



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

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

2015 INTERIM REPORT



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

(appointed on 21 August 2015)

Mr. Ho Chi Ho

Independent Non-executive Directors

Dr. Wong Yun Kuen

Mr. Lau Man Tak

Mr. Yu Peter Pak Yan

COMPANY SECRETARY

Mr. Chan Chun Lam

AUDIT COMMITTEE

Mr. Lau Man Tak (*Chairman*)

Dr. Wong Yun Kuen

Mr. Yu Peter Pak Yan

REMUNERATION COMMITTEE

Mr. Yu Peter Pak Yan (*Chairman*)

Dr. Wong Yun Kuen

Mr. Lau Man Tak

NOMINATION COMMITTEE

Dr. Wong Yun Kuen (*Chairman*)

Mr. Lau Man Tak

Mr. Yu Peter Pak Yan

AUDITORS

BDO Limited

25th Floor Wing On Centre

111 Connaught Road Central

Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Macau) Limited

Chong Hing Bank Limited

Bank of Communications Co., Ltd.

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

- Profit attributable to the owners of the Company for the six months ended 30 September 2015 increased significantly by approximately 59% to HK\$923,380,000, which was mainly due to the increase in income from securities brokerage, underwriting and placements, margin and IPO financing businesses as compared to HK\$579,018,000 for the corresponding period of last year.
- Earnings per share for the six months ended 30 September 2015 increased significantly by approximately 60% to HK5.32 cents when compared to HK3.33 cents in the corresponding period of last year.
- Turnover for the six months ended 30 September 2015 also increased significantly by approximately 41% to HK\$1,651,667,000 when compared to HK\$1,169,021,000 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 2015 (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 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\$1,651,667,000 for the Period, representing a significant increase of 41% as compared to approximately HK\$1,169,021,000 for the six months ended 30 September 2014 (the “Previous Period”).

The unaudited net profit attributable to the owner of Company for the Period amounted to approximately HK\$923,380,000, representing a significant increase of approximately 59% as compared to approximately HK\$579,018,000 for the Previous Period. The increase was mainly driven by the outstanding performance in financial services segment, especially securities brokerage, underwriting and placements, margin and IPO financing businesses during the Period. Basic earnings per share for the Period increased significantly by approximately 60% to HK5.32 cents when compared to HK3.33 cents in the Previous Period.

BUSINESS AND FINANCIAL REVIEW

Credit to the favorable market environment, our experienced management team, and our strong capital base, the Group continued to achieve fruitful results across securities brokerage, underwriting and placements, margin and IPO financing segment. During the Period, the income from the Group’s financial services segment recorded a prominent growth when compared to the Previous Period.

Enhanced market access by the Shanghai-Hong Kong Stock Connect Scheme (the “Scheme”) is a key component to an increase of southbound capital flow in Hong Kong. Over the Period, the Scheme launched smoothly and the trading volume was satisfactory. Under the Scheme, the Hong Kong stock market serves as a good investment outlet for mainland investors to diversify their portfolios, and a gateway for mainland companies to expand their business. Hong Kong offers bridging communications between Mainland China and international markets. Mainland companies can utilize the region’s wealth of international marketing expertise and a wide array of professional service providers to expand their global business. These reforms have boosted the securities market activities — including securities brokerage, underwriting, and placements in Hong Kong.

Management Discussion and Analysis

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

Furthermore, Mainland-Hong Kong Mutual Recognition of Funds (MRF) launched on 1 July 2015 which enables qualifying Mainland China and Hong Kong funds to be distributed in each other's market. The market believes that it is a quantum shift in broadening the availability of fund products to investors in Hong Kong and the move is expected to further promote Hong Kong's role in asset management.

Hong Kong's market is well positioned. For the Period, the average daily turnover of the Hong Kong securities market was HK\$133.4 billion, representing an increase of 108% as compared to HK\$64.2 billion for the Previous Period. The Hong Kong IPO market remained stable, 56 companies were newly-listed during the Period, as compared to 64 reported IPOs for the Previous Period. The growing local financial market is expected to regain stronger growth momentum, the Group is confident in the market's role for driving up the Company's business activities.

As for Macau industry, affected by China's anti-corruption campaign and alongside with the slowdown of number of visitors, total gross revenue from Games of Fortune in Macau slid approximately 36% to MOP111.2 billion as compared to MOP173.7 billion in the Previous Period, which also affected the Group's operation in Macau during the Period.

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.

During the Period, this segment recorded revenue of approximately HK\$518,565,000, representing a significant increase of 250% as compared to HK\$148,201,000 in the Previous Period, which also accounted for 39% (the Previous Period: 23%) 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

Margin and IPO financing services are provided by the Group to complement its securities brokerage business. 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, revenue generated from the margin and IPO financing segment amounted to approximately HK\$778,108,000, representing a significant increase of 58% as compared to HK\$492,812,000 in the Previous Period, which also accounted for 59% (the Previous Period: 75%) of the Group's financial service segment revenue.

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.

During the Period, this segment recorded revenue of approximately HK\$21,246,000 (the Previous Period: HK\$15,078,000), representing an increase of 41%, which also accounted for 2% (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

The Group's hotel operation, mainly comprising hotel rooms, food and beverage sales and other rental income, managed to capture the opportunity in the Macau tourism industry. In spite of the slowdown of the tourism industry in Macau, the performance of the Group's hotel business was satisfactory. The revenue for the Period amounted to approximately HK\$98,457,000 (the Previous Period: HK\$133,548,000), representing a decrease of 26% as compared to the Previous Period.

Hotel business contributed 30% (the Previous Period: 26%) to the total hotel and gaming business turnover. During the Period, the average occupancy rate of the two hotels, namely Casa Real and Grandview, was approximately 83% (the Previous Period: 90%) and 72% (the Previous Period: 85%) respectively.

