



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

(Incorporated in Bermuda with limited liability)  
(Stock Code: 01031)



# 2017

INTERIM REPORT

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chu, Nicholas Yuk-yui (*Chairman*)

Mrs. Chu Yuet Wah

(*Chief Executive Officer*)

Mr. Chu, Kingston Chun Ho

Mr. Ho Chi Ho

### Independent Non-executive Directors

Dr. Wong Yun Kuen

Mr. Lau Man Tak

Ms. Lo, Miu Sheung Betty

## COMPANY SECRETARY

Mr. Chan Chun Lam

## AUDIT COMMITTEE

Mr. Lau Man Tak (*Chairman*)

Dr. Wong Yun Kuen

Ms. Lo, Miu Sheung Betty

## REMUNERATION COMMITTEE

Ms. Lo, Miu Sheung Betty (*Chairman*)

Dr. Wong Yun Kuen

Mr. Lau Man Tak

## NOMINATION COMMITTEE

Dr. Wong Yun Kuen (*Chairman*)

Mr. Lau Man Tak

Ms. Lo, Miu Sheung Betty

## AUDITORS

BDO Limited

25th Floor Wing On Centre

111 Connaught Road Central

Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

The Bank of East Asia, Limited

Chong Hing Bank Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of China (Macau) Limited

## BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman

Room 2901, One Exchange Square

8 Connaught Place, Central

Hong Kong

## REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2801, 28th Floor

One International Finance Centre

1 Harbour View Street, Central

Hong Kong

## PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08

Bermuda

## BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Abacus Limited

Level 22, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

## STOCK CODE

1031

## WEBSITE

<http://www.kingston.com.hk>

# 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.

# 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”).

## MANAGEMENT DISCUSSION AND ANALYSIS 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.

# Management Discussion and Analysis

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)* **BUSINESS AND FINANCIAL REVIEW** *(Continued)*

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.

# Management Discussion and Analysis

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)* **BUSINESS AND FINANCIAL REVIEW** *(Continued)*

### **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.

# Management Discussion and Analysis

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)* **BUSINESS AND FINANCIAL REVIEW** *(Continued)*

### **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.

# Management Discussion and Analysis

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)* **BUSINESS AND FINANCIAL REVIEW** *(Continued)*

### **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.

# Management Discussion and Analysis

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued) BUSINESS AND FINANCIAL REVIEW (Continued)

### 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.

# Management Discussion and Analysis

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### FUTURE PROSPECTS (Continued)

#### Financial service segments (Continued)

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 25 to the financial statements.

# Management Discussion and Analysis

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### 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.

# Management Discussion and Analysis

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### 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.

# Management Discussion and Analysis

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### RISK MANAGEMENT *(Continued)*

#### 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.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Revenue	3	<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	4	<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	5	<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	6	<b>1,085,211</b>	883,958
Taxation	7	<b>(173,923)</b>	(136,510)
Profit for the period		<b>911,288</b>	747,448

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Profit for the period		<b>911,288</b>	747,448
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Surplus/(deficit) on revaluation of leasehold land and buildings	10	<b>37,078</b>	(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		<b>(99)</b>	–
Other comprehensive income/(loss) for the period, net of tax		<b>36,979</b>	(127,455)
<b>Total comprehensive income for the period</b>		<b>948,267</b>	619,993
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>908,887</b>	744,420
Non-controlling interests		<b>2,401</b>	3,028
		<b>911,288</b>	747,448
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>945,866</b>	616,965
Non-controlling interests		<b>2,401</b>	3,028
		<b>948,267</b>	619,993
<b>Earnings per share (cents per share)</b>	9		
— Basic		<b>5.23</b>	4.29
— Diluted		<b>5.23</b>	4.29

