beverage sales in casino, amounted to approximately HK\$225,861,000 for the Period, representing a drop of approximately 3% as compared to approximately HK\$231,786,000 of the Previous Period. Gaming revenue accounted for approximately 70% (the Previous Period: 73%) of total hotel and gaming business turnover.

As at 30 September 2017, the Group's gaming operations include 64 (31 March 2017: 64) tables in the two mass market halls, 12 (31 March 2017: 12) tables in the VIP rooms and 277 (31 March 2017: 280) slot machines and 140 (31 March 2017: 140) live baccarat machines in the electronic gaming halls. Live baccarat machines brought additional crowd to the property, achieving synergy with the slot machine business as well.

### **Other Income**

Other income mainly represented handling charges received from securities clients and other miscellaneous income. The income increased by approximately 11% from HK\$15,061,000 in the Previous Period to HK\$16,771,000 in this Period. The increase was mainly due to the increase in securities handling charges during the Period.

### **Held for trading investments**

During the Period, the Hong Kong equity market experienced fluctuations. The market value of the held for trading investments held by the Group during the Period recorded a revaluation loss of approximately HK\$1,776,000 (the Previous Period: revaluation gain HK\$42,077,000). As at 30 September 2017, the Group was holding held for trading investments of approximately HK\$133,535,000 (31 March 2017: HK\$134,955,000) in market value.

### **Inventory consumed**

Inventory consumed represented the cost of guest supplies and food and beverage consumed upon provision of accommodation and catering services to the customers. During the Period, it amounted to approximately HK\$10,267,000 (the Previous Period: HK\$11,090,000).

### **Staff costs**

Staff costs amounted to approximately HK\$149,534,000 (the Previous Period: HK\$161,233,000), representing an approximately 7% decrease. The Group reviewed and adjusted compensation and benefits to employee regularly to match market rates. Packages commensurate with employees' qualification and experience were provided to retain good employees in the Group as well as to hire potential talents.

### **Gaming commission**

Gaming commission represented amount paid as an incentive to attract customers. The commission expenses of the Group was in line with market level. During the Period under review, the gaming commission amounted to approximately HK\$41,252,000 (the Previous Period: HK\$48,665,000), representing a 15% decrease. The decrease was mainly due to the decrease in chips turnover in the Group's two casinos during the Period.

## **Broker Commission**

Broker commission decreased approximately 2% from approximately HK\$23,217,000 in the Previous Period to approximately HK\$22,730,000 in the Period. The Group adjusted broker commission according to prevailing market conditions.

## **Interest expenses for securities brokerage, underwriting and placement, margin and IPO financing operations**

During the Period, fundings were obtained to cope with the development of the margin and IPO financing segment. The related interest expenses increased from approximately HK\$121,133,000 in the Previous Period to approximately HK\$128,119,000 in the Period, representing a 6% increase.

## **Administrative expenses**

Administrative expenses mainly consist of rent and rates, legal and professional fees and Macau property tax. During the Period under review, it amounted to approximately HK\$60,736,000 (the Previous Period: HK\$50,283,000). The increase of approximately 21% was mainly due to more leases expenses for the Group's Intangible Assets during the Period.

## **Other operating expenses**

Other operating expenses mainly represented other operating expenses for gaming facilities, promotion expenses and other hotel room operating expenses. During the Period under review, it amounted to approximately HK\$64,261,000 (the Previous Period: HK\$60,757,000). To cope with strong competition in the gaming business of Macau, more promotion expenses on the VIP room were incurred during the Period.

## **Finance cost**

During the Period under review, finance cost of approximately HK\$15,197,000 (the Previous Period: HK\$10,128,000) represented the interest expenses on the amount due to a shareholder.

## **Amortisation**

The amount of HK\$7,066,000 (the Previous Period: HK\$7,066,000) for the Period represented the amortisation expenses of the intangible assets which has been amortised on a straight-line basis over its estimated useful life of 24 years.

## **FUTURE PROSPECTS**

### **Financial service segments**

China's growth outlook remains far higher than for advanced economies and many emerging ones. Going forward, along with further development of the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area, the Group is well equipped to embrace the opportunities ahead. Nonetheless, the Group also sets its eyes on the global markets. It will continue to strengthen its presence in the capital markets, and explore more business opportunities to further expand its geographical network.