Gaming Business

The Group's casino operation is run by the licence holder Sociedade de Jogos de Macau, S.A. The two casinos consistently provided solid contributions to the Group in line with the development of the gaming industry in Macau.

Affected by the sluggish market conditions, gaming revenue, including gaming revenue and food and beverage sales in casinos, amounted to approximately HK\$235,291,000 for the Period (the Previous Period: HK\$379,382,000), representing a 38% decrease. Gaming revenue accounted for 70% (the Previous Period: 74%) of total hotel and gaming business turnover.

As at 30 September 2015, the Group has 59 (31 March 2015: 58) tables in the two mass market halls, 14 (31 March 2015: 13) tables in the two VIP rooms and 239 (31 March 2015: 224) slot machines and 134 (31 March 2015: 136) live baccarat machines in the two electronic gaming halls. Live baccarat machines brought additional crowds to the properties, achieving synergy with the slot machine business as well.

Management Discussion and Analysis

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

Other Income

Other income mainly represents handling charges received from securities clients, bad debts recovered and other miscellaneous income. The income increased by approximately 192% from HK\$11,461,000 in the Previous Period to HK\$33,496,000 in this Period. The increase was due to the increase in securities handling charges and a bad debts of approximately HK\$6,998,000 (the Previous Period: HK\$ Nil) recovered during the Period.

Trading of listed securities

During the Period, the Hong Kong equity market experienced fluctuations. The market value of the trading securities held by the Group during the Period recorded a revaluation gain of approximately HK\$13,649,000 (the Previous Period: revaluation deficit HK\$1,862,000). As at 30 September 2015, the Group was holding trading securities of approximately HK\$38,895,000 (31 March 2015: HK\$38,644,000) in market value.

Inventory consumed

Inventory consumed represents 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\$11,468,000 (the Previous Period: HK\$11,832,000).

Staff costs

Staff costs amounted to approximately HK\$146,937,000 (the Previous Period: HK\$111,350,000), representing a 32% increase. Such an increase was mainly due to increase in compensation and benefits to employee 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 represents 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\$56,564,000 (the Previous Period: HK\$87,383,000), representing a 35% decrease. The decrease was in line with the decrease in income from gaming segment due to the downturn of the gaming market in Macau.

Management Discussion and Analysis

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

Broker Commission

Broker commission increased 334% from approximately HK\$21,892,000 in the Previous Period to approximately HK\$94,936,000 in the Period. The increase matched with the increase in revenue from securities brokerage business.

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

To cope with the growth of securities brokerage, underwriting and placements, margin and IPO financing businesses, additional fundings were obtained during the Period. The related interest expenses increased significantly from approximately HK\$49,008,000 in the Previous Period to approximately HK\$91,354,000 in the Period, representing a 86% increase, which was in line with the increase in related incomes from the booming business.

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\$52,672,000 (the Previous Period: HK\$56,398,000).

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\$60,615,000 (the Previous Period: HK\$89,175,000). The decrease was mainly due to decrease in gaming promotion expenses.

Finance cost

During the Period under review, finance cost of approximately HK\$12,795,000 (the Previous Period: HK\$17,400,000) represents the effective interest expenses on the amount due to a shareholder. The decrease of approximately 26% was mainly due to repayment of part of the amount during the Period.

Amortisation

The amount of HK\$7,066,000 (the Previous Period: HK\$Nil) 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.

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS (Continued) FUTURE PROSPECTS

Financial service segments

We are convinced that Hong Kong will continue to play a major role in the internationalization of the Mainland stock market and the Renminbi, which is beneficial to both primary and secondary market fund raisings in the stock market. We believe these may bring more new advantages to the Hong Kong financial market, and we are well equipped to explore and take action to seize opportunities as they arise.

Merger and acquisitions activities have been increasing in recent years and we believe this trend will sustain in future along with more Mainland enterprises will expand their businesses by way of merger and acquisitions and fund raising activities in Hong Kong. With our existing track records, expertise, expanding clientele and resources, we are confident to maintain our market position in Hong Kong.

In the long run, we aim at extending our financial services businesses to Mainland China and then the Great China Region.

Hotel and Gaming Segments

Despite the slowdown in tourist spending and China's anti-corruption campaign, in light of the rebounding results during Golden Week in early October, we anticipate the outlook of Macau's hotel and gaming market shall not further worsen in the long run.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 September 2015, the shareholders' fund and net current assets of the Group amounted to approximately HK\$18,241,833,000 (31 March 2015: HK\$17,534,208,000) and approximately HK\$4,961,493,000 (31 March 2015: HK\$4,020,436,000) respectively. On the same date, the Group had cash and bank balance of approximately HK\$203,356,000 (31 March 2015: HK\$1,772,232,000) and the current ratio was 1.3 (31 March 2015: 1.3).

As at 30 September 2015, the Group had bank borrowings of approximately HK\$3,266,000,000 (31 March 2015: HK\$4,364,500,000), amounts due to shareholders of approximately HK\$2,344,911,000 (31 March 2015: HK\$2,420,911,000), loan from a related company of approximately HK\$7,919,827,000 (31 March 2015: HK\$5,437,965,000) and subordinated loans of approximately HK\$700,000,000 (31 March 2015: 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 77% (31 March 2015: 64%). Additional financial resources were obtained from a related company to cope with the growth of the financial services business which resulting in an increase in the net gearing ratio during the Period.

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)* **COMMITMENTS AND CONTINGENT LIABILITIES**

Details of commitments and contingent liabilities of the Group as at 30 September 2015 are set out in note 25 to the financial statements.