# Condensed Consolidated Statement of Financial Position

As at 30 September 2017

		<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>2,792,282</b>	2,799,525
Statutory deposit for financial services business		<b>7,725</b>	7,147
Goodwill	11	<b>10,996,683</b>	10,996,683
Intangible assets	17	<b>273,222</b>	280,289
		<b>14,069,912</b>	14,083,644
<b>Current assets</b>			
Inventories	12	<b>2,360</b>	2,322
Available-for-sale investments	13	<b>449</b>	548
Held for trading investments		<b>133,535</b>	134,955
Advances to customers in margin financing	14	<b>21,888,414</b>	19,468,948
Trade and other receivables	15	<b>298,883</b>	151,920
Tax recoverable		<b>97,239</b>	97,231
Cash and bank balances — held on behalf of customers	16	<b>1,388,950</b>	2,410,359
Cash and bank balances — general accounts		<b>428,510</b>	304,762
		<b>24,238,340</b>	22,571,045
<b>Current liabilities</b>			
Trade and other payables	18	<b>1,867,728</b>	2,616,461
Amounts due to shareholders	19	<b>2,264,911</b>	2,311,911
Loan from a related company	20	<b>8,846,807</b>	7,948,861
Subordinated loans	21	<b>700,000</b>	700,000
Bank loans	22	<b>3,502,336</b>	2,005,834
Tax payable		<b>152,970</b>	59,623
		<b>17,334,752</b>	15,642,690

# Condensed Consolidated Statement of Financial Position

As at 30 September 2017

		<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
	Notes		
<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>Non-current liabilities</b>			
Bank loans	22	<b>685,000</b>	1,230,000
Deferred tax liabilities		<b>183,195</b>	180,861
<b>Total non-current liabilities</b>		<b>868,195</b>	1,410,861
<b>Total liabilities</b>		<b>18,202,947</b>	17,053,551
<b>Net assets</b>		<b>20,105,305</b>	19,601,138
<b>Capital and reserves</b>			
Share capital — ordinary shares	23	<b>272,290</b>	272,290
Share capital — non-redeemable convertible preference shares	23	<b>75,000</b>	75,000
Reserves		<b>19,735,743</b>	19,233,977
<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
<b>Total equity</b>		<b>20,105,305</b>	19,601,138

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Attributable to owners of the Company												
	Share capital – ordinary shares	Share redeemable convertible preference shares	Share premium account	Capital redemption reserve	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings	Total		Non-controlling interests	Total equity
										HK\$'000	HK\$'000		
At 1 April 2016 (audited)	272,290	75,000	11,739,980	466	814	1,544,268	1,352	(23,169)	5,004,991	18,615,992	12,231	18,628,223	
Profit for the period	-	-	-	-	-	-	-	-	744,420	744,420	3,028	747,448	
Other comprehensive loss for the period	-	-	-	-	-	(127,455)	-	-	-	(127,455)	-	(127,455)	
Total comprehensive income for the period	-	-	-	-	-	(127,455)	-	-	744,420	616,965	3,028	619,993	
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(22,798)	-	-	22,798	-	-	-	
Payment of dividend	-	-	-	-	-	-	-	-	(347,290)	(347,290)	-	(347,290)	
At 30 September 2016 (unaudited)	272,290	75,000	11,739,980	466	814	1,394,015	1,352	(23,169)	5,424,919	18,885,667	15,259	18,900,926	
At 1 April 2017 (audited)	<b>272,290</b>	<b>75,000</b>	<b>11,739,980</b>	<b>466</b>	<b>814</b>	<b>1,326,310</b>	<b>1,460</b>	<b>(23,169)</b>	<b>6,188,116</b>	<b>19,581,267</b>	<b>19,871</b>	<b>19,601,138</b>	
Profit for the period	-	-	-	-	-	-	-	-	908,887	908,887	2,401	911,288	
Other comprehensive income for the period	-	-	-	-	-	37,078	(99)	-	-	36,979	-	36,979	
Total comprehensive income for the period	-	-	-	-	-	37,078	(99)	-	908,887	945,866	2,401	948,267	
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(19,958)	-	-	19,958	-	-	-	
Payment of dividend	-	-	-	-	-	-	-	-	(434,113)	(434,113)	-	(434,113)	
Payment of dividend to a minority interest holder	-	-	-	-	-	-	-	-	(9,987)	(9,987)	-	(9,987)	
At 30 September 2017 (unaudited)	<b>272,290</b>	<b>75,000</b>	<b>11,739,980</b>	<b>466</b>	<b>814</b>	<b>1,343,430</b>	<b>1,361</b>	<b>(23,169)</b>	<b>6,672,861</b>	<b>20,083,033</b>	<b>22,272</b>	<b>20,105,305</b>	

