



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


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



2018 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

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Hong Kong

STOCK CODE

1031

WEBSITE

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FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 September 2018 decreased by approximately 3% to approximately HK\$1,571,468,000 when compared to approximately HK\$1,616,034,000 in the corresponding period of last year.
- Profit attributable to the owners of the Company for the six months ended 30 September 2018 decreased by approximately 35% to approximately HK\$592,157,000 when compared to approximately HK\$908,887,000 in the corresponding period of last year, which was mainly due to a one-time written-off of the Group's intangible assets amounted to approximately HK\$266,157,000 during the period under review.
- Earnings per share for the six months ended 30 September 2018 decreased by approximately 35% to approximately HK3.41 cents when compared to approximately HK5.23 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 2018 (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\$1,571,468,000 for the Period, representing a decrease of approximately 3% as compared to approximately HK\$1,616,034,000 for the six months ended 30 September 2017 (the “Previous Period”).

The unaudited net profit attributable to the owners of Company for the Period amounted to approximately HK\$592,157,000, representing a decrease of approximately 35% as compared to approximately HK\$908,887,000 for the Previous Period. The decrease was mainly attributed to a one-time written-off of the Group’s intangible assets amounted to approximately HK\$266,157,000 during the Period under review. Basic earnings per share for the Period decreased by approximately 35% to approximately HK3.41 cents when compared to approximately HK5.23 cents in the Previous Period.

BUSINESS AND FINANCIAL REVIEW

During the Period, the global financial market was volatile with significant corrections across major stock markets. Concerns over the US-China trade tensions and geopolitical risks in certain regions posed uncertainties to the global economy. Besides, with the slightly slowdown of China’s GDP growth which decreased from 6.7% in the second quarter to 6.5% in the third quarter of 2018, the market was glutted with prudent investment sentiment.

Though it was generally expected that the deepened connection between the Hong Kong and China capital markets and the implementation of the Belt and Road Initiative would boost the market sentiment, financial activities during the Period had slowed down. The average daily turnover of Hong Kong securities market shrank from HK\$108,363 million in April 2018 to HK\$91,523 million in September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Period under review, the Group's revenue from its financial services segment dropped by 5% from approximately HK\$1,293,840,000 in the Previous Period to approximately HK\$1,225,044,000 in the Period.

Looking into Macau, which has its unique business environment, has recorded positive economic growth during the Period. With the newly built casinos and hotels in the last few years, the Macau gaming and hotel sector has been maintaining growth. The Macau Gross Gaming Revenue (GGR) has continued to keep year-on-year significant growth since February 2017. The visitor arrival to the territory during the Period from April 2018 to September 2018 has reached 17,267,551, representing an increase of 8.2% over the same period in 2017. Benefited from this growth momentum, the Group's hotel and gaming operations recorded satisfactory results.

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.

With concerns over the economic outlook amid the ongoing US-China trade war, investors were staying on the sidelines of the stock market which resulted in curbed trading activities and negative sentiment. During the Period, the Group recorded a revenue in this segment of approximately HK\$111,672,000 (the Previous Period: approximately HK\$150,364,000), representing a decrease of approximately 26% as compared to the Previous Period, which also accounted for approximately 9% (the Previous Period: approximately 12%) of the Group's financial service segment revenue and approximately 7% (the Previous Period: approximately 9%) of the Group's total revenue.

Margin and IPO Financing

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Margin and IPO Financing *(Continued)*

Leveraging on the Group's compelling advantages from strong capital base and prudent risk management policies to credit control, the Group managed to achieve stable contribution in margin and IPO financing. During the Period, the Group continued its steady performance in the segment, with revenue amounted to approximately HK\$1,080,709,000 (the Previous Period: approximately HK\$1,084,977,000), which also accounted for approximately 88% (the Previous Period: approximately 84%) of the Group's financial service segment revenue and approximately 69% (the Previous Period: approximately 67%) of the Group's total 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.

After a boom in the Previous Period, this segment has set back but still maintained a steady performance as compared to the years before the Previous Period. This segment recorded revenue of approximately HK\$32,663,000 for the Period (the Previous Period: approximately HK\$58,499,000), representing a decrease of approximately 44%, which also accounted for approximately 3% (the Previous Period: approximately 4%) of the Group's financial service segment revenue and approximately 2% (the Previous Period: approximately 4%) of the Group's total 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.

Benefited from the growth of the Macau tourism industry, revenue for the Period amounted to approximately HK\$104,521,000 (the Previous Period: approximately HK\$96,333,000), representing an increase of approximately 8% as compared to the Previous Period. Hotel business contributed approximately 30% (the Previous Period: approximately 30%) of the total hotel and gaming business revenue and approximately 7% (the Previous Period: approximately 6%) of the Group's total revenue.

