



金利豐金融集團
KINGSTON FINANCIAL GROUP

Stock Code : 01031

2020

INTERIM REPORT

(Incorporated in Bermuda with limited liability)



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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

Mr. Lau Man Tak

Ms. Lo, Miu Sheung Betty

Mr. Chiu Sin Nang, Kenny

COMPANY SECRETARY

Mr. Chan Chun Lam

AUDIT COMMITTEE

Mr. Lau Man Tak (*Chairman*)

Ms. Lo, Miu Sheung Betty

Mr. Chiu Sin Nang, Kenny

REMUNERATION COMMITTEE

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

Mr. Lau Man Tak

Mr. Chiu Sin Nang, Kenny

NOMINATION COMMITTEE

Mr. Chiu Sin Nang, Kenny (*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

BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman

Room 2901, One Exchange Square

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Hong Kong

REGISTERED OFFICE

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Hamilton HM11

Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Central, Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

4th floor North Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Abacus Limited

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Hong Kong

STOCK CODE

1031

WEBSITE

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

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 September 2020 decreased by approximately 27% to approximately HK\$1,009,211,000 when compared to approximately HK\$1,373,861,000 in the corresponding period of last year.
- Profit attributable to the owners of the Company for the six months ended 30 September 2020 decreased significantly by approximately 65% to approximately HK\$169,015,000 when compared to approximately HK\$477,604,000 in the corresponding period of last year. The decrease was primarily attributable to (i) a drop of revenue from the Group's hotel and gaming business in Macau as a result of the drastic reduction in the number of visitor arrivals to Macau following the outbreak of 2019 Novel Coronavirus ("COVID-19"), and (ii) an increase in impairment loss on advances to customers in margin financing.
- Earnings per share for the six months ended 30 September 2020 decreased by approximately 65% to approximately HK0.97 cents when compared to approximately HK2.75 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 2020 (the “Period”).

OVERVIEW

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

Total unaudited revenue recorded by the Group for the Period amounted to approximately HK\$1,009,211,000, representing a decrease of approximately 27% as compared to approximately HK\$1,373,861,000 for the six months ended 30 September 2019 (the “Previous Period”).

The unaudited profit attributable to owners of Company for the Period amounted to approximately HK\$169,015,000, representing a decrease of approximately 65% as compared to approximately HK\$477,604,000 for the Previous Period. The decrease was primarily attributable to (i) a drop of revenue from the Group’s hotel and gaming business in Macau as a result of the drastic reduction in the number of visitor arrivals to Macau following the outbreak of COVID-19, and (ii) an increase in impairment loss on advances to customers in margin financing. Basic earnings per share for the Period decreased by approximately 65% to approximately HK0.97 cents as compared to approximately HK2.75 cents in the Previous Period.

BUSINESS AND FINANCIAL REVIEW

During the Period under review, the global spread of COVID-19 has prompted countries to adopt different levels of anti-epidemic measures, thereby delivering unprecedented hit to the global economy and resulting in a cautious investor sentiment. The daily life in society has been significantly affected by the epidemic. New economy stocks have been highly sought after by the market while old economy stocks have been under pressure.

In Hong Kong, every sector has been heavily affected by the epidemic. According to the Census and Statistics Department, the unemployment rate for July to September 2020 was approximately 6.4%, hitting a record high for the past 16 years. Investors held a wait-and-see attitude towards the stock market, resulting in a highly volatile market trend. Hang Seng Index has plunged to 22,519 on 25 May 2020, and bounced back to 26,782 on 7 July 2020. However, in May 2020, Hang Seng Indexes Company announced that it would consider adding weighted voting rights companies and secondary-listed companies to the Hang Seng Index and the Hang Seng China Enterprises Index universes. Along with the listing of China concept stocks in the Hong Kong, the investors’ confidence has slightly stabilized.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

During the Period under review, the Group's revenue from its financial services segment dropped by approximately 5% from approximately HK\$1,055,681,000 in the Previous Period to approximately HK\$1,007,007,000 in the Period.

In light of the travel restrictions and health quarantine arrangements on inbound travellers for the prevention and control of COVID-19 in Macau, the number of tourists and gaming revenue slumped during the Period, thereby severely affecting the overall industry performance. According to Macau's Statistics and Census Bureau (DSEC) and Macau's Gaming Inspection and Coordination Bureau (DICJ), the total number of visitor arrivals to Macau and total Macau gaming revenue for the Period decreased by approximately 96% and approximately 94% respectively when compared to the Previous Period. Revenue from our gaming and hotel business for the Period dropped by approximately 106% and approximately 85% respectively.

Securities Brokerage, Underwriting and Placements

Securities brokerage, underwriting and placement services is one of the main sources of income for the Group. The Group undertakes the origination, structuring and marketing of placements of equity and equity-related securities. It offers across-the-board solutions to clients' financing needs. The Group plays significant roles as placing agents and underwriters for listed companies across different sectors.

Due to repeated outbreaks of COVID-19, capital market sentiment has been dampened. The epidemic has affected the application and approval process for new listings in Hong Kong. Coupled with the local quarantine measures, visitors have been restricted from visiting Hong Kong or have delayed their visit. Investors have been very cautious.

During the Period, the Group recorded a revenue of approximately HK\$24,320,000 in this segment (the Previous Period: approximately HK\$23,444,000), representing an increase of approximately 4% as compared to the Previous Period, which also accounted for approximately 2% (the Previous Period: approximately 2%) of the Group's financial service segment revenue.

Margin and IPO Financing

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

Margin and IPO Financing *(Continued)*

Due to poor market sentiment and uncertainty about the economic outlook, the Group has adopted a more prudent approach for the margin and IPO financing business. During the Period, total revenue amounted to approximately HK\$975,043,000 (the Previous Period: approximately HK\$1,028,432,000), accounting for approximately 97% (the Previous Period: approximately 97%) of the Group's financial service segment revenue. The stock market in Hong Kong was volatile over the Period. Impairment losses of approximately HK\$370,935,000 (Previous Period: approximately HK\$307,607,000) were made for advances to customers in margin financing after reviewing the relevant margin accounts portfolio and financial positions.

Other Financial Services mainly include Corporate Finance Advisory Services and Futures Brokerage

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 and futures brokerage.

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.

Revenue for the Period amounted to approximately HK\$7,644,000 (the Previous Period: approximately HK\$3,805,000), representing an increase of approximately 101%, which also accounted for approximately 1% (the Previous Period: approximately 1%) of the Group's financial service segment revenue.

Hotel 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

Hotel Business *(Continued)*

Due to the outbreak of COVID-19, visitor arrivals to Macau reduced drastically since early 2020. This has had an adverse effect on the occupancies and revenue of the Group's two hotels in Macau. Revenue for hotel operations plus food and beverage in total amounted to approximately HK\$15,783,000 (Previous Period: approximately HK\$102,475,000), representing a significant decrease of approximately 85% as compared to the Previous Period. The average occupancy rates of the two hotels, namely Casa Real and Grandview, were approximately 4% (the Previous Period: approximately 93%) and approximately 9% (the Previous Period: approximately 85%) respectively.