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Cash flows (used in)/from operating activities	<b>(1,221,697)</b>	649,503
Cash flows from investing activities		
Payment for the purchase of property, plant and equipment	<b>(5,244)</b>	(7,779)
Payment for the acquisition of held for trading investments	–	(49,149)
Interest received	<b>7,436</b>	1,743
Dividend received	<b>102</b>	188
Net cash from/(used in) investing activities	<b>2,294</b>	(54,997)
Cash flows from financing activities		
Decrease in amounts due to shareholders	<b>(47,000)</b>	(10,000)
Increase in loan from a related company	<b>897,946</b>	1,009,143
Proceed/(repayment) of bank borrowings	<b>951,502</b>	(1,204,000)
Interest paid	<b>(15,197)</b>	(10,128)
Dividend paid	<b>(444,100)</b>	(347,290)
Net cash from/(used in) financing activities	<b>1,343,151</b>	(562,275)
Net increase in cash and cash equivalents	<b>123,748</b>	32,231
Cash and cash equivalents at beginning of period	<b>304,762</b>	169,339
Cash and cash equivalents at end of period	<b>428,510</b>	201,570

# Notes to the Interim Condensed Consolidated Financial Statements

## 1 CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 10 April 1996 under the Companies Act 1981 of Bermuda. The address of the Company's registered office and its principal place of business are disclosed in the "Corporate Information" section of the interim report.

The Company and its subsidiaries are hereinafter collectively referred to as the "Group". The principal activity of the Company continues to be investment holding.

The principal activities of the Group are described in Note 3.

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 24 November 2017.

The unaudited interim condensed consolidated financial statements is presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

## 2 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.

# Notes to the Interim Condensed Consolidated Financial Statements

## 2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

*(Continued)*

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.

## 3 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.

# Notes to the Interim Condensed Consolidated Financial Statements

## 3 SEGMENTAL INFORMATION *(Continued)*

### **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.

# Notes to the Interim Condensed Consolidated Financial Statements

## 3 SEGMENTAL INFORMATION (Continued)

### 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	Margin and IPO financing	Other financial services	Financial services business	Hotel ownership and management	Food and beverage	Gaming	Securities investment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<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
	150,374	1,084,977	59,159	1,294,510	114,605	11,307	231,831	-	1,652,253
<b>Adjusted EBITDA</b>	137,908	884,987	50,039	1,072,934	75,219	(6,201)	65,937	(1,685)	1,206,204
<b>Segment Assets</b>				34,781,860	2,334,498	314,965	435,981	133,535	38,000,839
Capital Expenditure				110	3,596	474	1,064	-	5,244
<b>Segment Liabilities</b>				15,960,550	203,016	12,560	40,894	-	16,217,020

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

## 3 SEGMENTAL INFORMATION (Continued)

### Operating segments (Continued)

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.

## 4 STAFF COSTS

	Six months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
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
	<b>149,534</b>	161,233

## 5 FINANCE COST

	Six months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Interest on amount due to a shareholder	<b>15,197</b>	10,128

# Notes to the Interim Condensed Consolidated Financial Statements

## 6 PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Operating lease charges	14,788	15,634
Bad debts recovery	–	(15)

## 7 TAXATION

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

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 25.

## 8 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).

# Notes to the Interim Condensed Consolidated Financial Statements

## 9 EARNINGS PER SHARE

	Six months ended 30 September	
	2017 (unaudited) HK cent	2016 (unaudited) HK cent
Basic earnings per share	5.23	4.29
Diluted earnings per share	5.23	4.29

### (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:

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

## 9 EARNINGS PER SHARE *(Continued)*

### (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.

## 10 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 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).

## 11 GOODWILL

	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
Carrying amount of goodwill	10,996,683	10,996,683

# Notes to the Interim Condensed Consolidated Financial Statements

## 11 GOODWILL (Continued)

The carrying amount of goodwill relating to the cash-generating units (the "CGU") engaged in securities dealings, underwriting and placements; margin and IPO financing services; corporate finance advisory services are HK\$3,628,905,000, HK\$7,148,237,000 and HK\$219,541,000 respectively. For the purposes of the goodwill impairment test, its recoverable amount was determined based on a value in use calculation, covering a detailed 5-year budget plan plus an extrapolated cash flow projections applying a steady growth rate subsequent to this 5-year plan, with a discount rate of approximately 12.66% (2016: 12.21%).