The average occupancy rates of the two hotels, namely Casa Real and Grandview, were approximately 91% (the Previous Period: approximately 88%) and approximately 89% (the Previous Period: approximately 89%) 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\$241,903,000 for the Period, representing a rise of approximately 7% as compared to approximately HK\$225,861,000 of the Previous Period. Gaming revenue accounted for approximately 70% (the Previous Period: approximately 70%) of total hotel and gaming business turnover and approximately 15% (the Previous Period: approximately 14%) of the Group's total revenue.

As at 30 September 2018, the Group's gaming operations include 64 (31 March 2018: 64) tables in the two mass market halls, 12 (31 March 2018: 12) tables in the VIP rooms and 215 (31 March 2018: 277) slot machines and 140 (31 March 2018: 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 decreased by approximately 18% from approximately HK\$16,771,000 in the Previous Period to approximately HK\$13,822,000 in the Period. This was because there were less securities handling charge in the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Written-off of Intangible Assets

The potash industry worldwide has been suffering from oversupply for a number of years and the potash price has been under pressure. In addition, the initial exploration and exploitation costs for potash mines overseas were very high. Despite years of efforts made to identify potential investors to invest in potash projects, aiming for realising or otherwise disposing of such assets of those projects, no progress had been made. As the total annual leasing charge of those leases exceeded 4.4 million Canadian dollars, after taking into consideration certain factors including, market conditions, cost of investments and annual leasing charges, the Group ceased payment of leasing charges and notice was received on 14 September 2018 that those leases were cancelled. The Group's intangible assets of approximately HK\$266,157,000 were therefore written off. Such mineral leases were non-core assets of the Group and were not related to the principal lines of businesses of the Group. The cancellation of those leases has no material adverse impact on the overall financial and trading position of the Group.

Fair Value Loss on Financial Assets at Fair Value through Profit or Loss/Fair Value Loss on 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\$25,653,000 (the Previous Period: approximately HK\$1,776,000). Under HKFRS 9, held for trading investments in the Previous Period were reclassified as financial assets at fair value through profit or loss in the Period. As at 30 September 2018, the Group was holding financial assets at fair value through profit or loss of approximately HK\$167,268,000 (31 March 2018: held for trading investments of approximately HK\$192,805,000) 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\$11,110,000 (the Previous Period: approximately HK\$10,267,000). The increase of approximately 8% was in line with the increase in revenue from hotel business.

Staff Costs

Staff costs amounted to approximately HK\$148,912,000 (the Previous Period: approximately HK\$149,534,000), representing an approximately 1% 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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\$48,151,000 (the Previous Period: approximately HK\$41,252,000), representing an approximately 17% increase. The increase was mainly due to the increase in chips turnover in the Group's two casinos during the Period.

Broker Commission

Broker commission decreased approximately 42% from approximately HK\$22,730,000 in the Previous Period to approximately HK\$13,187,000 in the Period. The decrease match with the decrease in income from securities brokerage, underwriting and placement segment during the Period.

Interest Expenses for Securities Brokerage, Underwriting and Placements, Margin and IPO Financing Operations

During the Period, overall cost of funding increased. The interest expenses for securities brokerage, underwriting and placement, margin and IPO financing operations increased from approximately HK\$128,119,000 in the Previous Period to approximately HK\$139,995,000 in the Period, representing an approximately 9% increase.

Administrative Expenses

Administrative expenses mainly included rent and rates, lease expenses, electricity and water, fuel and etc.. During the Period under review, it amounted to approximately HK\$53,910,000 (the Previous Period: approximately HK\$60,736,000), representing an approximately 11% decrease because less leases expenses were recorded in 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\$64,135,000 (the Previous Period: approximately HK\$64,261,000).

Finance Cost

During the Period under review, finance cost of approximately HK\$15,176,000 (the Previous Period: approximately HK\$15,197,000) represented the interest expenses for the amount due to a shareholder.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Amortisation

The amount of approximately HK\$7,066,000 in the Previous 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. The intangible assets was written-off during the Period.

FUTURE PROSPECTS

Financial service segments

The volatility of the global stock markets during past few months, which was triggered by the escalating trade dispute between the US and China, has posed uncertainties to the global economy. However, global stock markets are expecting that the two countries will work out a trade agreement after the leaders of the two nations meet in late 2018.

Besides, the investment sentiment is expected to recover upon the positive progress of the development of the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”). The growth of new business in the GBA region will offer ample opportunities for financial services industry, with the Stock and Bond Connect schemes between the Mainland China and Hong Kong continuing to fuel the growth by means of increasing number of international and Mainland Chinese investors trading securities and bonds across different markets. The expansion of the daily quota of Stock Connect and the inclusion of A shares in the MSCI indexes may also enhance the attractiveness of the Mainland and Hong Kong stock markets. Moreover, the anticipated lowering of required reserve ratios (RRR) by the People’s Bank of China (PBoC) would stimulate positive market sentiment and bring in positive impact to the financial markets.

Looking forward, the Group will adopt a responsive approach, to prudently deploy and implement expansion plans that are in line with the market situation in Hong Kong and the Mainland China. With our strong visibility across the region, the Group is well-poised to grasp the opportunities arising from the existing mature Hong Kong market, as well as the emerging capital market in the GBA.