Gaming Business

The Group's gaming operation is run by the licence holder Sociedade de Jogos de Macau, S.A.

Similarly, the Group's gaming business in Macau has been hit hard by the spread of the COVID-19 pandemic. Gaming loss amounted to approximately HK\$13,579,000 for the Period, representing a decrease of approximately 106% as compared to gaming revenue of approximately HK\$215,705,000 for the Previous Period.

As at 30 September 2020, the Group has 69 tables (31 March 2020: 69) in the mass market halls, 15 tables (31 March 2020: 15) in the VIP rooms and 262 slot machines (31 March 2020: 262) in the electronic gaming halls.

During the Period, the Group entered into an addendum (the "Addendum") with SJM for the continuation of the provision of services to SJM in the two casinos located at the Group's two hotels. Pursuant to the Addendum, the term of service has been extended to 26 June 2022.

Other Income

Other income during the Period mainly represented handling charges received from securities clients and other miscellaneous income. The income decreased by approximately 32% from approximately HK\$15,234,000 in the Previous Period to approximately HK\$10,369,000 in the Period as there was a gain on disposal of property, plant and equipment of approximately HK\$5,460,000 in the Previous Period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

Change in fair value of financial assets at fair value through profit or loss

During the Period, the Hong Kong equity market experienced fluctuations. The Group recorded a fair value loss on financial assets at fair value through profit or loss of approximately HK\$5,028,000 (Previous Period: gain of approximately HK\$22,377,000). As at 30 September 2020, the Group was holding financial assets at fair value through profit or loss of approximately HK\$139,887,000 (31 March 2020: approximately HK\$138,374,000) in market value.

Inventories consumed

Inventories consumed represents the cost of guest supplies and food and beverage consumed upon provision of accommodation and catering services to the customers. During the Period, it amounted to approximately HK\$3,818,000 (the Previous Period: approximately HK\$11,319,000), representing an approximately 66% decrease which was in line with the declines in occupancies and revenue of the Group's two hotels in Macau, resulting from the effects of the COVID-19 pandemic since early 2020.

Staff costs

Staff costs amounted to approximately HK\$90,899,000 (the Previous Period: approximately HK\$153,344,000), representing an approximately 41% decrease. No discretionary bonus was paid and manpower costs were strictly controlled during the Period. The Group reviewed and adjusted compensation and benefits to employee regularly to match market rates. Packages commensurate with employees' qualifications and experience were provided to retain good employees in the Group as well as to hire potential talents.

Gaming commission

Gaming commission represented amount paid as an incentive to attract customers. The commission paid by the Group was in line with market level. The amount decreased by approximately 68% from approximately HK\$60,950,000 in the Previous Period to approximately HK\$19,660,000 in the Period as the chip turnover dropped due to the reduction of visitors arrivals to Macau as a result of the COVID-19 pandemic.

Broker Commission

Broker commission increased approximately 31% from approximately HK\$3,440,000 in the Previous Period to approximately HK\$4,500,000 in the Period. Broker commission was paid as an incentive to boost income from brokerage business.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

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

The interest expenses dropped from approximately HK\$145,050,000 in the Previous Period to approximately HK\$101,516,000 in the Period, representing a decrease of approximately 30%. The lowering of the overall funding cost of the Group was in line with the corresponding decline in the overall interest rates in Hong Kong during the Period.

Impairment losses on advances to customers in margin financing

Due to the volatility in the local stock market during the Period, impairment losses of approximately HK\$370,935,000 (Previous Period: approximately HK\$307,607,000) were made on some particular clients with margin loan shortfalls on a prudent basis after reviewing their margin accounts portfolio and financial positions.

Administrative expenses

Administrative expenses mainly included rent and rates, office management fee, electricity and water, fuel and etc.. During the Period under review, it amounted to approximately HK\$27,631,000 (the Previous Period: approximately HK\$47,289,000), representing an approximately 42% decrease. There were expenses of approximately HK\$12,000,000 in relation to relocation of principal place of business of the Group in Hong Kong recorded in the Previous Period. Besides, there were more rent and rates recorded in the Previous Period.

Other operating expenses

Other operating expenses mainly represented other operating expenses for gaming facilities, promotion expenses and other hotel rooms expenses for Macau business. During the Period, it amounted to approximately HK\$13,634,000 (the Previous Period: approximately HK\$31,599,000), representing an approximately 57% decrease which was driven by the drop of revenue from our hotel and gaming business in Macau as a result of the COVID-19 Pandemic as described above.

Finance cost

During the Period, finance cost of approximately HK\$18,996,000 (the Previous Period: approximately HK\$19,788,000) represented the interest expenses for the amount due to a shareholder and lease liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Financial service segments

The continued spread of COVID-19 with no signs of abating has added uncertainties to the global and Hong Kong economies. However, with the COVID-19 epidemic gradually brought under control and resumption of work and production in Mainland China, the economy has gradually started to rebound from the trough. According to National Bureau of Statistics of China, the GDP growth rate shifted from negative to positive in the first three quarters of 2020, posting a year-on-year growth of 0.7%. With the “14th Five-Year Plan” and 2035 Long-term Goals and Recommendations announced by the central government focusing on expanding domestic demand, it is expected that the economy in Mainland China will be on the upside in the medium and long run.

In addition, it is anticipated that the launch of Anti-epidemic Fund and fiscal relief measures under the Budget by the Hong Kong SAR Government will help to ease the financial difficulty of the business in Hong Kong. The advancement of the “Guangdong-Hong Kong-Macao Greater Bay Area” (“GBA”) and the development of the “Belt and Road Initiative” would bring more opportunities for Hong Kong as an international financial hub. The Group will adhere to its prudent management strategy and rigorously deploy and implement development plans in line with market conditions, in order to grasp the opportunities arising from the Hong Kong capital market and the GBA market.

Hotel and Gaming Segments

It is still difficult to assess the impact of COVID-19 on Macau’s tourism and gaming industry. Even positive measures such as nationwide resumption of Macau’s Individual Visit Scheme in September 2020 have been implemented by the government, it is hard to predict when Macau’s tourism and gaming industry will fully recover. The Group will regularly review its policy to respond timely to the changing environment and sustain its growth.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 September 2020, the total equity attributable to owners of the Company and net current assets of the Group amounted to approximately HK\$21,811,628,000 (31 March 2020: approximately HK\$21,772,853,000) and approximately HK\$8,027,236,000 (31 March 2020: approximately HK\$8,399,385,000) respectively. On the same date, the Group had cash and bank balance of approximately HK\$155,900,000 (31 March 2020: approximately HK\$192,918,000) and the current ratio was approximately 1.7 (31 March 2020 approximately 1.9).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING *(Continued)*

As at 30 September 2020, the Group had bank borrowings of approximately HK\$1,070,000,000 (31 March 2020: approximately HK\$1,050,000,000), amounts due to shareholders of approximately HK\$4,194,523,000 (31 March 2020: approximately HK\$4,394,523,000), loan from a related company of approximately HK\$2,047,804,000 (31 March 2020: approximately HK\$2,714,146,000) and subordinated loans of approximately HK\$700,000,000 (31 March 2020: 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 36% (31 March 2020: approximately 40%).

