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 SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2011

The Board of Directors ("the Board") of Kingston Financial Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated second interim results of the Company and its subsidiaries (collectively, "the Group") for the twelve months ended 31 December 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months ended 31 December 2011

	Note	**Twelve months ended 31 December 2011 (unaudited)** *HK$'000*	Year ended 31 December 2010 (audited) *HK$'000*
Revenue		**1,263,524**	541,247
Other income		**31,975**	23,225
		1,295,499	564,472
Inventory consumed		**(20,630)**	(16,771)
Staff costs	*3*	**(134,044)**	(101,906)
Gaming commission		**(189,013)**	(134,779)
Broker commission		**(37,014)**	—
Interest expenses for securities brokerage and margin financing operations		**(34,161)**	—
Depreciation		**(95,681)**	(99,862)
Other operating expenses		**(146,300)**	(118,206)
		(656,843)	(471,524)
Finance revenue		**9,460**	8,357
Finance costs		**(40,525)**	—

	Note	**Twelve months ended 31 December 2011 (unaudited)** *HK$'000*	Year ended 31 December 2010 (audited) *HK$'000*
Gain from sales of trading securities		**—**	361
Fair value (loss)/gain on trading securities		**(84,275)**	4,743
Exchange gain		**3,566**	9,273
Deficit on revaluation of leasehold land and buildings		**—**	(14,778)
Share of results of jointly controlled entities		**(124)**	—
		(111,898)	7,956
Profit before taxation		**526,758**	100,904
Taxation	*4*	**(69,235)**	—
Profit for the period/year		**457,523**	100,904
Other comprehensive income			
Deficit on revaluation of leasehold land and buildings		**—**	(20,321)
Unrealised (loss)/gain arising from change in fair value of available-for-sale investments		**(1,718)**	1,913
Other comprehensive loss, for the period/year, net of tax		**(1,718)**	(18,408)
Total comprehensive income for the period/year		**455,805**	82,496
Profit attributable to:			
Owners of the Company		**451,465**	99,558
Non-controlling interests		**6,058**	1,346
		457,523	100,904
Total comprehensive income attributable to:			
Owners of the Company		**449,747**	81,150
Non-controlling interests		**6,058**	1,346
		455,805	82,496
Earnings per share (cents per share)	*6*		
— Basic		**3.17**	2.06
— Diluted		**3.13**	1.98

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	**31 December 2011 (unaudited) *HK$'000***	31 December 2010 (audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**2,148,237**	2,206,347
Deferred tax assets		**6,107**	5,575
Deposit for acquisition		**—**	400,000
Deposit for hotel renovation		**3,787**	—
Statutory deposit for financial business		**2,600**	—
Goodwill		**10,996,683**	—
Interests in jointly-controlled entities		**(22)**	—
		13,157,392	2,611,922
Current assets			
Inventories		**3,618**	2,925
Available-for-sale investments		**4,242**	5,960
Trading securities		**68,409**	152,070
Loan receivable		**407,200**	401,328
Trade and other receivables	*7*	**6,279,696**	83,948
Tax recoverable		**1,571**	—
Cash and bank balances — trust accounts		**528,931**	—
Cash and bank balances — general accounts		**351,308**	617,126
		7,644,975	1,263,357
Current liabilities			
Trade and other payables	*8*	**641,742**	55,526
Amounts due to shareholders		**2,611,281**	—
Loan from a related company		**345,729**	—
Subordinated loans		**1,000,000**	—
Bank loans		**1,419,000**	—
Tax payable		**111,078**	—
		6,128,830	55,526
Net current assets		**1,516,145**	1,207,831
Total assets less current liabilities		**14,673,537**	3,819,753

	Note	**31 December 2011 (unaudited)** *HK$'000*	31 December 2010 (audited) *HK$'000*
Non-current liability			
Promissory notes		**920,883**	—
Net assets		**13,752,654**	3,819,753
Capital and reserves			
Share capital — ordinary shares		**240,853**	103,198
Share capital — non-redeemable convertible preference shares		**105,000**	—
Reserves		**13,396,857**	3,712,669
Total equity attributable to owners of the Company		**13,742,710**	3,815,867
Non-controlling interests		**9,944**	3,886
Total equity		**13,752,654**	3,819,753

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The financial year end date of the Group has been changed from 31 December to 31 March to conform with the financial year end date of its newly acquired subsidiary, Kingston Capital Asia Limited. Accordingly, the current interim financial period covered a 12-month period from 1 January 2011 to 31 December 2011 and the comparatives covered a 12-month period from 1 January 2010 to 31 December 2010.