Hotel and Gaming Segments

With the opening of the Hong Kong-Zhuhai-Macao Bridge, the Group expects the Macau gaming and tourism market to maintain a positive development prospect. With increasing traffic flow and enhanced accessibility, more new resorts equipped with gaming and non-gaming entertainment facilities are planned to roll out. The Group will continue to drive its revenue growth in the region.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)* LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 September 2018, the shareholders' fund and net current assets of the Group amounted to approximately HK\$20,896,915,000 (31 March 2018: approximately HK\$20,623,754,000) and approximately HK\$8,320,613,000 (31 March 2018: approximately HK\$7,350,416,000) respectively. On the same date, the Group had cash and bank balance of approximately HK\$615,897,000 (31 March 2018: approximately HK\$395,793,000) and the current ratio was approximately 1.6 (31 March 2018: approximately 1.5).

As at 30 September 2018, the Group had bank borrowings of approximately HK\$3,069,300,000 (31 March 2018: approximately HK\$2,350,000,000), amounts due to shareholders of approximately HK\$4,196,911,000 (31 March 2018: approximately HK\$4,219,911,000), loan from a related company of approximately HK\$6,297,143,000 (31 March 2018: approximately HK\$7,142,999,000) and subordinated loans of approximately HK\$700,000,000 (31 March 2018: approximately 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 65% (31 March 2018: approximately 68%).

COMMITMENTS AND CONTINGENT LIABILITIES

Details of commitments and contingent liabilities of the Group as at 30 September 2018 are set out in Note 26 to the financial statements.

CAPITAL STRUCTURE

During the six months ended 30 September 2018, no material fluctuation was noted on the Company's overall capital structure.

CAPITAL COMMITMENTS

At 30 September 2018, the Group had capital commitments of approximately HK\$868,000 (31 March 2018: approximately HK\$630,000) in respect of acquisition of plant and equipment.

EMPLOYEES

As at 30 September 2018, the Group employed a total of 858 (31 March 2018: 885) staff. The total staff cost for the Period was approximately HK\$148,912,000 (the Previous Period: approximately HK\$149,534,000). The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market condition.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PLEDGE OF ASSETS

As at 30 September 2018, the Group had pledged client's securities at a value of approximately HK\$7,003,920,000 (31 March 2018: approximately HK\$7,259,478,000), and certificates of deposits at a value of approximately HK\$92,401,000 (31 March 2018: a bond at value of approximately HK\$44,183,000 and a certificate of deposit at a value of approximately HK\$47,950,000) 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\$2,200,000,000 (31 March 2018: approximately HK\$2,200,000,000);
- shares of two subsidiaries;
- corporate guarantee from a subsidiary;
- a charge over operating bank accounts of two subsidiaries;
- assignment of income and receivables arising from commercial operations of two subsidiaries.

MATERIAL ACQUISITIONS AND DISPOSALS

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

RISK MANAGEMENT

Credit Risk

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

Market Risk

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

Liquidity Risk

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

Interest Rate Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)* **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 2018

		Six months ended	
		30 September	
		2018	2017
	Notes	(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Revenue	3	1,571,468	1,616,034
Other income		13,822	16,771
		1,585,290	1,632,805
Inventory consumed		(11,110)	(10,267)
Staff costs	4	(148,912)	(149,534)
Gaming commission		(48,151)	(41,252)
Broker commission		(13,187)	(22,730)
Interest expenses for securities brokerage, underwriting and placements, margin and IPO financing operations		(139,995)	(128,119)
Depreciation		(52,064)	(54,622)
Impairment loss on advances to customers in margin financing		(1,613)	-
Written-off of intangible assets	18	(266,157)	-
Administrative expenses		(53,910)	(60,736)
Other operating expenses		(64,135)	(64,261)
		(799,234)	(531,521)
Finance income		8,798	7,436
Finance cost	5	(15,176)	(15,197)
Fair value loss on held for trading investments		-	(1,776)
Fair value loss on financial assets at fair value through profit or loss		(25,653)	-
Exchange gain		1,907	530
Amortisation		-	(7,066)
		(30,124)	(16,073)
Profit before taxation	6	755,932	1,085,211
Taxation	7	(160,407)	(173,923)
Profit for the period		595,525	911,288

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Notes	Six months ended	
		30 September 2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Profit for the period		595,525	911,288
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of leasehold land and buildings	10	39,101	37,078
Change in fair value of financial assets at fair value through other comprehensive income		(167)	–
Item that may be reclassified subsequently to profit or loss:			
Unrealised loss arising from change in fair value of available-for-sale investments		–	(99)
Other comprehensive income for the period, net of tax		38,934	36,979
Total comprehensive income for the period		634,459	948,267
Profit for the period attributable to:			
Owners of the Company		592,157	908,887
Non-controlling interests		3,368	2,401
		595,525	911,288
Total comprehensive income attributable to:			
Owners of the Company		631,091	945,866
Non-controlling interests		3,368	2,401
		634,459	948,267
Earnings per share (cents per share)	9		
– Basic		3.41	5.23
– Diluted		3.41	5.23

