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

(Incorporated in Bermuda with limited liability)

(Stock Code: 01031)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The Board of Directors ("the Board") of Kingston Financial Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, "the Group") for the six months ended 30 June 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		(Unaudited) Six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**494,285**	241,993
Cost of sales		**(9,625)**	(7,798)
Operating cost		**(141,442)**	(112,021)
Gross profit		**343,218**	122,174
Other income		**25,418**	8,185
Fair value loss on trading securities		**(34,354)**	(7,544)
Administrative expenses		**(87,053)**	(80,013)
Staff costs	*3*	**(37,312)**	(26,472)
Finance costs		**(25,655)**	—
Profit before taxation	*4*	**184,262**	16,330
Taxation	*5*	**(24,200)**	—
Profit for the period		**160,062**	16,330

	Note	(Unaudited) Six months ended 30 June **2011** *HK$'000*	2010 *HK$'000*
Other comprehensive income for the period, net of tax:			
Unrealised gain arising from change in fair value of available-for-sale investments		**479**	—
Total comprehensive income for the period		**160,541**	16,330
Profit attributable to:			
Owners of the Company		**158,197**	14,663
Non-controlling interests		**1,865**	1,667
		160,062	16,330
Total comprehensive income attributable to:			
Owners of the Company		**158,676**	14,663
Non-controlling interests		**1,865**	1,667
		160,541	16,330
Earnings per share for profit attributable to owners of the Company	*7*		
— Basic		**1.42 cents**	0.32 cents
— Diluted		**1.39 cents**	0.30 cents

Details of dividends payable to owners of the Company are set out in note 6.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Note	**30 June 2011 (Unaudited)** *HK$'000*	31 December 2010 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**2,179,956**	2,206,347
Deferred tax assets		**6,107**	5,575
Deposit for acquisition		**—**	400,000
Deposit for hotel renovation		**7,028**	—
Statutory deposit for financial business		**3,152**	—
Goodwill arising from acquisition		**10,996,683**	—
		13,192,926	2,611,922
Current assets			
Inventories		**2,672**	2,925
Available-for-sale investments		**6,439**	5,960
Trading securities		**118,807**	152,070
Loan receivable		**432,435**	401,328
Trade and other receivables	*8*	**6,695,581**	83,948
Tax recoverable		**77**	—
Cash and bank balances — trust accounts		**879,045**	—
Cash and bank balances — general accounts		**800,950**	617,126
		8,936,006	1,263,357
Current liabilities			
Trade and other payables	*9*	**1,294,588**	55,526
Amounts due to shareholders		**2,950,000**	—
Loan from a related company		**363,357**	—
Bank loans		**1,996,000**	—
Tax payable		**71,515**	—
		6,675,460	55,526
Net current assets		**2,260,546**	1,207,831
Total assets less current liabilities		**15,453,472**	3,819,753

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Non-current liability		
Promissory notes	**903,519**	—
Subordinated loans	**1,000,000**	—
	1,903,519	—
Net assets	**13,549,953**	3,819,753
Capital and reserves		
Share capital — ordinary shares	**241,035**	103,198
Share capital — non-redeemable convertible preference shares	**105,000**	—
Reserves	**13,198,167**	3,712,669
Total equity attributable to owners of the Company	**13,544,202**	3,815,867
Non-controlling interests	**5,751**	3,886
Total equity	**13,549,953**	3,819,753

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed 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 condensed interim financial statements have been reviewed by the Audit Committee of the Company and were approved by the board of directors on 30 August 2011.

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

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new and revised Standards, Amendments and Interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2011, noted below:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK (IFRIC)-INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments

Amendment to HKAS 34 "Interim Financial Reporting" (as part of Improvements to HKFRSs 2010) is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The adoption of the other new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income [3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets [2]
HKAS 19 (Revised in 2011)	Employee Benefits [4]
HKAS 27 (Revised in 2011)	Separate Financial Statements [4]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures [4]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [1]
HKFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets [1]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosures of Interests in Other Entities [4]
HKFRS 13	Fair Value Measurement [4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

— Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

— In relation to financial liabilities, the significant change relates to the financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of the changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. HKFRS 10 provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 11 "Joint Arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). HKFRS 11 addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.