COMMITMENTS AND CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 30 September 2020 are set out in Note 23 to the financial statements.

CAPITAL STRUCTURE

During the six months ended 30 September 2020, no material fluctuation was noted on the Company's capital structure.

CAPITAL COMMITMENTS

At 30 September 2020, the Group had capital commitments of approximately HK\$62,000 (31 March 2020: approximately HK\$2,395,000) in respect of acquisition of plant and equipment.

EMPLOYEES

As at 30 September 2020, the Group employed a total of 713 (31 March 2020: 825) staff. The total staff cost for the Period was approximately HK\$90,899,000 (the Previous Period: approximately HK\$153,344,000). 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

PLEDGE OF ASSETS

As at 30 September 2020, the Group had pledged marketable securities of approximately HK\$3,230,955,000 (31 March 2020: approximately HK\$3,117,000,000) pledged to the Group by margin clients, and certificates of deposits of approximately HK\$94,240,000 (31 March 2020: certificates of deposit at a value of approximately HK\$93,980,000) to secure certain banking facilities provided to the Group.

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

- property mortgage of leasehold land and buildings, with a carrying amount of approximately HK\$2,100,000,000 as at 30 September 2020 (31 March 2020: approximately HK\$2,100,000,000);
- shares of two subsidiaries of the Company;
- corporate guarantee provided by a subsidiary of the Company;
- a charge over bank accounts by two subsidiaries of the Company; and
- a charge over income and receivables arising from the business operations of two subsidiaries of the Company, which engaged in the principal activities of hotel and gaming segments.

MATERIAL ACQUISITIONS AND DISPOSALS

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

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.

Due to the outbreak of COVID-19 pandemic since early 2020, countries across the globe have been taking unprecedented measures to combat the spread of the virus. Restriction on non-essential travel, transportation, traveler quarantine measures and even "lock down" policies impacted the global economy badly. Visit to Macau and its gross gaming revenue recorded a substantial decrease when compared to the Previous Period. This will likely continue to impact the contribution from business in Macau to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

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

RISK MANAGEMENT

COVID-19

The COVID-19 pandemic may continue to have an adverse effect on the group's operating results from business in Macau and it is uncertain when this will end. However, the Group will continue to observe the current market situation and make corresponding measures to sustain our business.

Credit risk

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

Market risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT *(Continued)*

Liquidity risk

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

Interest rate risk

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

FOREIGN CURRENCY EXPOSURE

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

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

TREASURY POLICY

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	Notes	(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Revenue	3	1,009,211	1,373,861
Other income		10,369	15,234
		1,019,580	1,389,095
Inventory consumed		(3,818)	(11,319)
Staff costs	4	(90,899)	(153,344)
Gaming commission		(19,660)	(60,950)
Broker commission		(4,500)	(3,440)
Interest expenses for securities brokerage, underwriting and placements, margin and IPO financing operations		(101,516)	(145,050)
Depreciation of property, plant and equipment		(74,609)	(76,267)
Impairment loss on advances to customers in margin financing	13	(370,935)	(307,607)
Administrative expenses		(27,631)	(47,289)
Other operating expenses		(13,634)	(31,599)
		(707,202)	(836,865)
Finance income		3,240	12,618
Finance costs	5	(18,996)	(19,788)
Change in fair value of financial assets at fair value through profit or loss		(5,028)	22,377
Exchange gains, net		(36)	468
		(20,820)	15,675
Profit before taxation	6	291,558	567,905
Taxation	7	(122,543)	(91,069)
Profit for the period		169,015	476,836

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of leasehold land and buildings	10	43,388	43,250
Item that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		17	–
Other comprehensive income for the period		43,405	43,250
Total comprehensive income for the period		212,420	520,086
Profit for the period attributable to:			
– Owners of the Company		169,015	477,604
– Non-controlling interests		–	(768)
		169,015	476,836
Total comprehensive income for the period attributable to:			
– Owners of the Company		212,420	520,854
– Non-controlling interests		–	(768)
		212,420	520,086
Earnings per share (HK cents per share)	9		
– Basic		0.97	2.75
– Diluted		0.97	2.75

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	10	3,013,081	3,038,087
Statutory deposits for financial services business		4,914	4,216
Goodwill	11	10,996,683	10,996,683
		14,014,678	14,038,986
Current assets			
Inventories	12	2,223	2,447
Financial assets at fair value through other comprehensive income		158	140
Financial assets at fair value through profit or loss		139,887	138,374
Advances to customers in margin financing	13	15,925,599	16,345,648
Trade and other receivables	14	246,767	102,407
Tax recoverable		235,021	238,632
Cash and bank balances			
— held on behalf of customers	15	2,381,018	846,344
Cash and bank balances — general accounts		155,900	192,918
		19,086,573	17,866,910
Current liabilities			
Trade and other payables	16	3,009,393	990,227
Amounts due to shareholders	17	4,194,523	4,394,523
Loan from a related company	18	2,047,804	2,714,146
Subordinated loans	19	700,000	700,000
Bank loans	20	1,070,000	630,000
Lease liabilities		35,862	35,859
Tax payable		1,755	2,770
		11,059,337	9,467,525

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
	Notes		
Net current assets		8,027,236	8,399,385
Total assets less current liabilities		22,041,914	22,438,371
Non-current liabilities			
Bank loans	20	–	420,000
Lease liabilities		12,892	29,917
Deferred tax liabilities		217,394	215,601
Total non-current liabilities		230,286	665,518
Total liabilities		11,289,623	10,133,043
Net assets		21,811,628	21,772,853
Capital and reserves			
Share capital — ordinary shares	21	272,290	272,290
Share capital — non-redeemable convertible preference shares	21	75,000	75,000
Reserves		21,464,338	21,425,563
Total equity		21,811,628	21,772,853