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 September 2018

		30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	10	2,848,522	2,848,724
Statutory deposit for financial services business		5,307	10,281
Goodwill	11	10,996,683	10,996,683
Intangible assets	18	–	266,157
		13,850,512	14,121,845
Current assets			
Inventories	12	2,402	2,390
Available-for-sale investments	13	–	410
Financial assets at fair value through other comprehensive income	14	243	–
Held for trading investments		–	192,805
Financial assets at fair value through profit or loss		167,268	–
Advances to customers in margin financing	15	20,909,474	20,582,355
Trade and other receivables	16	142,709	152,521
Tax recoverable		97,175	97,175
Cash and bank balances			
– held on behalf of customers	17	1,333,461	2,049,601
Cash and bank balances – general accounts		615,897	395,793
		23,268,629	23,473,050
Current liabilities			
Trade and other payables	19	1,589,533	2,284,507
Amounts due to shareholders	20	4,196,911	4,219,911
Loan from a related company	21	6,297,143	7,142,999
Subordinated loans	22	700,000	700,000
Bank loans	23	2,009,300	1,710,000
Tax payable		155,129	65,217
		14,948,016	16,122,634

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 September 2018

		30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
	Notes		
Net current assets		8,320,613	7,350,416
Total assets less current liabilities		22,171,125	21,472,261
Non-current liabilities			
Bank loans	23	1,060,000	640,000
Deferred tax liabilities		195,236	192,901
Total non-current liabilities		1,255,236	832,901
Total liabilities		16,203,252	16,955,535
Net assets		20,915,889	20,639,360
Capital and reserves			
Share capital — ordinary shares	24	272,290	272,290
Share capital — non-redeemable convertible preference shares	24	75,000	75,000
Reserves		20,549,625	20,276,464
Total equity attributable to owners of the Company		20,896,915	20,623,754
Non-controlling interests		18,974	15,606
Total equity		20,915,889	20,639,360

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company												
	Share capital – non-redeemable		Share premium account	Capital redemption reserve	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	FVOCI reserve	Exchange fluctuation		Retained earnings	Non-controlling interests	Total equity
	ordinary shares	preference shares							reserve	reserve			
	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 2017 (audited)	272,290	75,000	11,739,980	466	814	1,326,310	1,460	-	(23,169)	6,188,116	19,581,267	19,871	19,601,138
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)	272,290	75,000	11,739,980	466	814	1,343,430	1,361	-	(23,169)	6,672,861	20,083,033	22,272	20,105,305
At 1 April 2018 (audited) as originally presented	272,290	75,000	11,739,980	466	814	1,414,601	1,322	-	(23,169)	7,142,450	20,623,754	15,606	20,639,360
Initial application of HKFRS 9 (Note 2)	-	-	-	-	-	-	(1,322)	1,322	-	(10,640)	(10,640)	-	(10,640)
Restated balance at 1 April 2018	272,290	75,000	11,739,980	466	814	1,414,601	-	1,322	(23,169)	7,131,810	20,613,114	15,606	20,628,720
Profit for the period	-	-	-	-	-	-	-	-	-	592,157	592,157	3,368	595,525
Other comprehensive income for the period	-	-	-	-	-	39,101	-	(167)	-	-	38,934	-	38,934
Total comprehensive income for the period	-	-	-	-	-	39,101	-	(167)	-	592,157	631,091	3,368	634,459
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(21,982)	-	-	-	21,982	-	-	-
Payment of dividend	-	-	-	-	-	-	-	-	-	(347,290)	(347,290)	-	(347,290)
At 30 September 2018 (unaudited)	272,290	75,000	11,739,980	466	814	1,431,720	-	1,155	(23,169)	7,398,659	20,896,915	18,974	20,915,889

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended	
	30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Cash flows from/(used in) operating activities	730,449	(1,221,697)
Cash flows from investing activities		
Payment for the purchase of property, plant and equipment	(7,429)	(5,244)
Interest received	8,798	7,436
Dividend received	293	102
Net cash from investing activities	1,662	2,294
Cash flows from financing activities		
Decrease in amounts due to shareholders (Decrease)/increase in loan from a related company	(23,000)	(47,000)
Proceed of bank borrowings	719,300	951,502
Interest paid	(15,176)	(15,197)
Dividend paid	(347,275)	(444,100)
Net cash (used in)/from financing activities	(512,007)	1,343,151
Net increase in cash and cash equivalents	220,104	123,748
Cash and cash equivalents at beginning of period	395,793	304,762
Cash and cash equivalents at end of period	615,897	428,510

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and 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"). These unaudited interim condensed consolidated financial statements were authorised for issue on 28 November 2018.