HKFRS 12 "Disclosures of Interests in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 “Fair Value Measurement” improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The above-mentioned standards are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. They are required to be applied retrospectively, but if the entity adopted HKFRS 9 prior to 1 January 2012, the entity will be exempt from the requirements to restate prior period comparative information. The Group is presently studying the implications of applying the above-mentioned standards. It is impracticable to quantify their impacts as at the date of publication of these financial statements.

Amendment to HKAS 1 (Revised) “Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income” require companies preparing financial statements in accordance with HKFRSs to group together items within other comprehensive income (OCI) that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. Earlier application is permitted.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

2 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has seven (30 June 2010: four) reportable operating segments as follows:

Financial services segments:

— Securities brokerage, underwriting and placements segment is the provision of brokerage, underwriting and placing services for dealings in securities on recognised stock exchanges.

— Margin and initial public offers (“IPO”) financing segment is the provision of credits in these transactions.

— Other financial services 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.

— Casino segment is the operation of casino in hotels.

Securities investment segment:

— Securities investment segment is the trading of listed securities.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment profits for financial services segments represent the profit earned by each segments without allocation of staff costs and other central administrative costs, other income, other gains and losses. Segment performance of hotel and gaming segments and securities investment segment are evaluated based on a measure of adjusted earnings before interest, income tax, depreciation and amortisation (EBITDA) and interest income and expenditure are not included in the result of these operating segments. Other information provided, except as noted below, to the management is measured in a manner consistent with that in the 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 condensed consolidated interim statement of comprehensive income.

Operating segments

The following tables present segment information of the Group provided to the Group's management for the six months ended 30 June 2011 and 2010.

For the six months ended 30 June 2011 (unaudited)

	Securities brokerage, underwriting and placements *HK$'000*	Margin and IPO financing *HK$'000*	Other financial services *HK$'000*	Hotel ownership and management *HK$'000*	Food and beverage *HK$'000*	Casino *HK$'000*	Securities investment *HK$'000*	Total reportable segments *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue										
External customers	**55,463**	**130,567**	**1,490**	**71,586**	**17,687**	**217,492**	**—**	**494,285**	**—**	**494,285**
Inter-segment	**—**	**—**	**—**	**14,447**	**—**	**14,494**	**—**	**28,941**	**(28,941)**	**—**
Total revenue	**55,463**	**130,567**	**1,490**	**86,033**	**17,687**	**231,986**	**—**	**523,226**	**(28,941)**	**494,285**
Segment result	**43,578**	**116,943**	**1,490**	**55,592**	**(2,238)**	**77,233**	**814**	**293,412**	**—**	**293,412**
Other income										**7,042**
Interest income										**17,562**
Corporate overhead										**(16,597)**
Depreciation										**(46,260)**
Staff costs										**(20,358)**
Expenses in relation to the grant of share option										**(1,276)**
Impairment loss on trade and other receivables										**(1,748)**
Fair value loss on trading securities										**(34,354)**
Interest expenses of promissory notes										**(13,161)**
Profit before taxation										**184,262**

For the six months ended 30 June 2010 (unaudited)

	Hotel ownership and management *HK$'000*	Food and beverage *HK$'000*	Casino *HK$'000*	Securities investment *HK$'000*	Total reportable segment *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue							
External customers	55,519	16,304	170,170	—	241,993	—	241,993
Inter-segment	15,441	—	—	—	15,441	(15,441)	—
Total revenue	70,960	16,304	170,170	—	257,434	(15,441)	241,993
Segment result	44,027	(2,375)	63,415	965	106,032	—	106,032
Other income							1,478
Interest income							5,742
Corporate overhead							(15,245)
Depreciation							(49,984)
Expenses in relation to the grant of share option							(22,401)
Impairment loss on trade and other receivables							(1,748)
Fair value gain on trading securities							(7,544)
Profit before taxation							16,330

The following tables present segment assets of the Group's operating segments as at 30 June 2011 and 31 December 2010.

As at 30 June 2011 (unaudited)

	Financial services business ***HK$'000***	**Hotel ownership and management** ***HK$'000***	**Food and beverage** ***HK$'000***	**Casino** ***HK$'000***	**Securities investment** ***HK$'000***	**Total** ***HK$'000***
Segment assets	**18,923,589**	**1,708,721**	**389,946**	**231,614**	**117,986**	**21,371,856**
Unallocated corporate assets						**312,095**
Loan receivables						**432,435**
Deferred tax assets						**6,107**
Available-for-sale investments						**6,439**
						22,128,932

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.