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company											
	Share capital – non-redeemable		Share premium account	Capital redemption reserve	Contributed surplus	Property revaluation reserve	FVOCI reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Share ordinary shares	Share convertible preference shares										
	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 2019 (audited)												
as originally presented	272,290	75,000	11,739,980	466	814	1,625,317	1,052	(23,169)	7,830,291	21,522,041	23,599	21,545,640
Profit for the period	-	-	-	-	-	-	-	-	477,604	477,604	(768)	476,836
Other comprehensive income for the period	-	-	-	-	-	43,250	-	-	-	43,250	-	43,250
Total comprehensive income for the period	-	-	-	-	-	43,250	-	-	477,604	520,854	(768)	520,086
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(26,131)	-	-	26,131	-	-	-
At 30 September 2019 (unaudited)	272,290	75,000	11,739,980	466	814	1,642,436	1,052	(23,169)	8,334,026	22,042,895	22,831	22,065,726
At 1 April 2020 (audited)	272,290	75,000	11,739,980	466	814	1,581,068	1,052	(23,169)	8,125,352	21,772,853	-	21,772,853
Profit for the period	-	-	-	-	-	-	-	-	169,015	169,015	-	169,015
Other comprehensive income for the period	-	-	-	-	-	43,388	17	-	-	43,405	-	43,405
Total comprehensive income for the period	-	-	-	-	-	43,388	17	-	169,015	212,420	-	212,420
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(30,228)	-	-	30,228	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	(173,645)	(173,645)	-	(173,645)
At 30 September 2020 (unaudited)	272,290	75,000	11,739,980	466	814	1,594,228	1,069	(23,169)	8,150,950	21,811,628	-	21,811,628

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Cash flows from operating activities	1,017,227	1,010,486
Cash flows from investing activities		
Additional of property, plant and equipment	(516)	(37,470)
Interest received	3,240	12,618
Dividend received	357	461
Net cash from/(used in) investing activities	3,081	(24,391)
Cash flows from financing activities		
Decrease in amounts due to shareholders	(200,000)	(229,141)
Decrease in loan from a related company	(666,342)	(521,456)
Repayments of principal portion of the lease liabilities	(17,022)	(16,231)
Repayments of interest portion of the lease liabilities	(1,321)	–
Proceeds from bank loans	4,975,500	6,785,000
Repayments of bank loans	(4,955,500)	(7,810,000)
Interest paid	(18,996)	(19,788)
Dividend paid	(173,645)	–
Net cash used in financing activities	(1,057,326)	(1,811,616)
Net decrease in cash and cash equivalents	(37,018)	(825,521)
Cash and cash equivalents at beginning of period	192,918	1,086,523
Cash and cash equivalents at end of period	155,900	261,002

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1 CORPORATE INFORMATION

Kingston Financial Group Limited (“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 Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) since 23 July 1996. 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

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2020. The accounting policies adopted in the preparation of unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2020, 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 2020, noted below:

Amendments to HKAS 1 and HKAS 8
Amendments to HKFRS 3
Amendments to HKFRS 9, HKAS 39
and HKFRS 7

Definition of Material
Definition of a Business
Interest Rate Benchmark Reform

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

2 BASIS OF PREPARATION *(Continued)*

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

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

The preparation of these 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 2020 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 2020 consolidated financial statements.

2A. Significant events in the current interim period

The ongoing Pandemic and the corresponding quarantine measures as well as travel restrictions significantly reduced the visitation to the Group’s hotels, which had a negative impact on the Group’s results for the Period. Gaming and hotel revenue of the Group dropped apparently as the patrons refrained from making physical visits due to public health concerns.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2019: seven) reporting operating segments as follows:

Financial services segments:

- Securities brokerage, underwriting and placements, which is the provision of brokerage, underwriting and placements services of listed securities in the recognised stock exchanges.
- Margin and initial public offering (“IPO”) financing, which is the provision of credit facilities to margin clients.
- Other financial services mainly include the provision of corporate finance advisory and futures brokerage services in the recognised stock exchanges.

Hotel and gaming segments:

- Hotel operations, which is the provision of hotel room services to hotel guests.
- Food and beverage, which is the operation of restaurants in hotels.
- Gaming, which is the provision of services to casinos run by the licence holder, namely Sociedade de Jogos de Macau, S.A. (“SJM”) located in hotels.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3 SEGMENTAL INFORMATION *(Continued)* **Securities investment segment:**

- Trading of listed securities through the recognised stock exchanges.

Operating segment result is evaluated based on adjusted earnings before interest, income tax, depreciation and amortisation ("adjusted EBITDA"). Interest income and expenses and certain corporate income and expenses, including depreciation of property, plant and equipment, taxation, gain on disposal of property, plant and equipment, write off of property, plant and equipment, corporate staff costs, exchange gains, sundry income and central administrative expenses, which are not included in the result of operating segments as they are managed by the central function units, who control the working capital of the Group.

Operating segment assets comprise of all assets owned by the Group except for financial assets at fair value through other comprehensive income and corporate assets, which are not directly attributable to the operating segments. Operating segment liabilities comprise of all liabilities owed by the Group except for amounts due to shareholders and corporate liabilities, which are not directly attributable to the operating segments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3 SEGMENTAL INFORMATION (Continued)

Operating segments

The following tables represent segment information of the Group for the six months ended 30 September 2020 and 2019, respectively.

For the six months ended 30 September 2020 (unaudited)

	Financial services segment				Hotel and gaming segment				Total HK\$'000	
	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Subtotal HK\$'000	Hotel operations HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Subtotal HK\$'000		Securities investment segment HK\$'000
Segment revenue										
External customers	24,320	975,043	7,644	1,007,007	7,914	7,869	(13,579)	2,204	-	1,009,211
Inter-segment	-	-	-	-	22,999	-	4,350	27,349	-	27,349
	24,320	975,043	7,644	1,007,007	30,913	7,869	(9,229)	29,553	-	1,036,560
Adjusted EBITDA	23,600	482,452	1,447	507,499	(12,063)	(10,340)	(72,327)	(94,730)	(4,684)	408,085
Segment Assets				29,665,172	1,239,144	1,236,342	748,554	3,224,040	139,887	33,029,099
Segment Liabilities				6,995,928	229,749	15,249	87,197	332,195	-	7,328,123
Capital Expenditure				-	257	236	23	516	-	516

For the six months ended 30 September 2019 (unaudited)

	Financial services segment				Hotel and gaming segment				Total HK\$'000	
	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Subtotal HK\$'000	Hotel operations HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Subtotal HK\$'000		Securities investment segment HK\$'000
Segment revenue										
External customers	23,444	1,028,432	3,805	1,055,681	87,836	14,639	215,705	318,180	-	1,373,861
Inter-segment	-	-	-	-	29,701	-	5,415	35,116	-	35,116
	23,444	1,028,432	3,805	1,055,681	117,537	14,639	221,120	353,026	-	1,408,977
Adjusted EBITDA	22,020	531,804	(4,054)	549,770	77,832	(6,178)	57,858	129,512	22,823	702,105
Segment Assets				30,441,145	2,447,804	422,814	533,596	3,404,214	190,684	34,036,043
Segment Liabilities				7,517,994	241,897	11,142	73,648	326,687	-	7,844,681
Capital Expenditure				36,291	710	114	355	1,179	-	37,470

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3 SEGMENTAL INFORMATION (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.