As at 31 March 2017, the recoverable amount for the CGU engaged in securities dealings, underwriting and placements; margin and IPO financing services; corporate finance advisory services are HK\$3,825,000,000, HK\$18,617,000,000 and HK\$237,000,000 respectively.

The key assumptions used in the budget plan are:

- (i) The annual growth rates of revenue were estimated ranging from 7% to 12%; 7% and 8% for securities services; margin and IPO financing services and corporate finance advisory services respectively throughout the 5-year budget plan. Cash flow beyond the five-year period are extrapolated using an estimated growth rate of 3% (2016: 3%).
- (ii) That gross margins will be maintained at their current levels throughout the 5-year budget plan.

The Group management's key assumptions have been determined based on past performance and its expectations for the market's development. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

Apart from the considerations described in determining the value in use of the CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

No impairment loss is provided for the six months ended 30 September 2017 (2016: Nil). The Directors performed an impairment test for the goodwill and concluded that the CGU demonstrate sufficient cashflow projections that justify the carrying value of the goodwill. Management did not consider impairment of goodwill necessary.

# Notes to the Interim Condensed Consolidated Financial Statements

## 12 INVENTORIES

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
Food and beverage and hotel operating supplies	<b>2,360</b>	2,322

## 13 AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 September 2017 (unaudited) HK\$'000</b>	31 March 2017 (audited) HK\$'000
Investment funds, at fair value	<b>449</b>	548

The available-for-sale investments are denominated in United States dollars and there is no public market for the investments. The fair value is based on net asset value of the investment funds at the end of the reporting period. During the period ended 30 September 2017, a deficit arising on change in fair value of approximately HK\$99,000 (2016: HK\$Nil) was recognised in other comprehensive income and accumulated in the investment revaluation reserve.

## 14 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>21,888,414</b>	19,468,948

# Notes to the Interim Condensed Consolidated Financial Statements

## 14 ADVANCES TO CUSTOMERS IN MARGIN FINANCING

*(Continued)*

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

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.

# Notes to the Interim Condensed Consolidated Financial Statements

## 15 TRADE AND OTHER RECEIVABLES

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

### Trade receivables from financial services segments

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

# Notes to the Interim Condensed Consolidated Financial Statements

## 15 TRADE AND OTHER RECEIVABLES (Continued)

### Trade receivables from financial services segments (Continued)

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

# Notes to the Interim Condensed Consolidated Financial Statements

## 16 CASH AND BANK BALANCES HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash and bank balances held on behalf of customers under the current assets section of the condensed consolidated statement of financial position and recognised the corresponding accounts payable (Note 18) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

## 17 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.

## 18 TRADE AND OTHER PAYABLES

	30 September 2017 (unaudited) HK\$'000	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	452,284	121,416
	<b>1,867,728</b>	2,616,461

# Notes to the Interim Condensed Consolidated Financial Statements

## 18 TRADE AND OTHER PAYABLES (Continued)

### Trade payables from financial services segments

	30 September 2017 (unaudited) HK\$'000	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.

# Notes to the Interim Condensed Consolidated Financial Statements

## 18 TRADE AND OTHER PAYABLES *(Continued)*

### Trade payables from hotel and gaming segments

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

	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
0–30 days	11,808	8,978
31–60 days	2,083	3,466
61–90 days	1,060	724
Over 90 days	248	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.

# Notes to the Interim Condensed Consolidated Financial Statements

## 19 AMOUNTS DUE TO SHAREHOLDERS

	Note	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
Better Sino Limited	(a)	1,190,000	1,190,000
Mrs. Chu Yuet Wah	(b)	1,074,911	1,121,911
		<b>2,264,911</b>	2,311,911

- (a) The amount is non-interest bearing, unsecured and repayable on demand.
- (b) The loan of HK\$1,010,000,000 (31 March 2017: HK\$1,010,000,000) is unsecured, interest bearing at the rate of 3% per annum and repayable on the third anniversary of drawdown (i.e. on or before 31 March 2020). This loan is subject to review at anytime and to the lender's overriding right of withdrawal and immediate repayment on demand. The remaining balance of HK\$64,911,000 (31 March 2017: HK\$111,911,000) is unsecured, interest bearing at the rate of 3% per annum and repayable on demand.