CAPITAL STRUCTURE

During the six months ended 30 September 2015, 1,500,000,000 convertible preference shares of HK\$0.02 each in the capital of the Company were converted into 1,500,000,000 ordinary shares of HK\$0.02 each in the capital of the Company.

CAPITAL COMMITMENTS

At 30 September 2015, the Group had capital commitments of approximately HK\$2,045,000 (31 March 2015: HK\$1,085,000) in respect of acquisition of plant and equipment.

EMPLOYEES

As at 30 September 2015, the Group employed a total of approximately 868 (31 March 2015: 849) staff. The total staff cost for the Period was approximately HK\$146,937,000 (the Previous Period: HK\$111,350,000). 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 2015, the Group had pledged clients' securities at a value of approximately HK\$8,752,949,000 (31 March 2015: HK\$12,324,655,000) to secure certain banking facilities provided to the Group.

In addition, the Group's term loans are secured by:

- the pledge of leasehold land and buildings held for own use with carrying amounts of approximately HK\$2,760,000,000 (31 March 2015: HK\$2,970,000,000);
- shares of a subsidiary;
- 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 other 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 position 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 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 2015

| | Notes | Six months ended | |
|---|-------|---|---------------------------------|
| | | 30 September 2015 (unaudited) HK\$'000 | 2014 (unaudited) HK\$'000 |
| Revenue | 3 | 1,651,667 | 1,169,021 |
| Other income | | 33,496 | 11,461 |
| | | 1,685,163 | 1,180,482 |
| Inventory consumed | 4 | (11,468) | (11,832) |
| Staff costs | | (146,937) | (111,350) |
| Gaming commission | | (56,564) | (87,383) |
| Broker commission | | (94,936) | (21,892) |
| Interest expenses for securities brokerage, underwriting and placements, margin and IPO financing operations | | (91,354) | (49,008) |
| Depreciation | | (72,693) | (67,329) |
| Administrative expenses | | (52,672) | (56,398) |
| Other operating expenses | | (60,615) | (89,175) |
| | | (587,239) | (494,367) |
| Finance income | 5 | 3,878 | 3,463 |
| Finance cost | | (12,795) | (17,400) |
| Fair value gain/(loss) on trading securities | | 13,649 | (1,862) |
| Exchange gain | | 1,998 | 1,753 |
| Share of results of joint ventures | | (1) | – |
| Amortisation | | (7,066) | – |
| | | (337) | (14,046) |
| Profit before taxation | 6 | 1,097,587 | 672,069 |
| Taxation | 7 | (170,962) | (88,289) |
| Profit for the period | | 926,625 | 583,780 |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2015

| | Notes | Six months ended | |
|---|-------|---|---------------------------------|
| | | 30 September 2015 (unaudited) HK\$'000 | 2014 (unaudited) HK\$'000 |
| Profit for the period | | 926,625 | 583,780 |
| Other comprehensive income | | | |
| Item that will not be reclassified to profit or loss: | | | |
| Deficit on revaluation of leasehold land and buildings | 10 | (215,695) | – |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Unrealised loss arising from change in fair value of available-for-sale investments | | (60) | (116) |
| Exchange differences arising on translation of foreign operations | | – | (2,513) |
| Other comprehensive loss for the period, net of tax | | (215,755) | (2,629) |
| Total comprehensive income for the period | | 710,870 | 581,151 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 923,380 | 579,018 |
| Non-controlling interests | | 3,245 | 4,762 |
| | | 926,625 | 583,780 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 707,625 | 576,389 |
| Non-controlling interests | | 3,245 | 4,762 |
| | | 710,870 | 581,151 |
| Earnings per share (cents per share) | 9 | | |
| — Basic | | 5.32 | 3.33 |
| — Diluted | | 5.32 | 3.33 |

Condensed Consolidated Statement of Financial Position

As at 30 September 2015

| | | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|--|-------|---|---|
| | Notes | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 3,611,634 | 3,926,992 |
| Deferred tax assets | | 8,329 | 6,107 |
| Deposit for hotel renovation | | 505 | – |
| Statutory deposit for financial services business | | 9,036 | 8,272 |
| Goodwill | 11 | 10,996,683 | 10,996,683 |
| Intangible assets | 17 | 301,487 | 308,553 |
| Interests in joint ventures | | – | 1 |
| | | 14,927,674 | 15,246,608 |
| Current assets | | | |
| Inventories | 12 | 3,329 | 3,265 |
| Available-for-sale investments | 13 | 870 | 930 |
| Trading securities | | 38,895 | 38,644 |
| Advances to customers in margin financing | 14 | 17,966,107 | 13,314,293 |
| Trade and other receivables | 15 | 165,894 | 1,129,254 |
| Tax recoverable | | 35,331 | 35,331 |
| Cash and bank balances — held on behalf of customers | 16 | 2,388,339 | 1,207,184 |
| Cash and bank balances — general accounts | | 203,356 | 1,772,232 |
| | | 20,802,121 | 17,501,133 |
| Current liabilities | | | |
| Trade and other payables | 18 | 2,694,986 | 1,831,643 |
| Amounts due to shareholders | 19 | 2,344,911 | 2,420,911 |
| Loan from a related company | 20 | 7,919,827 | 5,437,965 |
| Subordinated loans | 21 | 700,000 | 700,000 |
| Bank loans | 22 | 1,901,000 | 2,954,500 |
| Tax payable | | 279,904 | 135,678 |
| | | 15,840,628 | 13,480,697 |