As at 31 December 2010 (audited)

	Hotel ownership and management *HK$'000*	Food and beverage *HK$'000*	Casino *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*
Segment assets	1,689,513	446,839	239,279	152,427	2,528,058
Unallocated corporate assets					534,358
Deposit for acquisition					400,000
Loan receivables					401,328
Deferred tax assets					5,575
Available-for-sale investments					5,960
					3,875,279

3 STAFF COSTS

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration)		
— salaries, wages and other benefits	**66,427**	41,822
— contributions to defined contribution retirement plan	**198**	98
— equity-settled share-based payment expenses in relation to the grant of share options	**743**	12,601
	67,368	54,521
Amount shown as staff costs in the condensed consolidated statement of comprehensive income	**37,312**	26,472
Staff costs included in operating costs in the condensed consolidated statement of comprehensive income	**30,056**	28,049
	67,368	54,521

4 PROFIT BEFORE TAXATION

The profit before taxation has been arrived at after charging the following:

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Impairment loss on trade and other receivables	**1,748**	1,748
Depreciation	**46,240**	49,984

5 TAXATION

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current tax:		
Hong Kong profits tax	**24,200**	—

Hong Kong profits tax has been provided for six months ended 30 June 2011 at a rate of 16.5%. No provision for Hong Kong profits tax had been made for the six months ended 30 June 2010 as the Group had no assessable profit for that period.

No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau has no assessable profit for the period (six months ended 30 June 2010: nil).

6 DIVIDENDS

No dividend was paid during the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

The board has declared the payment of an interim dividend of HK0.5 cents per share for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

7 EARNINGS PER SHARE

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK cent	*HK cent* (restated)
Basic earnings per share	**1.42**	0.32
Diluted earnings per share	**1.39**	0.30

(a) Basic earnings per share

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

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the purpose of basic earnings per share	**158,197**	14,663

	30 June 2011	30 June 2010 (restated)
Weighted average number of ordinary shares	**8,511,610,752**	4,523,860,153
Weighted average number of non-redeemable convertible preference shares	**2,639,502,762**	—
Weighted average number of shares for the purpose of basic earnings per share	**11,151,113,514**	4,523,860,153

(b) Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are the same as those for basic earnings per share, as outlined above.

The weighted average number of shares for the purposes of diluted earnings per share reconciles to the weighted average number of shares used in the calculation of basic earnings per share are as follows:

	(Unaudited) Six months ended 30 June	
	2011	2010 (restated)
Weighted average number of shares used in the calculation of basic earnings per share	**11,151,113,514**	4,523,860,153
Shares deemed to be issued for no consideration in respect of:		
— Share options	**209,780,675**	176,938,449
— Warrants	**—**	134,291,087
	11,360,894,189	4,835,089,689

Note: For the six months ended 30 June 2010, the weighted average number of shares for the purpose of calculating the basic and diluted earnings per share has been retrospectively adjusted for the effect of the share consolidation completed in March 2011.

8 TRADE AND OTHER RECEIVABLES

	30 June 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
Trade receivables from financial services segments	**6,630,491**	—
Trade receivables from hotel and gaming segments	**50,697**	72,201
Other receivables, deposits and prepayments	**14,393**	11,747
	6,695,581	83,948

Trade receivables from financial services segments

	30 June 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
Amounts receivable arising from the business of dealing in securities:		
Cash clients	**37,488**	—
Margin clients:		
Directors of the subsidiaries and their associates	**81,837**	—
Other margin clients	**6,419,872**	—
	6,539,197	—
Less: impairment allowances	**—**	—
	6,539,197	—
Clearing houses	**80,694**	—
Brokers and dealers	**1,959**	—
Amounts receivable arising from the business of dealing in futures contracts:		
Clearing house	**6,802**	—
Amounts receivable arising from the business of corporate finance:		
Clients	**1,839**	—
	6,630,491	—

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

No aging analysis is disclosed for receivables from 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. Amounts receivable from margin clients are repayable on demand and carry interest at approximately Prime rate +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 June 2011, total market value of securities pledged as collateral in respect of the loan to margin clients was approximately HK$24,825,721,000.