Note: Gaming revenue/loss represented the net amount of service income calculated based on net gaming win/loss and reimbursement payable to gaming operator.

4 STAFF COSTS

	Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Staff costs (including directors' remuneration)		
— salaries, wages and other benefits	90,334	152,676
— contributions to defined contribution retirement scheme	565	668
	90,899	153,344

5 FINANCE COSTS

	Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Interest expenses on amount due to a shareholder	17,675	17,675
Interest expenses on lease liabilities	1,321	2,113
	18,996	19,788

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

6 PROFIT BEFORE TAXATION

The profit before taxation for the period is arrived at after charging/(crediting) as follows:

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	–	7,489
Depreciation of right-of-use assets	17,424	18,344

7 TAXATION

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits tax	86,161	93,466
Macau Complementary Tax	40,505	1,166
Deferred tax	(4,123)	(3,563)
	122,543	91,069

Hong Kong Profits Tax has been provided for six months ended 30 September 2020 at a rate of 16.5% (30 September 2019: 16.5%) of the taxable profit for the period.

Macau Complementary Tax has been provided for the six months ended 30 September 2020 at a rate of 12% (30 September 2019: 12%) of the taxable profit for the period. Details of contingent liabilities for Macau Complementary Tax are disclosed in note 23.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

8 DIVIDENDS

No interim dividend was declared for the six months ended 30 September 2020 and 2019.

Dividend attributable to the previous financial year, approved and paid during the period were as follows:

	Six months ended 30 September 2020 HK\$'000
Final dividend of HK1.0 cent per share	173,645

Dividend attributable to the previous financial year, approved and paid during the prior period were as follows:

	Six months ended 30 September 2019 HK\$'000
Final dividend in respect to previous financial year	260,500

9 EARNINGS PER SHARE

	Six months ended 30 September 2020 (unaudited) HK cent	2019 (unaudited) HK cent
Basic earnings per share	0.97	2.75
Diluted earnings per share	0.97	2.75

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

9 EARNINGS PER SHARE *(Continued)*

(a) Basic earnings per share

The basic earnings per share which is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Profit for the period attributable to owners of the Company	169,015	477,604

	Six months ended 30 September	
	2020 (unaudited)	2019 (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
Total weighted average number of shares used in the calculation 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 shares outstanding during the six months ended 30 September 2020 and 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

10 PROPERTY, PLANT AND EQUIPMENT

As at 30 September 2020, 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 2020 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 2020.

During the period under review, the after tax revaluation surplus of approximately HK\$43,388,000 (six months ended 30 September 2019: revaluation surplus approximately HK\$43,250,000) 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\$516,000 (six months ended 30 September 2019: approximately HK\$37,470,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

11 GOODWILL

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Carrying amount of goodwill	10,996,683	10,996,683

The carrying amount of goodwill relating to the cash-generating units, including the provisions of securities dealings, underwriting and placements, margin and IPO financing and corporate finance advisory services to its clients, are approximately HK\$3,628,905,000, HK\$7,148,237,000 and HK\$219,541,000 respectively. For the purposes of impairment assessment of goodwill, the recoverable amounts of the relevant cash-generating units was determined based on value in use calculations, covering a detailed 5-year budget plan approved by the management, plus an extrapolated cash flow projections, by applying a steady growth rate of 3% subsequent to the 5-year plan, with a pre-tax discount rate of approximately 8.34%.

As at 31 March 2020, the directors of the Company performed impairment assessment of goodwill, the recoverable amounts of the relevant cash-generating units, including the provisions of securities dealings, underwriting and placements, margin and IPO financing and corporate finance advisory services to its clients are approximately HK\$3,995,175,000, HK\$35,239,067,000 and HK\$439,880,000 respectively. As at 31 March 2020, all of the recoverable amount exceeds the carrying amounts.

The key assumptions used in the budget plan are:

- (i) the future revenue growth rate were estimated ranging from 0% to 14%, 0% to 11% and 0% to 12% per annum for the relevant cash-generating units of securities dealings, underwriting and placements, margin and IPO financing and corporate finance advisory services respectively throughout the 5-year budget plan. Cash flows beyond the five-year period are extrapolated by using a steady growth rate of 3%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

11 GOODWILL (Continued)

- (ii) the gross profit margin will be maintained at its current levels throughout the 5-year budget plan.

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

Apart from the considerations in determining the value in use of the cash-generating units, the management is not currently aware of any other probable changes that would necessitate any changes of its key inputs used in the budget plan.

The directors of the Company concluded that the cash-generating units demonstrate sufficient level of future cashflows that can justify the carrying amount of the goodwill. Accordingly, no impairment loss of goodwill was recognised for both periods.

12 INVENTORIES

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Food and beverage and hotel operating supplies	2,223	2,447

13 ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Directors of subsidiaries and their associates	48,292	50,601
Other margin financing customers	18,356,994	18,403,799
Less: loss allowances	(2,479,687)	(2,108,752)
	15,925,599	16,345,648

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

13 ADVANCES TO CUSTOMERS IN MARGIN FINANCING (Continued)

The movements of loss allowances on advances to customers in margin financing during the period are as follows:

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
At the beginning of the period/year	2,108,752	985,761
Provision of loss allowances	370,935	1,122,991
At the end of the period/year	2,479,687	2,108,752

At 30 September 2020 and 31 March 2020, advances to customers in margin financing are repayable on demand and carried interest rates at an average of Hong Kong Dollar Prime rate ("Prime rates") plus 3%. Margin clients are required to pledge their securities collateral to the Group, in order to obtain credit facilities for securities trading in recognised stock exchanges. The amount of credit facilities granted to them is determined by the discounted market value of securities in accordance with margin lending policies set by the Group's management, which maintains a list of approved securities for margin lending at a specified loan-to-collateral ratio.

At 30 September 2020, total market value of securities pledged as collateral in respect of the loan granted to margin clients was approximately HK\$37,351,499,000 (31 March 2020: approximately HK\$38,473,670,000). Among the securities pledged as collateral, there was approximately HK\$3,230,955,000 (31 March 2020: approximately HK\$3,117,000,000) provided by margin clients to secure bank loans.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14 TRADE AND OTHER RECEIVABLES

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Trade receivables from financial services segments	205,702	22,737
Trade receivables from hotel and gaming segments	14,214	58,466
Other receivables, deposits and prepayments	26,851	21,204
	246,767	102,407

Trade receivables from financial services segments

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Trade receivables arising from the ordinary course of business of dealing in securities:		
– Cash clients	3,345	2,674
– Clearing House	22,929	3,296
– Brokers and dealers	90	113
– Client for subscription of new share in IPO	169,000	–
Trade receivables arising from the ordinary course of business of dealing in futures contracts:		
– Clearing house	6,020	10,720
Trade receivables arising from the ordinary course of business of provision of:		
– Corporate finance advisory services	5,384	6,570
Total	206,768	23,373
Less: Loss allowances	(1,066)	(636)
Total trade receivables, after loss allowance	205,702	22,737

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14 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 contracts are one day after trade date. All trade receivables from cash clients are not past due at the end of reporting periods, which the management believes that no material loss allowances was recognised in respect of these balances as there has not been a significant increase in credit quality for both current period and prior year.