Condensed Consolidated Statement of Financial Position

As at 30 September 2015

| | | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|--|-------|---|---|
| | Notes | | |
| Net current assets | | 4,961,493 | 4,020,436 |
| Total assets less current liabilities | | 19,889,167 | 19,267,044 |
| Non-current liabilities | | | |
| Bank loans | 22 | 1,365,000 | 1,410,000 |
| Deferred tax liabilities | | 269,790 | 303,537 |
| Total non-current liabilities | | 1,634,790 | 1,713,537 |
| Total liabilities | | 17,475,418 | 15,194,234 |
| Net assets | | 18,254,377 | 17,553,507 |
| Capital and reserves | | | |
| Share capital — ordinary shares | 23 | 272,290 | 242,290 |
| Share capital — non-redeemable convertible preference shares | 23 | 75,000 | 105,000 |
| Reserves | | 17,894,543 | 17,186,918 |
| Total equity attributable to owners of the Company | | 18,241,833 | 17,534,208 |
| Non-controlling interests | | 12,544 | 19,299 |
| Total equity | | 18,254,377 | 17,553,507 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015

| | Attributable to owners of the Company | | | | | | | | | | | |
|--|---------------------------------------|--|-----------------------|----------------------------|---------------------|------------------------------|--------------------------------|------------------------------|-------------------|------------|---------------------------|--------------|
| | Share capital — ordinary shares | Share capital — non-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 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April 2014 (audited) | 242,290 | 105,000 | 11,739,980 | 466 | 814 | 1,617,046 | 2,071 | (23,169) | 2,197,293 | 15,881,791 | 8,098 | 15,889,889 |
| Profit for the period | - | - | - | - | - | - | - | - | 579,018 | 579,018 | 4,762 | 583,780 |
| Other comprehensive loss for the period | - | - | - | - | - | - | (116) | (2,513) | - | (2,629) | - | (2,629) |
| Total comprehensive income for the period | - | - | - | - | - | - | (116) | (2,513) | 579,018 | 576,389 | 4,762 | 581,151 |
| Realised upon depreciation based on revalued amount of land and building | - | - | - | - | - | (22,354) | - | - | 22,354 | - | - | - |
| Payment of dividend | - | - | - | - | - | - | - | - | (260,467) | (260,467) | - | (260,467) |
| At 30 September 2014 (unaudited) | 242,290 | 105,000 | 11,739,980 | 466 | 814 | 1,594,692 | 1,955 | (25,682) | 2,538,198 | 16,197,713 | 12,860 | 16,210,573 |
| At 1 April 2015 (audited) | 242,290 | 105,000 | 11,739,980 | 466 | 814 | 2,225,936 | 1,842 | (23,169) | 3,241,049 | 17,534,208 | 19,299 | 17,553,507 |
| Profit for the period | - | - | - | - | - | - | - | - | 923,380 | 923,380 | 3,245 | 926,625 |
| Other comprehensive loss for the period | - | - | - | - | - | (215,695) | (60) | - | - | (215,755) | - | (215,755) |
| Total comprehensive income for the period | - | - | - | - | - | (215,695) | (60) | - | 923,380 | 707,625 | 3,245 | 710,870 |
| Realised upon depreciation based on revalued amount of land and building | - | - | - | - | - | (31,784) | - | - | 31,784 | - | - | - |
| Shares conversion | 30,000 | (30,000) | - | - | - | - | - | - | - | - | - | - |
| Payment of dividend to non-controlling interest | - | - | - | - | - | - | - | - | - | - | (10,000) | (10,000) |
| At 30 September 2015 (unaudited) | 272,290 | 75,000 | 11,739,980 | 466 | 814 | 1,978,457 | 1,782 | (23,169) | 4,196,213 | 18,241,833 | 12,544 | 18,254,377 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2015

| | Six months ended | |
|--|-------------------------|-------------|
| | 30 September | |
| | 2015 | 2014 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Net cash used in operating activities | (2,868,487) | (1,323,598) |
| Net cash from/(used in) investing activities | 2,249 | (3,557) |
| Net cash from financing activities | 1,297,362 | 1,344,704 |
| Net (decrease)/increase in cash and cash equivalents | (1,568,876) | 17,549 |
| Cash and cash equivalents at beginning of period | 1,772,232 | 210,861 |
| Cash and cash equivalents at end of period | 203,356 | 228,410 |
| Analysis of balances of cash and cash equivalents | | |
| Time deposits | 36,094 | 63,055 |
| Cash at bank and in hand | 167,262 | 165,355 |
| Cash and bank balances | 203,356 | 228,410 |

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 23 November 2015.

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 interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2015. 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 2015, 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 2015, noted below:

| | |
|------------------------------|--|
| HKFRSs (Amendments) | Annual improvements 2010–2012 Cycle |
| HKFRSs (Amendments) | Annual improvements 2011–2013 Cycle |
| Amendments to HKAS 19 (2011) | Defined Benefit Plans: Employee Contributions |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |

Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS16 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with revaluations of its property, plant and equipment.

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

(Continued)

Amendments to HKAS 19 (2011) — Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service. The adoption of the amendments has no impact on these financial statements as the Group has no defined benefit plans.

The Directors of the Company reviewed and assessed the application of these standards in the current interim period and concluded that except as described above, 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 2014: 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 casino business 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, impairment losses, gain/(loss) on disposal of property, plant and equipment and share of results of joint ventures) 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 present segment information of the Group provided to the Group's management for the six months ended 30 September 2015 and 2014.