During the Period, the Group has been included as a constituent of the Hang Seng Composite LargeCap & MidCap Index. Subsequently, the Group has become one of the eligible stocks of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. This reflects the market's solid recognition of the Group's investment value and the confidence in the Group's future prospects. Being one of the eligible stocks of the Stock Connects will help broaden the Group's shareholder base and further increase the Group's exposure in the capital markets of Hong Kong and the PRC and strengthening the Group's leading position in the securities market of Hong Kong.

In addition, the Group has been admitted to the MSCI Global Standard Index — Hong Kong Index, another influential international stock benchmark, demonstrating that the global capital markets have recognized the management and outstanding performance of the Group. This will further enhance the Group's global visibility and stock circulation in the international capital markets so as to broaden the shareholder base of the Group.

### **Hotel and Gaming Business**

The competitive advantages of Macau gaming sector have become even stronger with a few new resort projects in Cotai proposing to open in 2018. In addition, the accessibility of Macau is seen improving, as the Hong Kong-Zhuhai-Macao Bridge is expected to commence operation in 2018, which could increase the traffic flow and accessibility significantly. On the other hand, gaming operators also began to develop its non-gaming businesses such as meetings, incentives programmes, conferencing and exhibitions and theme parks. Meanwhile, the development of Guangdong-Hong Kong-Macao Greater Bay Area has been actively supported by the Chinese government and this will also benefit Macau gaming sector. Supported by the steady demand from international and local markets, the segment performance is expected to stabilize in the coming year.

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

As at 30 September 2017, the shareholders' fund and net current assets of the Group amounted to approximately HK\$20,083,033,000 (31 March 2017: HK\$19,581,267,000) and approximately HK\$6,903,588,000 (31 March 2017: HK\$6,928,355,000) respectively. On the same date, the Group had cash and bank balance of approximately HK\$428,510,000 (31 March 2017: HK\$304,762,000) and the current ratio was approximately 1.4 (31 March 2017: 1.4).

As at 30 September 2017, the Group had bank borrowings of approximately HK\$4,187,336,000 (31 March 2017: HK\$3,235,834,000), amounts due to shareholders of approximately HK\$2,264,911,000 (31 March 2017: HK\$2,311,911,000), loan from a related company of approximately HK\$8,846,807,000 (31 March 2017: HK\$7,948,861,000) and subordinated loans of approximately HK\$700,000,000 (31 March 2017: HK\$700,000,000). On the same date, the net gearing ratio, measured on the basis of total borrowings less bank and cash balances over net assets, was approximately 77% (31 March 2017: 71%).

## **COMMITMENTS AND CONTINGENT LIABILITIES**

Details of commitments and contingent liabilities of the Group as at 30 September 2017 are set out in Note 13 to the financial statements.

## **CAPITAL STRUCTURE**

During the six months ended 30 September 2017, no material fluctuation was noted on the Company's overall capital structure.

## **CAPITAL COMMITMENTS**

At 30 September 2017, the Group had capital commitments of approximately HK\$3,421,000 (31 March 2017: HK\$1,335,000) in respect of acquisition of plant and equipment.

## **EMPLOYEES**

As at 30 September 2017, the Group employed a total of approximately 882 (31 March 2017: 884) staff. The total staff cost for the Period was approximately HK\$149,534,000 (the Previous Period: HK\$161,233,000). The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market condition.

## **PLEDGE OF ASSETS**

As at 30 September 2017, the Group had pledged client's securities at a value of approximately HK\$9,160,805,000 (31 March 2017: 6,414,393,000), a bond at a value of approximately HK\$45,412,000 (31 March 2017: 46,512,000) and certificates of deposit at a value of approximately HK\$48,504,000 (31 March 2017: 48,470,000) to secure certain banking facilities provided to the Group.

In addition, the Group's term loan is secured by:

- the pledge of leasehold land and building held for own use with carrying amounts of approximately HK\$2,140,000,000 (31 March 2017: HK\$2,140,000,000);
- shares of two subsidiaries;
- corporate guarantee from a subsidiary;

- a charge over operating bank accounts of two subsidiaries;
- assignment of income and receivables arising from commercial operations of two subsidiaries.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

There was no material acquisition nor disposal conducted by the Group during the Period under review.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risk and uncertainty facing the Group is the market economy of China, Hong Kong and the surrounding regions as significant changes in their economic conditions will have significant impact on China and Hong Kong's stock market, as well as Macau's tourism.