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

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 June 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
0 – 30 days	**43,904**	59,981
31 – 60 days	**6,263**	12,148
61 – 90 days	**1,434**	782
Over 90 days	**20,344**	18,790
	71,945	91,701
Allowance for doubtful debt	**(21,248)**	(19,500)
	50,697	72,201

9 TRADE AND OTHER PAYABLES

	30 June 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
Trade payables from financial services segments	**1,238,832**	—
Trade payables from hotel and gaming segments	**13,365**	16,162
Other payable and accruals	**42,391**	39,364
	1,294,588	55,526

Trade payables from financial services segments

	30 June 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
Amounts payable arising from the business of dealing in securities:		
Cash clients	**574,795**	—
Margin clients	**646,592**	
	1,221,387	—
Clearing houses	**—**	—
Brokers and dealers	**1**	—
Amounts payable arising from the business of dealing in futures contracts:		
Clients	**16,151**	—
Amounts payable arising from the business of asset management:		
Clients	**1,293**	—
	1,238,832	—

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

As at 30 June 2011, included in amounts payable of HK$879,045,000 was 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.

Trade payables from hotel and gaming segments

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

	30 June 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
0 – 30 days	**10,787**	9,395
31 – 60 days	**2,524**	4,498
61 – 90 days	**35**	1,461
Over 90 days	**19**	808
	13,365	16,162

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is principally engaged in the provision of a wide range of financial services which include securities underwriting and placements, margin and initial public offers financing, securities brokerage, corporate finance advisory services, futures brokerage and asset management services. The Group also provides entertainment and hospitality services in Macau. Following the completion of acquisition of Kingston group of companies on 1 April 2011, the Group's profitability was enhanced immediately, coupled with the continuously strong growth in the Macau tourism and gaming industries.

The Group's unaudited turnover was approximately HK$494,285,000 for the six months ended 30 June 2011, representing a significant revenue growth of approximately 104% as compared with approximately HK$241,993,000 in the corresponding period of year 2010.

The unaudited net profit attributable to the Company's shareholders amounted to approximately HK$158,197,000 (2010: HK$14,663,000). The basic earnings per share for the six months ended 30 June 2011 was HK1.42 cents (2010: HK0.32 cents).

Business and Financial Review

Securities Brokerage, Underwriting and Placements

The Group mainly offers trading services in Hong Kong and does not have any representative office in overseas jurisdictions. However, to accommodate the investment need of its clients, the Group arranges dealing and brokerage services in overseas markets including Singapore, the United States of America and the United Kingdom through brokers which are licensed in the respective jurisdictions. Customers may place orders by telephone as well as via the internet system. The securities brokerage business generates revenue by charging commissions for transactions executed through the trading platform provided by the Group. Brokerage commission rate charged for telephone orders is the same as that charged for online trading and orders made in person.

Securities 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 comprehensive 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, including health care, utilities, information technology, transportation and financial services for the period under review.

During the period, this segment recorded revenue of approximately HK$55,463,000 which accounted for 29% of the Group's financial service segment revenue.

Margin and IPO Financing

Margin and IPO financing services are provided by the Group to complement its securities brokerage business. Margin financing is made available to clients who have opened margin accounts with the Group to purchase securities with funds borrowed from it to leverage their investments. IPO financing is the grant of loans to clients for subscriptions of shares relating to an IPO.

During the period, revenue generated from the margin and IPO financing segment amounted to approximately HK$130,567,000, accounting for 70% of the Group's financial service segment revenue.

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 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. Clients can place orders on the Internet in addition to telephone.

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

During the period, this segment recorded revenue of approximately HK$1,490,000 which accounted for 1% of the Group's financial service segment revenue.

Hotel Business

The Group's hotel operation, mainly comprised of hotel rooms, food and beverage sale and other rental income, ensued the strong growth in year 2011. The revenue for the six months ended 30 June 2011 amounted to approximately HK$89,273,000 (2010: HK$71,823,000). Hotel business contributed 29% (2010: 30%) of the total hotel and gaming business turnover. During the period under review, the average occupancy rate of the two hotels was over 70%. The ongoing renovation allows the modern-fashioned guest rooms to bring consistent improvement in room rates and occupancy rate.