These unaudited interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 March 2018, 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 2018, noted below:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification to HKFRS 15)
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

The impact of the adoption of HKFRS 9 Financial Instruments (see Note 2A below) and HKFRS 15 Revenue from Contracts with Customers (See Note 2B below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2018 did not have any material impact 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 preparation of these unaudited interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the financial statements.

These unaudited interim condensed consolidated financial statements are presented in thousands of units of Hong Kong Dollars (“HK\$’000”), unless otherwise stated. These unaudited interim condensed consolidated financial statements contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These unaudited interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2018 consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

A. HKFRS 9 Financial Instruments (“HKFRS 9”)

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the interim condensed consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves and retained earnings as of 1 April 2018 as follows (increase/(decrease)):

	HK\$
Retained earnings	
Retained earnings as at 31 March 2018	7,142,450
Increase in expected credit losses (“ECLs”) in trade and other receivables and advances to customers in margin financing (Note 2A(ii) below)	(10,640)
Restated retained earnings as at 1 April 2018	7,131,810
Available-for-sale financial asset reserve	
Reserve balance at 31 March 2018	1,322
Reclassify investments from available-for-sale at fair value to FVOCI (Note 2A(i) below)	(1,322)
Restated reserve balance as at 1 April 2018	–
FVOCI reserve	
Reserve balance at 31 March 2018	–
Reclassify investments from available-for-sale at fair value to FVOCI (Note 2A(i) below)	1,322
Restated reserve balance as at 1 April 2018	1,322

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

A. HKFRS 9 Financial Instruments (“HKFRS 9”) *(Continued)*

(i) Classification and measurement of financial instruments

(Continued)

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group’s classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (“amortised costs”); (ii) financial assets at fair value through other comprehensive income (“FVOCI”); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

A. HKFRS 9 Financial Instruments (“HKFRS 9”) *(Continued)*

(i) Classification and measurement of financial instruments

(Continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

A. HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(i) Classification and measurement of financial instruments

(Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

A. HKFRS 9 Financial Instruments (“HKFRS 9”) *(Continued)*

(i) Classification and measurement of financial instruments

(Continued)

- (a) As of 1 April 2018, certain equity investments were reclassified from available-for-sale investments at fair value to FVOCI. The Group intends to hold these equity investments for long term strategic purposes. In addition, the Group has designated such equity investments at the date of initial application as measured at FVOCI. As at 1 April 2018, there is no difference between the previous carrying amount and fair value.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK\$	Carrying amount as at 1 April 2018 under HKFRS 9 HK\$
Held for trading investments	FVTPL	FVTPL	192,805	192,805
Available-for-sale investments	Available-for-sale (at fair value) (Note 2A(i)(a))	FVOCI	410	410
Advances to customers in margin financing	Loans and receivables (Note 2A(ii)(b))	Amortised cost	20,582,355	20,572,492
Trade and other receivables	Loans and receivables (Note 2A(ii)(a))	Amortised cost	152,521	151,744
Cash and bank balances – held on behalf of customers	Loans and receivables	Amortised cost	2,049,601	2,049,601
Cash and bank balances – general accounts	Loans and receivables	Amortised cost	395,793	395,793

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

A. HKFRS 9 Financial Instruments (“HKFRS 9”) *(Continued)*

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group’s impairment model by replacing the HKAS 39 “incurred loss model” to the “expected credit losses (“ECLs”) model”. HKFRS 9 requires the Group to recognised ECL for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and bank balances are subject to ECL model but no impairment was recognised for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables and advances to customers in margin financing using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

A. HKFRS 9 Financial Instruments (“HKFRS 9”) *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Measurement of ECLs (Continued)

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information. The Group’s debt investment at FVOCI are considered to have low credit risk since the issuers’ credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

A. HKFRS 9 Financial Instruments (“HKFRS 9”) *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Impact of the ECL model

(a) Impairment of trade and other receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade and other receivables. To measure the ECLs, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The increase in loss allowance for trade and other receivables upon the transition to HKFRS 9 as of 1 April 2018 were approximately HK\$777,000. The loss allowances decreased for HK\$105,000 for trade and other receivables during the six months period ended 30 September 2018.

(b) Impairment of advances to customers in margin financing

The balances of advances to customers in margin financing in which a loss allowance of approximately HK\$9,863,000 is recognised for advances to customers in margin financing upon the transition to HKFRS 9 as of 1 April 2018. The loss allowances further increased for HK\$1,613,000 for advances to customers in margin financing during the six months period ended 30 September 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

A. HKFRS 9 Financial Instruments (“HKFRS 9”) *(Continued)*

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the “DIA”):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

B. HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”)

HKFRS 15 supersedes HKAS 11 “Construction Contracts”, HKAS 18 “Revenue and related interpretations”. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for 2018 has not been restated.