Trade receivables from clearing houses, brokers, dealers and corporate finance clients are classified as current assets as they are expected to be settled within one year from the end of reporting period.

Trading limits are set for different categories of customers. The Group seeks to maintain stringent control over the trade receivables in order to minimise credit risk arising from these customers. Overdue balances of trade receivables are regularly monitored by the management and followed up for the settlement when necessary.

No ageing analysis is disclosed for trade receivables from financial services segment as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the business nature of dealing in securities and futures contracts, margin financing and corporate finance advisory services.

Trade receivables from hotel and gaming segments

The Group generally allows an average credit period of 30 days to its customers arising from the hotel and gaming segments. The following is an ageing analysis of trade receivables at the end of the reporting period:

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
0–30 days	6,858	53,575
31–60 days	186	850
61–90 days	377	3,733
Over 90 days	30,728	24,244
	38,149	82,402
Less: Loss allowances	(23,935)	(23,936)
	14,214	58,466

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

15 CASH AND BANK BALANCES HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised financial institutions to hold clients' monies arising from the normal course of business of dealing in securities and futures contract, margin financing. The Group has classified the clients' monies as cash and bank balances held on behalf of customers under the current assets and recognised the corresponding trade payables (Note 16) to the clients under the current liabilities, both are disclosed in the condensed consolidated statement of financial position, as the Group is allowed to retain some or all of the interest income from the clients' monies deposited as well as it is liable for any loss or misappropriation of clients' monies. Under the Securities and Futures (Client Money) Rules of the Securities and Futures Ordinance (Cap.571), the Group is not allowed to use or dispose of the clients' monies to settle its own financial obligations.

16 TRADE AND OTHER PAYABLES

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Trade payables from financial services segments	2,403,786	870,492
Trade payables from hotel and gaming segments	34,843	16,298
Other payables and accruals	570,764	103,437
	3,009,393	990,227

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

16 TRADE AND OTHER PAYABLES *(Continued)* Trade payables from financial services segments

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Trade payables arising from the ordinary course of business of dealing in securities:		
– Cash clients	1,008,236	323,505
– Margin clients	1,380,082	528,049
	2,388,318	851,554
Dividend payable to clients	351	4,503
Trade payables arising from the ordinary course of business of dealing in futures contracts:		
– Clients	12,900	14,435
Trade payables arising from the ordinary course of business in the provision of:		
– Corporate finance advisory services	2,217	–
	2,403,786	870,492

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 contracts are one day after trade date.

No ageing analysis is disclosed for trade payables from financial services segment as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the business nature of dealing in securities and future contracts, margin financing and corporate finance advisory services.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

16 TRADE AND OTHER PAYABLES (Continued)

Trade payables from hotel and gaming segments

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

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
0–30 days	17,934	14,051
31–60 days	15,992	1,692
61–90 days	917	170
Over 90 days	–	385
	34,843	16,298

As at the 30 September 2020, included in trade payables of approximately HK\$2,381,018,000 (31 March 2020: approximately HK\$846,344,000) was payable to clients and authorised financial institutions in respect of trust and segregated bank balances received and held on behalf of clients and authorised financial institutions arising from the normal course of business of dealing in securities and future contracts and margin financing.

17 AMOUNTS DUE TO SHAREHOLDERS

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
	Notes	
Better Sino Limited	(a)	1,190,000
Mrs. Chu Yuet Wah	(b)	3,204,523
		4,194,523

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

17 AMOUNTS DUE TO SHAREHOLDERS *(Continued)*

- (a) As at 30 September 2020 and 31 March 2020, the amount due to a shareholder, Better Sino Limited, which is unsecured, non-interest bearing and repayable on demand.
- (b) As at 30 September 2020, among the total balance of amount due to a shareholder, Mrs. Chu Yuet Wah, the balance of approximately HK\$1,010,000,000 (31 March 2020: HK\$1,010,000,000), which is unsecured, interest bearing at 3.5% (31 March 2020: 3.5%) per annum and repayable on the third anniversary year, i.e. on or before 31 March 2023. The loan is subject to review at anytime and the lender's overriding right of withdrawal and immediate repayment on demand. The remaining balance of approximately HK\$1,994,523,000 (31 March 2020: approximately HK\$2,194,523,000) is unsecured, interest bearing at 3.5% (31 March 2020: 3.5%) per annum and repayable on demand.

18 LOAN FROM A RELATED COMPANY

As at 30 September 2020, the loan from a related company is due to Kingston Finance Limited, which is controlled by the director and shareholder of the Company, Mrs. Chu Yuet Wah. The loan is unsecured, interest bearing at the rate of 3.5% (31 March 2020: 3.5%) per annum and repayable on demand.

19 SUBORDINATED LOANS

			30 September 2020 (unaudited) HK\$'000	31 March 2020 (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

As at 30 September 2020 and 31 March 2020, the subordinated loans are unsecured, interest-bearing ranged from 1.5% to Prime rate plus 1% per annum and repayable on demand.

The Group is required to comply at all times with the Securities and Futures (Financial Resources) Rules of the Securities and Futures Ordinance (Cap.571). All of the subordinated loan agreements are approved by the Securities and Futures Commission (the "SFC") and any repayment or changes of terms and conditions of these subordinated loan agreements has to be approved by the SFC with one month written notice to the SFC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

20 BANK LOANS

		30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
	Notes		
Secured bank loans:			
– Money market loans and revolving loans	(a)	1,070,000	600,000
– Term loans	(b)	–	450,000
		1,070,000	1,050,000
Repayable:			
– Within one year		1,070,000	630,000
– More than one year, but not exceeding two years		–	50,000
– More than two years, but not exceeding five years		–	370,000
– After five years		–	–
		1,070,000	1,050,000
Less: Portion classified as current liabilities		(1,070,000)	(630,000)
Portion classified as non-current liabilities		–	420,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

20 BANK LOANS (Continued)

Notes:

- (a) As at 30 September 2020, the money market loans and revolving loans are secured by marketable securities of approximately HK\$3,230,955,000 (31 March 2020: approximately HK\$3,117,000,000) provided by margin clients and certificates of deposit of approximately HK\$94,240,000 (31 March 2020: approximately HK\$93,980,000). During the period, the money market loans and revolving loans bear floating interest rates ranging from approximately 0.84% to 3.38% (31 March 2020: approximately 1.16% to 5.41%) per annum.
- (b) The term loans were fully repaid during the six months ended 30 September 2020. (31 March 2020: approximately HK\$450,000,000 bear floating interest rates ranging from approximately 2.94% to 4.53% per annum), and secured by:
- a. property mortgage of leasehold land and buildings, with a carrying amount of approximately HK\$2,100,000,000 as at 31 March 2020;
 - b. shares of two subsidiaries of the Company;
 - c. corporate guarantee provided by a subsidiary of the Company;
 - d. a charge of bank accounts provided by two subsidiaries of the Company; and
 - e. a charge over income and receivables arising from the business operations of two subsidiaries of the Company, which engage in the principal activities of hotel and gaming segments.