For the six months ended 30 September 2015 (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 |
| Segment revenue | | | | | | | | | |
| External customers | 518,565 | 778,108 | 21,246 | 1,317,919 | 82,251 | 16,206 | 235,291 | - | 1,651,667 |
| Inter-segment | 27 | - | 480 | 507 | 19,209 | - | 4,211 | - | 23,927 |
| | 518,592 | 778,108 | 21,726 | 1,318,426 | 101,460 | 16,206 | 239,502 | - | 1,675,594 |
| Adjusted EBITDA | 395,160 | 674,862 | 11,636 | 1,081,658 | 62,465 | (4,467) | 78,175 | 14,958 | 1,232,789 |
| Segment Assets | | | | 31,516,662 | 2,758,565 | 523,449 | 549,672 | 38,895 | 35,387,243 |
| Capital Expenditure | | | | 135 | 1,737 | 364 | 199 | - | 2,435 |
| Segment Liabilities | | | | 15,085,770 | 20,314 | 11,052 | 21,053 | - | 15,138,189 |

For the six months ended 30 September 2014 (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 |
| Segment revenue | | | | | | | | | |
| External customers | 148,201 | 492,812 | 15,078 | 656,091 | 113,944 | 19,604 | 379,382 | - | 1,169,021 |
| Inter-segment | 16 | - | 480 | 496 | 18,751 | - | - | - | 19,247 |
| | 148,217 | 492,812 | 15,558 | 656,587 | 132,695 | 19,604 | 379,382 | - | 1,188,268 |
| Adjusted EBITDA | 131,797 | 402,047 | 8,051 | 541,895 | 92,843 | (1,971) | 161,036 | (2,330) | 791,473 |
| Segment Assets | | | | 24,008,926 | 2,577,817 | 425,350 | 472,487 | 44,113 | 27,528,693 |
| Capital Expenditure | | | | 781 | 919 | 157 | 1,589 | - | 3,446 |
| Segment Liabilities | | | | 9,090,737 | 236,206 | 10,549 | 31,987 | - | 9,369,479 |

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 | |
|---|----------------------------------|---------------------------------|
| | 2015 (unaudited) HK\$'000 | 2014 (unaudited) HK\$'000 |
| Staff costs (including directors' remuneration) | | |
| — salaries, wages and other benefits | 146,286 | 110,744 |
| — contributions to defined contribution retirement plan | 651 | 606 |
| | 146,937 | 111,350 |

5 FINANCE COST

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2015 (unaudited) HK\$'000 | 2014 (unaudited) HK\$'000 |
| Interest on amount due to a shareholder | 12,795 | 17,400 |

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 | |
| | 2015 | 2014 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Operating lease charges | 15,223 | 16,042 |
| Bad debts recovery | (6,998) | – |

7 TAXATION

| | Six months ended | |
|-------------------------|-------------------------|-------------|
| | 30 September | |
| | 2015 | 2014 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Current tax: | | |
| Hong Kong profits tax | 176,893 | 87,224 |
| Macau Complementary Tax | 625 | 4,113 |
| Deferred tax | (6,556) | (3,048) |
| | 170,962 | 88,289 |

Hong Kong profits tax has been provided for six months ended 30 September 2015 and 2014 at a rate of 16.5%.

Macau Complementary Tax has been provided for the six months ended 30 September 2015 and 2014 at a rate of 12%. Details of contingent liabilities for Macau Complementary Tax are disclosed in note 25.

8 DIVIDENDS

No final dividend was declared for the year ended 31 March 2015 (year ended 31 March 2014: HK1.5 cents per share).

The board has resolved not to declare any interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

Notes to the Interim Condensed Consolidated Financial Statements

9 EARNINGS PER SHARE

| | Six months ended 30 September | |
|----------------------------|----------------------------------|--------------------------------|
| | 2015 (unaudited) HK cent | 2014 (unaudited) HK cent |
| Basic earnings per share | 5.32 | 3.33 |
| Diluted earnings per share | 5.32 | 3.33 |

(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 | |
|--|----------------------------------|---------------------------------|
| | 2015 (unaudited) HK\$'000 | 2014 (unaudited) HK\$'000 |
| Profit for the purpose of basic earnings per share | 923,380 | 579,018 |

| | Six months ended 30 September | |
|---|----------------------------------|---------------------|
| | 2015 (unaudited) | 2014 (unaudited) |
| Weighted average number of ordinary shares | 13,401,365,912 | 12,114,480,666 |
| Weighted average number of non-redeemable convertible preference shares | 3,963,114,754 | 5,250,000,000 |
| 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 2015 and 2014.

10 PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings for own use were revalued as at 30 September 2015, 31 March 2015 and 2014. The valuations were carried out by AA Property Services Limited, an independent valuer who holds recognized and relevant professional qualifications and has recent experience in the location and category of the leasehold land and buildings being valued. The Group's management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date. During the period under review, there were no changes in valuation techniques which were consistent with those adopted in the preparation of the Group's annual report for the year ended 31 March 2015 and 2014.

During the period under review, the after tax revaluation deficit of approximately HK\$215,695,000 (six months ended 30 September 2014: HK\$Nil) 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\$2,444,000 (six months ended 30 September 2014: approximately HK\$3,452,000).

11 GOODWILL

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (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 relates to the cash-generating units (the "CGU") engaged in securities dealings, underwriting and placements, margin and IPO financing services and corporate finance advisory services are HK\$3,628,905,000, HK\$7,148,237,000 and HK\$219,541,000 respectively. For the purpose of the goodwill impairment test, its recoverable amount was determined based on a value in use calculation, covering a detailed 4-year budget plan plus an extrapolated cash flow projection applying a steady growth rate subsequent to this 4-year plan, with a discount rate of approximately 9.98%.

As at 31 March 2015, the recoverable amount for the CGU engaged in securities dealings, underwriting and placements, margin and IPO financing services and corporate finance advisory services are HK\$7,783,000,000, HK\$14,911,000,000 and HK\$335,000,000 respectively.