HKFRS 15 introduces a five-steps model when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Based on the assessment of the Group, the adoption of HKFRS 15 from 1 April 2018 has resulted in changes of accounting policies of the Group, however, it does not have significant impact on the timing and amounts of revenue recognition of the Group, and no adjustment to the opening balance of equity at 1 April 2018 have been made.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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 2017: seven) reporting operating segments as follows:

Financial Services Segments:

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

Hotel and Gaming Segments:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3 SEGMENTAL INFORMATION *(Continued)*

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

For the six months ended 30 September 2018

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 2018 and 2017, respectively.

For the six months ended 30 September 2018 (unaudited)

	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Financial services business HK\$'000	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Securities investment HK\$'000	Total HK\$'000
Segment revenue									
External customers	111,672	1,080,709	32,663	1,225,044	90,817	13,704	241,903	-	1,571,468
Inter-segment	-	-	-	-	28,752	-	4,292	-	33,044
	111,672	1,080,709	32,663	1,225,044	119,569	13,704	246,195	-	1,604,512
Adjusted EBITDA	102,874	900,351	24,857	1,028,082	79,645	(5,687)	67,164	(25,372)	1,143,832
Segment Assets				33,723,958	2,390,948	355,061	441,601	167,268	37,078,836
Capital Expenditure				-	2,430	362	4,637	-	7,429
Segment Liabilities				11,981,771	214,469	12,579	50,763	-	12,259,582

For the six months ended 30 September 2017 (unaudited)

	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Financial services business HK\$'000	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Securities investment HK\$'000	Total HK\$'000
Segment revenue									
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
Adjusted EBITDA	137,908	884,987	50,039	1,072,934	75,219	(6,201)	65,937	(1,685)	1,206,204
Segment Assets				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
Segment Liabilities				15,960,550	203,016	12,560	40,694	-	16,217,020

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Staff costs (including directors' remuneration)		
– salaries, wages and other benefits	148,249	148,822
– contributions to defined contribution retirement plan	663	712
	148,912	149,534

5 FINANCE COST

	Six months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Interest on amount due to a shareholder	15,176	15,197

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

6 PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Operating lease charges	17,238	14,788
Bad debts recovery	(65)	—

7 TAXATION

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong profits tax	162,034	175,000
Macau Complementary Tax	1,371	1,645
Deferred tax	(2,998)	(2,722)
	160,407	173,923

Hong Kong profits tax has been provided for six months ended 30 September 2018 and 2017 at a rate of 16.5%.

Macau Complementary Tax has been provided for the six months ended 30 September 2018 and 2017 at a rate of 12%. Details of contingent liabilities for Macau Complementary Tax are disclosed in Note 26.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

8 DIVIDENDS

A dividend of approximately HK\$347,290,000 that related to the financial year ended 31 March 2018 was paid in September 2018 (2017: HK\$434,113,000).

The board has resolved not to declare any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

9 EARNINGS PER SHARE

	Six months ended 30 September	
	2018 (unaudited) HK cent	2017 (unaudited) HK cent
Basic earnings per share	3.41	5.23
Diluted earnings per share	3.41	5.23

(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	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Profit for the purpose of basic earnings per share	592,157	908,887

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

9 EARNINGS PER SHARE (Continued)

(a) Basic Earnings Per Share (Continued)

	Six months ended 30 September	
	2018 (unaudited)	2017 (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

(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 six months ended 30 September 2018 and 2017.

10 PROPERTY, PLANT AND EQUIPMENT

As at 30 September 2018, the directors considered that the fair value of the Group's leasehold land and buildings for own use was approximate to the valuation amounts as at 31 March 2018 for 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 2018.

During the period under review, the after tax revaluation surplus of approximately HK\$39,101,000 (six months ended 30 September 2017: revaluation surplus approximately HK\$37,078,000) 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\$7,429,000 (six months ended 30 September 2017: approximately HK\$5,244,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11 GOODWILL

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Carrying amount of goodwill	10,996,683	10,996,683

The carrying amount of goodwill relating to the cash-generating units 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 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 13.69%.

As at 31 March 2018, The Directors performed an impairment test for the goodwill. The recoverable amount for the cash-generating units engaged in securities dealings, underwriting and placements, margin and IPO financing services and corporate finance advisory services are HK\$4,222,000,000, HK\$21,346,000,000 and HK\$430,000,000 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 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%.
- (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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11 GOODWILL (Continued)

Apart from the considerations described in determining the value in use of the cash-generating units 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 2018 (2017: Nil). The Directors concluded that the CGUs demonstrate sufficient cashflow projections that justify the carrying value of the goodwill. Management did not consider impairment of goodwill necessary.

12 INVENTORIES

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Food and beverage and hotel operating supplies	2,402	2,390

13 AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Investment funds, at fair value	–	410

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 was recognised in other comprehensive income and accumulated in the investment revaluation reserve.

Under HKFRS 9, the investments were reclassified as financial assets at fair value through other comprehensive income as stated in Note 14.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Investment funds, at fair value	243	–

The financial assets at fair value through other comprehensive income 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 2018, a deficit arising on change in fair value of approximately HK\$167,000 was recognised in other comprehensive income and accumulated in the FVOCI reserve.