## 20 LOAN FROM A RELATED COMPANY

The loan is due to Kingston Finance Limited which has common directors and shareholders with the Group. The loan is unsecured, interest bearing at the rate of 2% per annum and repayable on demand.

## 21 SUBORDINATED LOANS

	Draw date	Terms	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
Loan from Mr. Lee Wai Man	30 Jan 2004	P+1%	250,000	250,000
	20 Feb 2004	1.5%	150,000	150,000
Revolving loan from Mrs. Chu Yuet Wah	24 May 2010	1.5%	300,000	300,000
			<b>700,000</b>	700,000

The subordinated loans of the Group are interest bearing, unsecured and repayable on demand.

# Notes to the Interim Condensed Consolidated Financial Statements

## 22 BANK LOANS

	Note	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
Secured bank loans:			
Money market loans and revolving loans	(a)	<b>3,260,000</b>	1,535,000
Term loans	(b)	<b>775,000</b>	1,320,000
Unsecured bank loans:			
Corporate tax loan		<b>152,336</b>	380,834
		<b>4,187,336</b>	3,235,834
Repayable:			
Within one year		<b>3,502,336</b>	2,005,834
More than one year, but not exceeding two years		<b>90,000</b>	90,000
More than two years, but not exceeding five years		<b>270,000</b>	270,000
After five years		<b>325,000</b>	870,000
		<b>4,187,336</b>	3,235,834
Amount due within one year included in current liabilities		<b>(3,502,336)</b>	(2,005,834)
Amount due after one year		<b>685,000</b>	1,230,000

- (a) The bank loans of the Group were secured by marketable securities of approximately HK\$9,160,805,000 (31 March 2017: HK\$6,414,393,000) pledged to the Group by margin clients, a bond at a value of approximately HK\$45,412,000 (31 March 2017: HK\$46,512,000) and certificates of deposit at a value of approximately HK\$48,504,000 (31 March 2017: HK\$48,470,000). The bank loans bear floating interest rates ranging from 0.91% to 2.57% per annum (31 March 2017: 0.82% to 1.82%).

# Notes to the Interim Condensed Consolidated Financial Statements

## 22 BANK LOANS *(Continued)*

- (b) The term loan of HK\$775,000,000 (31 March 2017: HK\$1,320,000,000), bearing floating interest rates ranging from 2.86% to 3.32% per annum (31 March 2017: 2.86% to 3.32%) were 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.

# Notes to the Interim Condensed Consolidated Financial Statements

## 23 SHARE CAPITAL

	Six months ended 30 September			
	2017		2016	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.02 each				
Authorised:				
At 1 April 2017/2016 and 30 September 2017/2016	<b>24,750,000,000</b>	<b>495,000</b>	24,750,000,000	495,000
Issued and fully paid:				
At 1 April 2017/2016	<b>13,614,480,666</b>	<b>272,290</b>	13,614,480,666	272,290
At 30 September 2017/2016	<b>13,614,480,666</b>	<b>272,290</b>	13,614,480,666	272,290
Non-redeemable convertible preference shares of HK\$0.02 each				
Authorised:				
At 1 April 2017/2016 and 30 September 2017/2016	<b>3,750,000,000</b>	<b>75,000</b>	3,750,000,000	75,000
Issued and fully paid:				
At 1 April 2017/2016	<b>3,750,000,000</b>	<b>75,000</b>	3,750,000,000	75,000
At 30 September 2017/2016	<b>3,750,000,000</b>	<b>75,000</b>	3,750,000,000	75,000

# Notes to the Interim Condensed Consolidated Financial Statements

## 24 CAPITAL MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of subordinated loans, loan from a related company, amounts due to shareholders, bank loans and equity attributable to equity holders of the Company, comprising paid up share capital and reserves. The directors of the Group review the capital structure regularly. As part of this review, the director considers the cost and the risks associated with each class of the capital.