Gaming Business

The Group's casino operation is run by the licence holder Soceidade de Jogos de Macau, S.A.. The two casinos consistently provided solid contributions to the Group in line with the rapid development of the gaming industry in Macau. To retain quality customers and attract potential ones, the Group strengthened its membership programmes and provided a variety of incentives for members to increase their spending in the casinos as well.

Casino revenue, including gaming revenue and food and beverage sale in casino, amounted to approximately HK$217,492,000 for the six months ended 30 June 2011 (2010: HK$170,170,000), representing an increase of 28% from the corresponding period in year 2010. Casino revenue accounted for 71% (2010: 70%) of total hotel and gaming business turnover.

As at 30 June 2011, the Group has 65 tables in the 2 mass market halls, 8 tables in the 2 self-managed VIP rooms and 186 slot machines in the 2 slot halls. With all these well equipped gaming facilities, the Group continued to benefit from this stable source of revenue from the Macau market.

Trading of listed securities

Close to the end of the first half of year 2011, the global equity market suffered a setback and hence the market value of the trading securities held by the Group recorded a revaluation deficit of approximately HK$34,354,000 during the period under review. As at 30 June 2011, the Group was holding trading securities of approximately HK$118,807,000 in value.

Cost of sales

Cost of sales mainly represents the cost of guest supplies and food and beverage consumed upon provision of accommodation and catering services to the customers. During the period under review, it increased from approximately HK$7,798,000 to approximately HK$9,625,000. The increase was in line with the growth in the hotel revenue.

Operating cost

Operating cost mainly represents the payroll and other operating expenses in the hotel business and commission expenses in the gaming business. During the period under review, it increased from approximately HK$112,021,000 to approximately HK$141,442,000. The increase was also in line with the growth in the gaming revenue.

Administrative expenses

During the period under review, administrative expenses increased from approximately HK$80,013,000 to approximately HK$87,053,000. The increase was mainly attributable to the newly acquired financial services segments.

Finance cost

During the period under review, finance cost represented interest expenses on secured bank loans for the purpose of offering financing to its clients to participate in margin and IPO activities and subordinated loans for the Group's ordinary course of financial services business, as well as effective interest expense on promissory notes.

Future Prospects

Looking forward, the global capital market is full of challenges and uncertainties. The US economic slowdown together with the debt crisis in Europe, economic recovery progress in Japan since the earthquake in March 2011, and the PRC Government's tightening measures continue to cast a shadow on global as well as Hong Kong's economy. Nevertheless the growing PRC economy and the Central Government's support to maintain Hong Kong as an international financial centre, as laid down in its 12th Five-Year Plan, provide us with excellent opportunities.

The Group has achieved an impressive performance for its securities underwriting and placements, margin and IPO financing and securities brokerage businesses during the period under review. Leveraging the long-established reputation and a strong client base, the Group will further reinforce the foundation in these key revenue generating businesses by recruiting qualified professionals, improving the trading infrastructure and delivering more value-added services to its clients.

The Group will continue to leverage its strong equity capital markets ("ECM") client base to capture the market share in corporate finance advisory business. The Group will also continually pursue opportunities to gain exposure to various types of corporate transactions and actively explore potential business with the existing ECM clients. It will deploy more resources and experienced personnel to cope with the potential growth of its corporate finance advisory business.

The first RMB-denominated REIT was successfully listed on the Stock Exchange in April 2011. The breakthrough in the development of RMB-traded products is a significant move in the Hong Kong financial market and the mounting demand for more diversified RMB-traded products indicates the increasing business opportunities from the PRC. The Group will continue to improve its trading and settlement infrastructure to accommodate trade settlement for RMB-traded products and participate in RMB Equity Trading Support Facility (TSF) in the second half of this year.

The Group continuously pursues various marketing and promotion activities through the comprehensive membership programmes. Our guests enjoy impressive services within the Group's properties with the use of our casino package. In view of the consistent growth in membership base of the programmes, the Group will further enhance the programmes to attract new customers.

The newly renovated guest rooms have proved to be in popular demand and the Group will continue to invest in this area to pave the way for revenue enhancement. The Group will also further strengthen its relationship with travel agencies and offer packages and joint promotions with business partners so as to broaden the scope of customers of the two hotels.