15 ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Directors of subsidiaries and their associates	3,083	117,442
Other margin clients	21,414,354	20,961,400
Less: Allowance for doubtful debt	(507,963)	(496,487)
	20,909,474	20,582,355

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

15 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 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
At the beginning of the period/year	496,487	66,749
Impact of adopting HKFRS 9	11,476	–
Impairment loss recognised	–	430,573
Impairment loss reversed	–	(835)
At the end of the period/year	507,963	496,487

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 2018, total market value of securities pledged as collateral in respect of the loan to margin clients was approximately HK\$69,067,916,000 (31 March 2018: approximately HK\$84,466,301,000).

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.

16 TRADE AND OTHER RECEIVABLES

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Trade receivables from financial services segments	42,353	36,370
Trade receivables from hotel and gaming segments	65,892	59,205
Other receivables, deposits and prepayments	34,464	56,946
	142,709	152,521

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16 TRADE AND OTHER RECEIVABLES *(Continued)* Trade Receivables from Financial Services Segments

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients	22,380	9,959
Impact of adopting HKFRS 9	(114)	–
Sub total	22,266	9,959
Clearing House	4,295	7,839
Impact of adopting HKFRS 9	(22)	–
Sub total	4,273	7,839
Brokers and dealers	638	673
Impact of adopting HKFRS 9	(3)	–
Sub total	635	673
Accounts receivable arising from the ordinary course of business of dealing in futures contracts:		
Clearing house	11,522	10,571
Impact of adopting HKFRS 9	(59)	–
Sub total	11,463	10,571
Accounts receivable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	3,735	7,328
Impact of adopting HKFRS 9	(19)	–
Sub total	3,716	7,328
Total	42,353	36,370

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16 TRADE AND OTHER RECEIVABLES (Continued)

Trade Receivables from Financial Services Segments (Continued)

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

Trade receivables 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 trade receivables 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 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
0–30 days	43,247	44,644
31–60 days	10,927	11,321
61–90 days	30	75
Over 90 days	35,410	26,549
	89,614	82,589
Allowance for doubtful debt	(23,384)	(23,384)
Impact of adopting HKFRS 9	(338)	–
	65,892	59,205

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

17 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 19) 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.

18 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.

On 14 September 2018, the Group received a notice from the Ministry of the Economy of Saskatchewan regarding the cancellation of all the 15 subsurface mineral leases and accordingly the Group had fully written-off the carrying amount of intangible assets.

19 TRADE AND OTHER PAYABLES

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Trade payables from financial services segments	1,403,833	2,112,096
Trade payables from hotel and gaming segments	15,242	14,466
Other payables and accruals	170,458	157,945
	1,589,533	2,284,507

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

19 TRADE AND OTHER PAYABLES *(Continued)* Trade Payables from Financial Services Segments

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Trade payables arising from the ordinary course of business of dealing in securities:		
Cash clients	465,257	318,265
Margin clients	905,264	1,731,404
	1,370,521	2,049,669
Dividend payable to clients	997	1,667
Clearing house	12,354	42,948
Trade payables arising from the ordinary course of business of dealing in futures contracts:		
Clients	19,910	17,768
Trade payables arising from the ordinary course of business of provision of:		
Corporate finance advisory services	51	44
	1,403,833	2,112,096

The settlement terms of trade payables attributable to dealing in securities are one or two days after the trade date, and those of trade payables 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

For the six months ended 30 September 2018

19 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 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
0–30 days	10,684	9,901
31–60 days	1,396	4,130
61–90 days	3,121	249
Over 90 days	41	186
	15,242	14,466

As at the 30 September 2018, included in trade and other payables was an amount of approximately HK\$1,333,461,000 (31 March 2018: approximately HK\$2,049,601,000) 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.

20 AMOUNTS DUE TO SHAREHOLDERS

	Notes	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Better Sino Limited	(a)	1,190,000	1,190,000
Mrs. Chu Yuet Wah	(b)	3,006,911	3,029,911
		4,196,911	4,219,911

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

20 AMOUNTS DUE TO SHAREHOLDERS *(Continued)*

- (a) The amount is non-interest bearing, unsecured and repayable on demand.
- (b) Included in the amount is a loan of HK\$1,010,000,000 (31 March 2018: HK\$1,010,000,000) which 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\$1,996,911,000 (31 March 2018: HK\$2,019,911,000) is unsecured, interest bearing at the rate of 3% per annum and repayable on demand.

21 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.