Based on the recommendation of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Several subsidiaries of the Group (the “Regulated Subsidiaries”) are registered with Hong Kong Securities and Futures Commission (“SFC”) for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under Hong Kong Securities and Futures (Financial Resources) Rules (“SF(FR)R”) adopted by the SFC. Under the SF(FR)R, the Regulated Subsidiaries must maintain their liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of statutory floor requirement or 5% of their total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a regular basis and the Group has complied with those requirements during the period under review.

## 25 COMMITMENTS AND CONTINGENT LIABILITIES

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

# Notes to the Interim Condensed Consolidated Financial Statements

## 25 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

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 respectively.

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 report. 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.

# Notes to the Interim Condensed Consolidated Financial Statements

## 25 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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.

## 26 OPERATING LEASE COMMITMENT

(a) The Group leases its land and buildings under operating lease arrangements, and the terms of the leases range from one to ten years and the leases are repayable in fixed monthly installments. The lease agreements are renewable at the end of the respective lease terms. There is no arrangement for contingent rent payments.

At 30 September 2017, the Group had total future minimum lease receivable under non-cancellable operating leases which fall due as follows:

	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
Within one year	11,670	38,107
After one year but within five years	41,970	21,982
After five years	6,917	–
	<b>60,557</b>	60,089

# Notes to the Interim Condensed Consolidated Financial Statements

## 26 OPERATING LEASE COMMITMENT (Continued)

- (b) The Group entered into non-cancellable operating lease arrangements with landlords and the terms of the leases range from one to three years.

At 30 September 2017, the Group had total future minimum lease rent payments under non-cancellable operating leases falling due as follows:

	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
Within one year	14,167	27,082
After one year but within five years	999	140
	<b>15,166</b>	27,222

## 27 SHARE-BASED PAYMENT TRANSACTIONS

At the annual general meeting of the Company held on 20 August 2013, shareholders of the Company have adopted a new share option scheme (the "Share Option Scheme").

Pursuant to the Share Option Scheme, the total numbers of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 10% of the aggregate of the shares of the Company in issue on the date of adoption. The Company may renew this 10% limit with shareholders' approval provided that such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The total number of shares of the Company which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the Share Option Scheme and all outstanding options granted and yet to be exercised under any other share option scheme adopted by the Company should not exceed 30% of the shares in issue from time to time.

Unless approved by the shareholders of the Company in general meeting, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Share Option Scheme and any other share option schemes adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

# Notes to the Interim Condensed Consolidated Financial Statements

## 27 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. The exercise of options may also be subject to any conditions imposed by the Company at the time of offer.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant. The subscription price will be approved by the board of directors at the time the option is offered to the participants.

For the period ended 30 September 2017 and 2016, the Company had no share option being granted, outstanding, lapsed or cancelled pursuant to the Share Option Scheme.

## 28 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors is as follows:

	Six months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Short-term employee benefits	81,954	76,787
Post-employment benefits	98	103
	<b>82,052</b>	76,890

Total remuneration is included in "Staff costs" (Note 4).

# Notes to the Interim Condensed Consolidated Financial Statements

## 28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) In addition to the transactions and balances disclosed elsewhere in the unaudited interim condensed consolidated financial statements, during the period, the Group entered into the following material related party and connected transactions.

Name of related party	Nature of transaction	Six months ended 30 September	
		2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Chu & Li's Family	Brokerage income	239	329
	Maximum amount of margin financing	194,380	149,979
	Interest income	2,955	14
Mr. Ho Chi Ho	Brokerage income	1	-
Directors of subsidiaries & associates	Brokerage income	28	28
Kingston Finance Limited (Note 1)	Interest expense	86,836	76,570
	Management fee income	300	300
Sincere Watch (Hong Kong) Limited (Note 2)	Management fee income	120	120
	Placing commission	-	3,320
	Brokerage income	100	-
	Advisory fee and financial services revenues	61	-
Mrs. Chu Yuet Wah	Staff quarter rental expenses	765	867
REF Financial Press Limited (Note 3)	Financial printing service charges	186	206

Notes:

- Mrs. Chu Yuet Wah has controlling interest in Kingston Finance Limited.
- Transactions represented related party transactions only.
- Mr. Lau Man Tak is a controlling shareholder of REF Holdings Limited. REF Financial Press Limited is an indirect wholly owned subsidiary of REF Holdings Limited.