Liquidity, Financial Resources and Funding

As at 30 June 2011, the shareholders' fund and net current assets of the Group amounted to approximately HK$13,544,202,000 and HK$2,260,546,000 respectively. On the same date, the Group had cash and bank balances of approximately HK$800,950,000 and the current ratio was 1.3 (31 December 2010: 22.8).

As at 30 June 2011, the Group had bank borrowings of approximately HK$1,996,000,000, amounts due to shareholders of approximately HK$2,950,000,000, loan from a related company of approximately HK$363,357,000, promissory note of approximately HK$903,519,000 and subordinates loan of approximately HK$1,000,000,000 (2010: Nil). On the same date, the net gearing ratio, measured on the basis of total borrowings less bank and cash balances over net assets, was 47% (2010: net cash position).

Contingent Liabilities

No material contingent liabilities of the Group were noted as at 30 June 2011.

Capital Structure

During the six months ended 30 June 2011, the Company had issued and allotted 6,000,000,000 new shares pursuant to the acquisition of the financial services business. Further details can be found in the paragraph headed "Material Acquisitions and Disposals" below.

During the same period, the Company had placed a total of 890,000,000 new shares to certain independent third parties, details of which were more particularly described in the Company's announcements dated 7 April 2011 and 28 April 2011. The proceeds from the placings amounted to approximately HK$871,900,000.

During the same period, certain employees exercised their options to subscribe for 1,837,500 new shares of the Company. The proceeds from the exercise of options amounted to approximately HK$1,377,000.

Employees

As at 30 June 2011, the Group employed a total of approximately 750 staff. The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market condition.

Pledge of Assets

As at 30 June 2011, the Group had pledged clients' securities at a value of approximately HK$5,884,561,000 to secure certain banking facilities provided to the Group.

Material Acquisitions and Disposals

On 14 December 2010 (as supplemented by the supplemental agreement dated 7 January 2011), the Company entered into the sale and purchase agreement with Active Dynamic Limited and Better Sino Limited (collectively the "Vendors") and Mrs. Chu Yuet Wah (as guarantor), pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of the entire issued share capital of Kingston Capital Asia Limited at a total consideration of HK$12,000,000,000. The acquisition had completed on 1 April 2011.

Kingston Group is one of the well-established securities brokerage and financial advisory houses in Hong Kong providing a wide range of financial services which include: (i) securities underwriting and placements; (ii) margin and initial public offers financing; (iii) securities brokerage; (iv) corporate finance advisory services; (v) futures brokerage and (vi) asset management services. The Board believes that the acquisition will enable the Group to make a meaningful step in its strategic direction to focus on diversification of businesses. The Board believes that the acquisition will enable the Group to become one of the leaders in provision of financial and brokerage services in the region. In particular, it is the intention of the Board that the business of the enlarged Group will focus on high quality securities brokerage, futures dealing and other financial services.

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 businesses and gaming revenue are mainly denominated in Hong Kong Dollars and hence no significant exchange rate risk is identified.

The Group is exposed to foreign currency risk primarily through loan receivable that are denominated in a currency other than its functional currency. The currency giving rise to this risk to the Group is primarily Canadian dollars. The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK0.5 cents per share for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

The record date for determination of entitlements under the interim dividend will be on Friday, 16 September 2011. Shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 16 September 2011 will be entitled to receive the interim dividend. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 16 September 2011. Dividend warrants will be despatched on Wednesday, 28 September 2011.

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

During the six months ended 30 June 2011, neither the Company nor subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2011, the Company has complied with all code provisions in the Code on Corporate Governance Practices contained 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 by 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 June 2011.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group, and discussed judgmental issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial report for the six months ended 30 June 2011.

PUBLICATION OF INTERIM REPORT

The Company's 2011 interim report, containing the relevant information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 August 2011

As at the date of this announcement, the executive directors of the Company are Mr. Chu, Nicholas Yuk-yui (Chairman) and Mrs. Chu Yuet Wah (Chief Executive Officer) and the independent non-executive directors of the Company are Dr. Wong Yun Kuen, Mr. Lau Man Tak and Mr. Yu Peter Pak Yan.