As at 30 September 2020, the Group was offered banking facilities of approximately HK\$5,060,000,000 (31 March 2020: approximately HK\$6,400,000,000) and the Group's total available banking facilities amounted to approximately HK\$3,990,000,000 (31 March 2020: approximately HK\$5,350,000,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

21 SHARE CAPITAL

	30 September 2020 (unaudited)		31 March 2020 (audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.02 each				
Authorised:				
At 31 March 2020, 1 April 2020 and 30 September 2020	24,750,000,000	495,000	24,750,000,000	495,000
Issued and fully paid:				
At 1 April 2020/2019	13,614,480,666	272,290	13,614,480,666	272,290
At 30 September 2020/ 31 March 2020	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 2020, 1 April 2020 and 30 September 2020	5,250,000,000	105,000	5,250,000,000	105,000
Issued and fully paid:				
At 1 April 2020/2019	3,750,000,000	75,000	3,750,000,000	75,000
At 30 September 2020/ 31 March 2020	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 2020

22 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that all of the group companies will be able to continue as a going concern in order to provide returns to stakeholders while maximising the benefits to other stakeholders through the optimisation of the capital structure to reduce the cost of capital.

The capital structure of the Group consists of: (i) net debts, including amounts due to shareholders, loan from a related company, subordinated loans and lease liabilities, less cash and bank balances in general accounts; and (ii) total equity attributable to owners of the Company, including share capital as ordinary shares and non-redeemable convertible preference shares, and various reserves. The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost and the risks associated with each class of the capital to allow the Group to operate effectively in the marketplace and sustain the future development of the business.

Based on the recommendation of the directors of the Company, the Group will maintain or adjust its capital structure through the payment of dividends to shareholders, new share issues, return capital to shareholders, issue of new debt or redemption of existing debt.

Several subsidiaries of the Group (the “Regulated Subsidiaries”) are registered with the SFC for the regulated activities they engage in. The Regulated Subsidiaries are subject to liquid capital requirements under the Securities and Futures (Financial Resources) Rules (“SF(FR)R”) of the Securities and Futures Ordinance (Cap. 571). Under the SF(FR)R, the Regulated Subsidiaries must maintain their liquid capital, being calculated by the assets and liabilities adjusted as determined by SF(FR)R, in excess of the statutory floor requirement or 5% of the total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a regular basis and the Group has fully complied with those requirements during the period under review.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

23 COMMITMENTS AND CONTINGENT LIABILITIES

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Expenditure contracted for but not provided for in respect of:		
– Property, plant and equipment	62	2,395

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

23 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

After receiving the final decision of the Committee on their rejection of the Group's appeal, the Group made the tax payments of an aggregate amount of approximately HK\$97,200,000 according to the stipulated regulation requirement before making a further appeal via the 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 initial petitions to the court on 10 March 2016 and 17 February 2017 for Target All Investments Limited. The legal proceedings were concluded or terminated during the year ended 31 March 2019 and the Group has received favourable court decisions and won all of the cases for the abovementioned years of assessments. However, the Macau Financial Services Bureau refused to refund the remaining amount of taxes paid by the Group of approximately HK\$95,900,000. Subsequently, the Group submitted petitions to courts to request refund of the aforesaid tax paid.

Subsequent to the conclusion or termination of the above legal proceedings, Good Start Group Limited and Target All Investments Limited further received tax notices issued by the Macau Financial Services Bureau for the years of assessment from 2013 to 2018 and from 2015 to 2018 respectively on demanding Macau Complementary Tax, in the aggregate amount, of approximately HK\$121,000,000, of which, approximately HK\$56,800,000 for years of assessment 2013 and 2014 of Good Start Group Limited was paid during the year ended 31 March 2019, and remaining approximately HK\$64,200,000 for years of assessment 2015 to 2018 for both companies was paid during the Period under review. The Group submitted petitions to courts against the tax notices subsequent to payments.

On 29 August 2019, the Macau Financial Services Bureau refunded overpaid tax of approximately HK\$1,300,000 to Target All Investments Limited for the aforementioned year of assessment 2011.

During the Period under review, Good Start Group Limited received favorable decisions for the years of assessment 2011, 2012 and 2013. Target All Investments Limited received favorable decision for the year of assessment 2012. All these four decisions are final. The Group have submitted requests to Macau Financial Services Bureau for refund of the overpaid tax of approximately HK\$76,967,000 in aggregate for these four years. The Group is still waiting for the final decision for the years of assessment 2009 and 2010 of Good Start Group Limited.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

23 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

During the Period under review, Good Start Group Limited and Target All Investments Limited received unfavorable decision for the year of assessment 2014 and 2013 respectively. Both decisions are final. The related tax paid of approximately HK\$34,228,000 in aggregate for these two years, which was previously accounted for as tax recoverable, was charged to profit or loss during the Period under review. The Group expect Target All Investments Limited will receive similar unfavorable decision for the year of assessment 2014 because it has similar situation and legal arguments. As such, the tax paid of approximately HK\$6,277,000 for the year of assessment 2014, which was previously accounted for as tax recoverable, was charged to profit or loss during the Period also.

Total tax paid of approximately HK\$176,498,000 for the remaining fourteen years of assessment as mentioned above was accounted for as tax recoverable as at 30 September 2020.

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 2020

24 OPERATING LEASE COMMITMENT

The Group has leased out minor area of its leasehold land and building to a number of tenants as the lessor of operating leases. The lease term of those tenants committed to the Group are ranged from one to ten years (31 March 2020: one to ten years) when the lease contracts were signed. Rental income was recognised in a fixed monthly interval, and no contingent rental income was entitled to be received by the Group, with reference to the lease contracts entered.

At 30 September 2020 and 31 March 2020, the Group had total future minimum lease receivable under non-cancellable operating lease contracts, which was fall due as follows:

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Within one year	14,644	11,545
More than one year, but not exceeding two years	10,427	10,478
More than two years, but not exceeding three years	6,923	10,438
More than three years, but not exceeding four years	–	1,731
	31,994	34,192

The Group entered into non-cancellable operating lease contracts in respect of its staff quarters, warehouses and office premises with landlords and the lease terms committed by the Group are ranged from one to three years (31 March 2020: one to three years) when the lease contracts were signed.