## Other Information

### 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).

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

At 30 September 2017, the following Directors had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Companies:

#### Long positions in the Shares:

Name of Directors	Number of shares of the Company		Number of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Mrs. Chu Yuet Wah	–	10,157,205,895 (Note 1)	3,750,000,000 (Note 2)	13,907,205,895	102.15%
Mr. Chu, Nicholas Yuk-yui	–	10,157,205,895 (Note 1)	3,750,000,000 (Note 2)	13,907,205,895	102.15%

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES** *(Continued)*

### **Long positions in the Shares:** *(Continued)*

Notes:

- (1) As at 30 September 2017, of the 10,157,205,895 shares, 1,894,699,896 shares are held by Sure Expert Limited, 15,939,999 shares are held by Kingston Capital Limited, 6,696,964,000 shares are held by Active Dynamic Limited, 424,602,000 shares are held by Choose Right Limited and 1,125,000,000 shares are held by Better Sino Limited, all of which are controlled by Mrs. Chu Yuet Wah ("Mrs. Chu"). Mr. Chu, Nicholas Yuk-yui ("Mr. Chu"), the spouse of Mrs. Chu is deemed to be interested in these 10,157,205,895 shares.
- (2) As at 30 September 2017, Mrs. Chu, through Active Dynamic Limited held 3,750,000,000 convertible preference shares conferring rights to subscribe for 3,750,000,000 new shares at the conversion price of HK\$0.80 per share (subject to adjustments). Mr. Chu is deemed to be interested in these 3,750,000,000 underlying shares held by Mrs. Chu.

Save for those disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or the Chief Executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES**

Save as disclosed in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES", at no time during the Period was the Company or any of its associated corporations a party to any arrangement to enable the directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the Period.

# Other Information

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2017, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholders	Number of shares of the Company		Number of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Sure Expert Limited (Note 1)	-	1,894,699,896	-	1,894,699,896	13.92%
Active Dynamic Limited (Note 2)	-	6,696,964,000	3,750,000,000	10,446,964,000	76.73%
Better Sino Limited (Note 3)	-	1,125,000,000	-	1,125,000,000	8.26%

Notes:

- (1) Sure Expert Limited is wholly and beneficially owned by Mrs. Chu. The interests of Mrs. Chu and Sure Expert Limited in the Company are stated under the section headed "Directors' and Chief Executive's interests and short positions in securities" above.
- (2) Active Dynamic Limited is wholly and beneficially owned by Mrs. Chu. The interests of Mrs. Chu and Active Dynamic Limited in the Company are stated under the section headed "Directors' and Chief Executive's interests and short positions in securities" above.
- (3) Better Sino Limited is wholly and beneficially owned by Mrs. Chu. The interests of Mrs. Chu and Better Sino Limited in the Company are stated under the section headed "Directors' and Chief Executive's interests and short positions in securities" above.

Save for those disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2017.

## 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.

# Other Information

## **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.

## **CHANGES IN INFORMATION OF DIRECTORS**

Pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

## Other Information

Name of Director	Details of change
Mr. Ho Chi Ho	With effect from 1 July 2017, monthly remuneration has been increased from approximately HK\$200,000 to approximately HK\$216,000.
Dr. Wong Yun Kuen	<p>Re-designated from an independent non-executive director to an executive director and appointed as the chairman of Far East Holdings International Limited, a company listed on the Main Board of the Stock Exchange, with effect from 18 July 2017.</p> <p>Appointed on 27 September 2017 as the Independent Non-executive Director of Tech Pro Technology Development Limited, a company listed on the Main Board of the Stock Exchange.</p>
Mr. Lau Man Tak	Appointed on 28 September 2017 as the Independent Non-executive Director of Synergis Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Save as disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By Order of the Board  
**Kingston Financial Group Limited**  
**Chu, Nicholas Yuk-yui**  
*Chairman*

Hong Kong, 24 November 2017