The key assumptions used in the budget plan are:

- (i) The annual growth rates of revenue were estimated ranging from 7% to 16%, 7% to 8% and 7% to 8% for securities dealings, underwriting and placements, margin and IPO financing and corporate finance advisory services respectively throughout the 4-year budget plan. Cash flow beyond the 4-year period are extrapolated using an estimated growth rate of 3% (2014: 3%).
- (ii) That gross margins will be maintained at their current levels throughout the 4-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 2015 (2014: Nil). The Directors performed an impairment test for the goodwill and concluded that the CGU demonstrate sufficient cash flow 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

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|--|---|---|
| Food and beverage and hotel operating supplies | 3,329 | 3,265 |

13 AVAILABLE-FOR-SALE INVESTMENTS

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|---------------------------------|---|---|
| Investment funds, at fair value | 870 | 930 |

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 2015, a deficit arising on change in fair value of approximately HK\$60,000 (2014: HK\$116,000) was recognised in other comprehensive income and accumulated in the investment revaluation reserve.

14 ADVANCES TO CUSTOMERS IN MARGIN FINANCING

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|--|---|---|
| Directors of subsidiaries and their associates | 82,032 | 26,320 |
| Other margin clients | 17,896,722 | 13,300,620 |
| Less: Allowance for doubtful debt | (12,647) | (12,647) |
| | 17,966,107 | 13,314,293 |

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:

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|-------------------------------------|---|---|
| At the beginning of the period/year | 12,647 | 12,647 |
| Impairment loss recognised | – | – |
| Impairment loss reversed | – | – |
| At the end of the period/year | 12,647 | 12,647 |

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 2015, total market value of securities pledged as collateral in respect of the loan to margin clients was approximately HK\$92,228,011,000 (31 March 2015: HK\$72,341,192,000).

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.

15 TRADE AND OTHER RECEIVABLES

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|--|---|---|
| Trade receivables from financial services segments | 64,457 | 1,000,117 |
| Trade receivables from hotel and gaming segments | 70,664 | 84,098 |
| Other receivables, deposits and prepayments | 30,773 | 45,039 |
| | 165,894 | 1,129,254 |

Notes to the Interim Condensed Consolidated Financial Statements

15 TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables from financial services segments

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|---|---|---|
| Accounts receivable arising from the ordinary course of business of dealing in securities: | | |
| Cash clients | 37,953 | 286,554 |
| Clearing House | 8,422 | – |
| Brokers and dealers | 566 | 28 |
| Client for subscription of new shares in IPO | – | 699,470 |
| Accounts receivable arising from the ordinary course of business of dealing in futures contracts: | | |
| Clearing house | 10,529 | 7,875 |
| Accounts receivable arising from the ordinary course of business of provision of: | | |
| Corporate finance advisory services | 6,987 | 6,190 |
| | 64,457 | 1,000,117 |

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

Notes to the Interim Condensed Consolidated Financial Statements

15 TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables from financial services segments *(Continued)*

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:

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|-----------------------------|---|---|
| 0–30 days | 49,469 | 56,337 |
| 31–60 days | 9,509 | 16,023 |
| 61–90 days | 3,574 | 9,285 |
| Over 90 days | 31,746 | 25,837 |
| | 94,298 | 107,482 |
| Allowance for doubtful debt | (23,634) | (23,384) |
| | 70,664 | 84,098 |

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 permits. The permits were 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 assets is amortised on a straight-line basis over its estimated useful life of 24 years.

18 TRADE AND OTHER PAYABLES

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|---|---|---|
| Trade payables from financial services segments | 2,613,974 | 1,737,117 |
| Trade payables from hotel and gaming segments | 13,899 | 13,628 |
| Other payable and accruals | 67,113 | 80,898 |
| | 2,694,986 | 1,831,643 |

Notes to the Interim Condensed Consolidated Financial Statements

18 TRADE AND OTHER PAYABLES (Continued)

Trade payables from financial services segments

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|--|---|---|
| Accounts payable arising from the ordinary course of business of dealing in securities: | | |
| Cash clients | 723,338 | 674,889 |
| Margin clients | 1,664,381 | 1,003,326 |
| | 2,387,719 | 1,678,215 |
| Dividend payable to clients | 1,873 | 51 |
| Clearing house | 66,751 | 43,234 |
| Placing to clients | 137,711 | – |
| Accounts payable arising from the ordinary course of business of dealing in futures contracts: | | |
| Clients | 18,296 | 14,299 |
| Accounts payable arising from the ordinary course of business of provision of: | | |
| Corporate finance advisory services | 82 | 108 |
| Asset management services | 1,542 | 1,210 |
| | 2,613,974 | 1,737,117 |

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.

As at the 30 September 2015, included in accounts payable was an amount of HK\$2,388,339,000 (31 March 2015: HK\$1,207,184,000) 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

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 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|--------------|---|---|
| 0–30 days | 11,540 | 8,361 |
| 31–60 days | 1,640 | 1,692 |
| 61–90 days | 88 | 1,842 |
| Over 90 days | 631 | 1,733 |
| | 13,899 | 13,628 |

19 AMOUNTS DUE TO SHAREHOLDERS

| | Note | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|---------------------|------|---|---|
| Better Sino Limited | (a) | 1,190,000 | 1,190,000 |
| Mrs. Chu Yuet Wah | (b) | 1,154,911 | 1,230,911 |
| | | 2,344,911 | 2,420,911 |

- (a) The amounts are non-interest bearing, unsecured and repayable on demand.
- (b) The loan of HK\$1,010,000,000 (31 March 2015: HK\$1,010,000,000) is unsecured, interest bearing at the rate of 2% per annum and repayable on the third anniversary of drawdown (i.e. on or before 30 March 2017). 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\$144,911,000 (31 March 2015: HK\$220,911,000) is unsecured, interest bearing at the rate of 3% 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 1.5% per annum and repayable on demand.