The minimum lease payments recognised as expenses during the year are as follows:

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Short-term lease expenses	3,350	15,757

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

25 SHARE-BASED PAYMENT TRANSACTIONS

The original share option scheme adopted on 7 June 2004 expired on 6 June 2014. At the annual general meeting of the Company held on 20 August 2013, shareholders of the Company have approved the adoption of a new share option scheme (the "Share Option Scheme").

The purpose of the Share Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating, and/or providing benefits to participants. To determine the eligibility of the participant, the board of directors of the Company may offer to grant an option to any participant who has contribution to the Group.

For share options granted under the Share Option Scheme are subject to such terms and conditions as it may be determined by the board of directors of the Company at its absolute discretion and specified in the offer of a share option. The terms and conditions may include: (i) vesting conditions which must be satisfied before a share option holder's option shall become vested and capable of being exercised; and (ii) the board of directors of the Company may, in its absolute discretion, specify performance conditions that must be achieved before a share option can be exercised, and/or the minimum period for which a share option must be held before it can be exercised.

The total numbers of shares of the Company which may be issued upon exercise of all share 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. Share options lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme adopted by the Company will not be counted for the purpose of calculating the 10% limit. 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 at the date of the shareholders' approval. For share option previously granted under any other share option scheme adopted by the Company, including those outstanding, cancelled and lapsed in accordance with the terms of the relevant scheme, or exercised share options will not be counted for the purpose of calculating the renewed limit.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

25 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The board of directors of the Company may, with the approval of the shareholders of the Company, grant share options in excess of the 10% limit to participants specifically identified. In such situation, the Company will send a circular to the shareholders of the Company containing a generic description of the specified participants who may be granted such share options, the number and terms of such share options to be granted and the purpose of granting such share options to the specified participants with an explanation of how the terms of the share options will serve the purpose. The total number of shares of the Company which may be issued upon exercise of all outstanding share options to be granted and yet to be exercised under the Share Option Scheme and all outstanding share options granted and yet to be exercised under any other share option scheme adopted by the Company shall not exceed 30% of the shares of the Company in issue from time to time. No share option may be granted under the Share Option Scheme and any other share option schemes adopted by the Company if this will result in the limit being exceeded.

Unless approved by the shareholders of the Company in a general meeting (with such participant and his associates abstaining from voting), which the Company will send a circular to the shareholders of the Company and the circular must disclose the identity of the participant, the number and terms of the share options to be granted (and previously granted to such participant), the total number of shares of the Company already issued and to be issued upon the exercise of the share options granted to each participant (including both exercised and unexercised share 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 at the approval date.

The period within which the share 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 share options. The exercise of share options may also be subject to any conditions imposed by the Company at the date of grant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

25 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The subscription price for the shares of the Company to be issued upon exercise of the share options shall be no less than the highest of: (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited 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 of the Company at its absolute discretion when the option is offered and notified to the participants.

For the period ended 30 September 2020 and 2019, the Company had no share option being granted, outstanding, lapsed or cancelled pursuant to the Share Option Scheme.

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Remuneration

Remuneration for key management personnel, including those remuneration amounts paid or payable to the directors of the Company during the period is as follows:

	Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Salaries and other benefits	22,687	53,936
Contribution to defined contribution retirement scheme	45	45
	22,732	53,981

Total remuneration of key management personnel is included in "Staff costs" as disclosed in Note 4.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

26 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	
		2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Chu & Li's Family (Note 1)	Brokerage income	635	77
	Maximum amount of margin financing	50,394	260
	Interest income	1,031	1
Mr. Ho Chi Ho (Note 2)	Brokerage income	-	3
	Maximum amount of margin financing	-	1
Mr. Lau Man Tak (Note 2)	Brokerage income	32	-
	Maximum amount of margin financing	28,759	-
	Interest Income	107	-
Directors of subsidiaries & associates	Brokerage income	33	61
Kingston Finance Limited (Note 3)	Interest expense	47,612	59,610
Kingston Property Investment Limited (Note 3)	Management fee income	492	300
	Management fee income	222	-
Sincere Watch (Hong Kong) Limited (Note 4)	Brokerage income	-	137
Mrs. Chu Yuet Wah	Advisory fee and financial services revenues	120	299
	Staff quarter rental expenses	609	609
REF Financial Press Limited (Note 5)	Office rental and related expenses	-	19,464
	Office rental payment	20,961	-
	Financial printing service charges	158	211

Notes:

- Details of the continuing connected transactions in relation to provision of financial services were set out in the Company's announcement dated 1 April 2020.
- Details of the continuing connected transactions in relation to provision of financial services were set out in the Company's announcement dated 21 September 2020.
- Mrs. Chu Yuet Wah has controlling interest in Kingston Finance Limited and Kingston Property Investment 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

No interim dividend was declared for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

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

At 30 September 2020, 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 issued shares 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			
Mrs. Chu Yuet Wah	—	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 issued shares of the Company: *(Continued)*

Notes:

- (1) As at 30 September 2020, 10,157,205,895 shares of the Company are held by Active Dynamic Limited which is controlled by Mrs. Chu Yuet Wah ("Mrs. Chu").
- (2) As at 30 September 2020, Mrs. Chu, through Active Dynamic Limited held 3,750,000,000 convertible preference shares of the Company conferring rights to subscribe for up to HK\$3,000,000,000 in aggregate in cash for 3,750,000,000 new shares of the Company at the conversion price of HK\$0.80 (subject to adjustments) per share.

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 2020, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholders	Number of shares of the Company		Number of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Active Dynamic Limited (Note 1)	—	10,157,205,895	3,750,000,000	13,907,205,895	102.15%

Notes:

- (1) 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.

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 2020.

OTHER INFORMATION

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

During the six months ended 30 September 2020, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

The Group has complied with all code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period ended 30 September 2020.

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 2020.

AUDIT COMMITTEE

The Audit Committee comprises of all the three Independent Non-executive Directors (including one Independent Non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of Audit Committee is a former partner of the Company's existing auditing firm. The Audit Committee has reviewed with management the accounting policies adopted by the Company and discussed auditing, internal control, risk management and financial reporting matters, including the review of the unaudited interim financial statements the six months ended 30 September 2020.

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. Ho Chi Ho	Re-designation of executive Director to Non-executive Director of China Water Industry Group Limited, a company listed on the Main Board of the Stock Exchange, on 19 October 2020.
Mr. Chiu Sin Nang, Kenny	Appointed on 30 September 2020 as an Independent Non-executive Director of Affluent Partners Holdings Limited, a company listed on the Main Board of the Stock Exchange.

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

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

Hong Kong, 27 November 2020