22 SUBORDINATED LOANS

			30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
	Draw date	Terms		
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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

23 BANK LOANS

		30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
	Notes		
Secured bank loans:			
Money market loans and revolving loans	(a)	1,889,300	1,620,000
Term loans	(b)	1,180,000	730,000
		3,069,300	2,350,000
Repayable:			
Within one year		2,009,300	1,710,000
More than one year, but not exceeding two years		120,000	90,000
More than two years, but not exceeding five years		425,000	270,000
After five years		515,000	280,000
		3,069,300	2,350,000
Amount due within one year included in current liabilities		(2,009,300)	(1,710,000)
Amount due after one year		1,060,000	640,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

23 BANK LOANS *(Continued)*

- (a) The bank loans of the Group were secured by marketable securities of approximately HK\$7,003,920,000 (31 March 2018: HK\$7,259,478,000) pledged to the Group by margin clients, and certificates of deposits at a value of approximately HK\$92,401,000 (31 March 2018: a bond at value of approximately HK\$44,183,000 and a certificate of deposit at a value of approximately HK\$47,950,000). The bank loans bear floating interest rates ranging from 0.98% to 4.35% per annum (31 March 2018: 0.93% to 2.77%).
- (b) The term loan of HK\$1,180,000,000 (31 March 2018: HK\$730,000,000), bearing floating interest rates ranging from 3.01% to 4.01% per annum (31 March 2018: 2.42% to 3.24%) were secured by:
- the pledge of leasehold land and building held for own use with carrying amounts of approximately HK\$2,200,000,000 (31 March 2018: HK\$2,200,000,000);
 - 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

For the six months ended 30 September 2018

24 SHARE CAPITAL

	30 September 2018 (unaudited)		31 March 2018 (audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.02 each				
Authorised:				
At 31 March 2018, 1 April 2018 and 30 September 2018	24,750,000,000	495,000	24,750,000,000	495,000
Issued and fully paid:				
At 1 April 2018/2017	13,614,480,666	272,290	13,614,480,666	272,290
At 30 September 2018/ 31 March 2018	13,614,480,666	272,290	13,614,480,666	272,290
Non-redeemable convertible preference shares of HK\$0.02 each				
Authorised:				
At 31 March 2018, 1 April 2018 and 30 September 2018	3,750,000,000	75,000	3,750,000,000	75,000
Issued and fully paid:				
At 1 April 2018/2017	3,750,000,000	75,000	3,750,000,000	75,000
At 30 September 2018/ 31 March 2018	3,750,000,000	75,000	3,750,000,000	75,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

25 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 owners 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 directors consider 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

26 COMMITMENTS AND CONTINGENT LIABILITIES

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Expenditure contracted but not provided for in respect of:		
– Property, plant and equipment	868	630

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

26 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

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. 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. Up to the date of this report, four legal proceedings have received favorable decisions and the remaining four legal proceedings are still in progress.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

27 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 2018, the Group had total future minimum lease receivable under non-cancellable operating leases which fall due as follows:

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Within one year	15,477	8,693
After one year but within five years	37,561	32,395
After five years	—	—
	53,038	41,088

- (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 2018, the Group had total future minimum lease rent payments under non-cancellable operating leases falling due as follows:

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Within one year	34,970	33,150
After one year but within five years	46,731	63,105
	81,701	96,255

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

28 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

28 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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 Stock 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 2018 and 2017, the Company had no share option being granted, outstanding, lapsed or cancelled pursuant to the Share Option Scheme.

29 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	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Short-term employee benefits	68,478	81,954
Post-employment benefits	45	98
	68,523	82,052

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

29 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	
		2018	2017
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Chu & Li's Family	Brokerage income	507	239
	Maximum amount of margin financing	43,296	194,380
	Interest income	372	2,955
Mr. Ho Chi Ho	Brokerage income	14	1
	Maximum amount of IPO financing	19,927	–
	Maximum amount of margin financing	280	–
	Interest Income	14	–
Directors of subsidiaries & associates	Brokerage income	21	28
Kingston Finance Limited (Note 1)	Interest expense	63,201	86,836
	Management fee income	300	300
Sincere Watch (Hong Kong) Limited (Note 2)	Management fee income	–	120
	Brokerage income	142	100
	Advisory fee and financial services revenues	295	61
Mrs. Chu Yuet Wah	Staff quarter rental expenses	765	765
REF Financial Press Limited (Note 3)	Financial printing service charges	31	186

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 2018 (six months ended 30 September 2017: Nil).

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

At 30 September 2018, 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%

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 2018, 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 2018, 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 2018, 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 Directors	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 2018.

OTHER INFORMATION

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

During the six months ended 30 September 2018, 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 2018, 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 2018.

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 30 September 2018.

OTHER INFORMATION

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 change
Mr. Chu, Nicholas Yuk-yui	With effect from 1 July 2018, monthly remuneration has been increased from approximately HK\$1,165,000 to approximately HK\$1,265,000.
Mrs. Chu Yuet Wah	Appointed on 17 April 2018 as a Vice President of the Belt and Road General Chamber of Commerce. With effect from 1 July 2018, monthly remuneration has been increased from approximately HK\$1,765,000 to approximately HK\$1,865,000.
Mr. Ho Chi Ho	With effect from 1 July 2018, monthly remuneration has been increased from approximately HK\$216,000 to approximately HK\$233,000.
Dr. Wong Yun Kuen	Appointed on 12 September 2018 as an Independent Non-executive Director of Asia Coal 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, 28 November 2018