Other risks include credit risks, market risks, liquidity risks and interest rate risks. The Group has been adopting prudent risk management policy to mitigate exposure to various risks.

## **RISK MANAGEMENT**

### **Credit risk**

The Group's Risk Management Committee has put in place credit management policies and procedures which cover the examination of the approval of clients' trading and credit limits, approval and review of the margin lending ratio of individual stock, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. Day-to-day credit monitoring is performed by the Group's Credit and Risk Control Department in accordance with the policies and procedures approved by the Risk Management Committee with toleration and exception reports reviewed by Responsible Officers and senior management of the Group as well as by the Risk Management Committee at regular meetings.

### **Market risk**

If the market value of a margin client's portfolio falls below his margin loan amount and the margin client fails to meet margin calls, the Group will be exposed to the risk that the margin loan being delinquent. Similarly, if the value of the underlying products of a client's futures contract fluctuates such that the outstanding balances in his account falls below the required maintenance margin level, the Group may suffer loss if the client's account incurs loss even after liquidation of the open position. The management of the Group keeps close monitoring of the market condition so that immediate precautionary measures will be taken to reduce such risk that the Group may encounter. Follow up actions such as reducing the margin ratio for the pledged securities and requiring clients to top up their positions would be taken if considered appropriate.

## **Liquidity risk**

As part of its ordinary brokerage activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and clients. The goal of liquidity management is to enable the Group to adequately fund such business commitments as well as to comply with relevant financial resources rules applying to various licensed subsidiaries. To address the risk, the Group's Accounts Department and the senior management will review and monitor the Group's liquidity position on daily basis to ensure the availability of sufficient liquid funds. In addition, the Group has also put in place stand-by banking and other facilities in order to meet any contingency in its operations. The management believes the Group's working capital is adequate to meet its financial obligations.

## **Interest rate risk**

The Group charged interest on its margin clients on the basis of its cost of fund plus mark-up. Financial assets such as margin loans and deposit with banks are primarily at floating rates. Financial liabilities such as bank loans are primarily at floating rates. The Group income and operating cash flows are not subject to significant interest rate risk.

## **FOREIGN CURRENCY EXPOSURE**

As the Group's hotel revenues are mostly denominated in Macau Patacas ("MOP"), and given the exchange rate of MOP has been fairly stable, its exposure to exchange rate risk is considered to be limited.

The Group's financial service business and gaming revenue are mainly denominated in Hong Kong Dollars and hence no significant exchange rate risk is identified.

## **TREASURY POLICY**

The Group may invest its surplus funds or funds not designated for specific purpose or funds designated for specific purpose but application of which is not immediately required (collectively "the Group's Funds") in the form of short term (i.e. less than one year) and liquid stocks through investing the Group's Funds in diversified portfolio of investments products including listed or unlisted securities, unit trust funds, or such other investments as the Board of the Company, or such committees or person(s) as the Board may authorise, may decide from time to time so as to preserve the value of the Group's Funds and/or achieve capital appreciation.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

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

During the six months ended 30 September 2017, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries.



## **CORPORATE GOVERNANCE**

Throughout the six months ended 30 September 2017, the Company has complied with all code provisions under the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2017.

## **AUDIT COMMITTEE**

The Audit Committee is composed of all the three Independent Non-Executive Directors of the Company. The Audit Committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters, including the review of the unaudited interim financial statements for the six months ended 30th September, 2017.

## **PUBLICATION OF INTERIM REPORT**

The Company’s 2017 interim report, containing the relevant information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in due course.

By order of the board of directors of  
**Kingston Financial Group Limited**  
**Chu, Nicholas Yuk-yui**  
*Chairman*

Hong Kong, 24 November 2017

*As at the date of this announcement, the executive Directors are Mr. Chu, Nicholas Yuk-yui (Chairman), Mrs. Chu Yuet Wah (Chief Executive Officer), Mr. Chu, Kingston Chun Ho and Mr. Ho Chi Ho, and the independent non-executive Directors are Dr. Wong Yun Kuen, Mr. Lau Man Tak and Ms. Lo, Miu Sheung Betty.*