Notes to the Interim Condensed Consolidated Financial Statements

21 SUBORDINATED LOANS

| | Draw date | Terms | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (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 |
| | | | 700,000 | 700,000 |

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

22 BANK LOANS

| | Note | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|---|------|---|---|
| Secured bank loans: | | | |
| Money market loans and revolving loans | (a) | 1,811,000 | 2,864,500 |
| Term loans | (b) | 1,455,000 | 1,500,000 |
| | | 3,266,000 | 4,364,500 |
| Repayable: | | | |
| Within one year | | 1,901,000 | 2,954,500 |
| More than one year, but not exceeding two years | | 90,000 | 90,000 |
| More than two years, but not exceeding five years | | 270,000 | 270,000 |
| After five years | | 1,005,000 | 1,050,000 |
| | | 3,266,000 | 4,364,500 |
| Amount due within one year included in current liabilities | | (1,901,000) | (2,954,500) |
| Amount due after one year | | 1,365,000 | 1,410,000 |

Notes to the Interim Condensed Consolidated Financial Statements

22 BANK LOANS (Continued)

- (a) The bank loans of the Group were secured by marketable securities of HK\$8,752,949,000 (31 March 2015: HK\$12,324,655,000) pledged to the Group by margin clients. The bank loans of the Group bear floating interest rates ranging from 0.84% to 1.53% per annum (31 March 2015: 0.8% to 1.53%).
- (b) The term loans of HK\$1,455,000,000 (31 March 2015: HK\$1,500,000,000), bearing floating interest rates ranging from 2.68% to 2.69% per annum (31 March 2015: 2.68% to 2.69%) were secured by:
- the pledge of leasehold land and buildings held for own use with carrying amounts of approximately HK\$2,760,000,000 (31 March 2015: HK\$2,970,000,000);
 - shares of a subsidiary;
 - 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 | | | |
|---|-------------------------------|-----------------|------------------|-----------------|
| | 2015 | | 2014 | |
| | Number of shares | Amount HK\$'000 | Number of shares | Amount HK\$'000 |
| Ordinary shares of HK\$0.02 each | | | | |
| Authorised: | | | | |
| At 1 April 2015/2014 and 30 September 2015/2014 | 24,750,000,000 | 495,000 | 24,750,000,000 | 495,000 |
| Issued and fully paid: | | | | |
| At 1 April 2015/2014 | 12,114,480,666 | 242,290 | 12,114,480,666 | 242,290 |
| Shares conversion | 1,500,000,000 | 30,000 | – | – |
| At 30 September 2015/2014 | 13,614,480,666 | 272,290 | 12,114,480,666 | 242,290 |
| Non-redeemable convertible preference shares of HK\$0.02 each | | | | |
| Authorised: | | | | |
| At 1 April 2015/2014 and 30 September 2015/2014 | 5,250,000,000 | 105,000 | 5,250,000,000 | 105,000 |
| Issued and fully paid: | | | | |
| At 1 April 2015/2014 | 5,250,000,000 | 105,000 | 5,250,000,000 | 105,000 |
| Shares conversion | (1,500,000,000) | (30,000) | – | – |
| At 30 September 2015/2014 | 3,750,000,000 | 75,000 | 5,250,000,000 | 105,000 |

During the period under review, 1,500,000,000 convertible preference shares of HK\$0.02 each in the capital of the Company were converted into 1,500,000,000 ordinary shares of HK\$0.02 each in the capital of the Company.

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 capital/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 recommendations of the director, 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 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|---|---|---|
| Capital commitments in respect of the acquisition of property, plant and equipment: | | |
| — contracted but not provided for in the financial statements | 2,045 | 1,085 |
| — authorised but not contracted for | — | — |
| | 2,045 | 1,085 |

Notes to the Interim Condensed Consolidated Financial Statements

25 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

During the year ended 31 March 2015, the Group's wholly owned subsidiary Good Start Group Limited received a tax notice issued by Macau Financial Services Bureau dated 29 April 2014 assessing its Macau Complementary Tax payable for the year of assessment 2009 and 2010 to be approximately HK\$15,000,000 and HK\$20,000,000 respectively. Good Start Group Limited lodged an objection letter on 22 May 2014 to appeal against the notice according to stipulated appeal procedures.

On 25 September 2014, the Committee of Financial Service Bureau (the "Committee") issued their final decision to reject the Group's appeal. The Group made the tax payment according to stipulated regulation requirement before making further appeal via court. On 9 December 2014, the Group submitted initial petitions to the court for appeal and the proceedings are currently in progress. As advised by local tax consultant and lawyer, the directors considered that the Group has valid grounds for the appeal and they believed that the gaming revenue generated through Good Start Group 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 given the chances for the chargeability is remote.

If the Group's appeal for the year of assessment 2009 and 2010 is eventually unsuccessful and if the same basis of taxation applies for subsequent years of assessment from 2011 to 2015, the Group will have to pay approximately HK\$161,000,000 of Macau Complementary Tax for its mass market business in Macau since 2009. 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 material contingent liabilities at the end of the reporting period.

Notes to the Interim Condensed Consolidated Financial Statements

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 instalments. The lease agreements are renewable at the end of the respective lease terms. There is no arrangement for contingent rent payments.

At 30 September 2015, the Group had total future minimum lease receivable under non-cancellable operating leases which fall due as follows:

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|--------------------------------------|---|---|
| Within one year | 9,238 | 10,565 |
| After one year but within five years | 36,834 | 36,353 |
| Over five years | 26,430 | 31,687 |
| | 72,502 | 78,605 |

- (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 2015, the Group had total future minimum lease rent payments under non-cancellable operating leases falling due as follows:

| | 30 September 2015 (unaudited) HK\$'000 | 31 March 2015 (audited) HK\$'000 |
|--------------------------------------|---|---|
| Within one year | 29,388 | 31,373 |
| After one year but within five years | 40,884 | 55,708 |
| | 70,272 | 87,081 |

Notes to the Interim Condensed Consolidated Financial Statements

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.

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 2015 and 2014, the Company had no share option being granted, outstanding, lapsed or cancelled pursuant to the Share Option Scheme.

Notes to the Interim Condensed Consolidated Financial Statements

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 | |
|------------------------------|---------------------------------|---------------------------------|
| | 2015 (unaudited) HK\$'000 | 2014 (unaudited) HK\$'000 |
| Short-term employee benefits | 58,699 | 39,353 |
| Post-employment benefits | 30 | 25 |
| | 58,729 | 39,378 |

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

(b) 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 | |
|--|------------------------------------|---------------------------------|---------------------------------|
| | | 2015 (unaudited) HK\$'000 | 2014 (unaudited) HK\$'000 |
| Chu & Li's Family | Brokerage income | 2,451 | 1,354 |
| | Maximum amount of IPO financing | – | – |
| | Maximum amount of margin financing | 226,666 | 181,088 |
| Mr. Ho Chi Ho | Interest income | 1,588 | 1,513 |
| | Brokerage income | 27 | – |
| | Maximum amount of IPO financing | 5,010 | – |
| Directors of subsidiaries & associates | Maximum amount of margin financing | 2,582 | – |
| | Interest income | 45 | – |
| | Brokerage income | 450 | 59 |
| Kingston Finance Limited (Note 1) | Maximum amount of IPO financing | – | – |
| | Maximum amount of margin financing | 1 | 945 |
| | Interest income | – | 20 |
| Sincere Watch (Hong Kong) Limited (Note 2) | Interest expense | 48,021 | 31,540 |
| | Management fee income | 300 | 300 |
| Mrs. Chu Yuet Wah | Management fee income | 120 | 250 |
| | Placing commission | – | 2,144 |
| REF Holdings Limited (Note 3) | Underwriting commission | 8,442 | – |
| | Staff quarter rental expenses | 447 | 447 |
| REF Financial Press Limited (Note 3) | Management fee income | 480 | – |
| | Underwriting commission | 465 | – |
| | Selling concession | 240 | – |
| | Financial printing service charges | 261 | 183 |

Notes:

- Mrs. Chu Yuet Wah had controlling interest in Kingston Finance Limited.
- As at 30 September 2015, Mrs. Chu Yuet Wah was a substantial shareholder of Sincere Watch (Hong Kong) Limited.
- 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 2015 (six months ended 30 September 2014: Nil).

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

At 30 September 2015, 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 | - | 8,607,603,895 (Note 1) | 3,750,000,000 (Note 2) | 12,357,603,895 | 90.77% |
| Mr. Chu, Nicholas Yuk-yui | - | 8,607,603,895 (Note 1) | 3,750,000,000 (Note 2) | 12,357,603,895 | 90.77% |

Other Information

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

Long positions in the Shares: *(Continued)*

Notes:

- (1) As at 30 September 2015, of the 8,607,603,895 shares, 6,696,964,000 shares are held by Active Dynamic Limited, 1,894,699,896 shares are held by Sure Expert Limited and 15,939,999 shares are held by Kingston Capital 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 8,607,603,895 shares.
- (2) As at 30 September 2015, 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 of 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 2015, 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% |
| Mr. Lee Wai Man (Note 3) | 18,852,000 | 1,530,750,000 (Note 4) | - | 1,549,602,000 | 11.38% |

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 Mr. Lee Wai Man ("Mr. Lee"), the father of Mrs. Chu.
- (4) As at 30 September 2015, of the 1,530,750,000 shares, 405,750,000 shares are held by Choose Right Limited. 1,125,000,000 shares are held by Better Sino Limited. Both companies are wholly and beneficially owned by Mr. Lee

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 2015.

Other Information

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

During the six months ended 30 September 2015, 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 2015, 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 2015.

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, and financial reporting matters, including the review of the unaudited interim financial statements for the six months ended 30 September 2015.

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:

Name of Director

Details of changes

Mrs. Chu Yuet Wah

Appointed as Permanent Honorary President of 12th Executive Council of Hong Kong Southern District Community Association Limited on 8 July 2015.

With effect from 1 April 2015, monthly remuneration has been increased from approximately HK\$1,560,000 to approximately HK\$1,660,000.

Other Information

CHANGE IN INFORMATION OF DIRECTOR *(Continued)*

| Name of Director | Details of change |
|--------------------------|---|
| Mr. Chu Nicholas Yuk-yui | With effect from 1 April 2015, monthly remuneration has been increased from approximately HK\$560,000 to approximately HK\$1,060,000. |
| Mr. Ho Chi Ho | With effect from 1 April 2015, monthly remuneration has been increased from approximately HK\$150,000 to approximately HK\$180,000. |
| Mr. Lau Man Tak | Appointed on 7 March 2014 as the chairman and non-executive director of REF Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange on 25 September 2015. Resigned as an independent non-executive director of KuangChi Science Limited (formerly known as Climax International Company Limited) on 30 September 2015. With effect from 1 April 2015, total remuneration per annum has been increased from approximately HK\$100,000 to approximately HK\$240,000. |
| Mr. Yu Peter Pak Yan | With effect from 1 April 2015, total remuneration per annum has been increased from approximately HK\$100,000 to approximately HK\$240,000. |
| Dr. Wong Yun Kuen | With effect from 1 April 2015, total remuneration per annum has been increased from approximately HK\$100,000 to approximately HK\$240,000. |

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, 23 November 2015