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

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

The interim condensed consolidated 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 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 December 2010, except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRS") that are relevant to the Group and effective for annual financial periods beginning on or after 1 January 2011 as disclosed below.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (IFRIC) - Interpretation 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) - Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

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.

HKAS 24 (Revised) "Related Party Disclosures" amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition.

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.

2 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has seven (31 December 2010: four) reportable operating segments as follows:

Financial services segments:

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

— Margin and initial public 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 segment without allocation of staff costs and other central administrative costs. 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 twelve months ended 31 December 2011 and the year ended 31 December 2010.

For the twelve months ended 31 December 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	152,847	375,638	15,100	163,890	37,029	519,020	–	1,263,524	–	1,263,524
Inter-segment	82	–	720	67,058	–	302	–	68,162	(68,162)	–
Total revenue	152,929	375,638	15,820	230,948	37,029	519,322	–	1,331,686	(68,162)	1,263,524
Segment result	156,423	353,047	15,100	166,570	(4,325)	205,460	(81,231)	811,044	–	811,044
Other income										5,435
Interest income										17,752
Corporate overhead										(165,563)
Depreciation										(95,681)
Expenses in relation to the grant of share option										(2,085)
Impairment loss on trade and other receivables										(3,495)
Interest expenses										(40,525)
Share of results of jointly-controlled entities										(124)
Profit before taxation										526,758

For the year ended 31 December 2010 (audited)

	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*
Segment revenue							
External customers	123,741	35,505	382,001	5,665	546,912	—	546,912
Inter-segment	30,064	—	13,035	—	43,099	(43,099)	—
Total revenue	153,805	35,505	395,036	5,665	590,011	(43,099)	546,912
Segment result	98,965	(2,562)	162,240	7,844	266,487	—	266,487
Other income							1,123
Interest income							27,674
Corporate overhead							(49,472)
Depreciation							(99,862)
Expenses in relation to the grant of share option							(24,457)
Impairment loss on trade and other receivables							(3,495)
Write off of property, plant and equipment							(2,316)
Deficit on revaluation of leasehold land and building							(14,778)
Profit before taxation							100,904

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

As at 31 December 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	**17,971,093**	**1,789,010**	**371,316**	**152,136**	**68,409**	**20,351,964**
Unallocated corporate assets						**32,854**
Loan receivables						**407,200**
Deferred tax assets						**6,107**
Available-for-sale investments						**4,242**
						20,802,367

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

	Twelve months ended 31 December 2011 *HK$'000* (unaudited)	Year ended 31 December 2010 *HK$'000* (audited)
Staff costs (including directors' remuneration)		
— salaries, wages and other benefits	**132,256**	87,996
— contributions to defined contribution retirement plan	**610**	214
— equity-settled share-based payment expenses in relation to the grant of share options	**1,178**	13,696
	134,044	101,906

4 TAXATION

	Twelve months ended 31 December 2011 *HK$'000* (unaudited)	Year ended 31 December 2010 *HK$'000* (audited)
Current tax:		
Hong Kong profits tax	**69,235**	—

Hong Kong profits tax has been provided for the twelve months ended 31 December 2011 at a rate of 16.5%. No provision for Hong Kong profits tax had been made for the year ended 31 December 2010 as the Group had no assessable profit for that year.

No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau has accumulated tax losses to set off against the assessable profit for the period (year ended 31 December 2010: nil).

5 DIVIDENDS

Interim dividend of HK0.5 cents per share was declared and paid for the six months ended 30 June 2011 (six months ended 30 June 2010: nil)

The board has resolved not to declare second interim dividend for the twelve months ended 31 December 2011 (year ended 31 December 2010: nil).

6 EARNINGS PER SHARE

	Twelve months ended 31 December 2011 *HK cent* (unaudited)	Year ended 31 December 2010 *HK cent* (audited)
Basic earnings per share	**3.17**	2.06
Diluted earnings per share	**3.13**	1.98

(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:

	Twelve months ended 31 December 2011 *HK$'000* **(unaudited)**	Year ended 31 December 2010 *HK$'000* (audited)
Profit for the purpose of basic earnings per share	**451,465**	99,558

	31 December 2011	31 December 2010
Weighted average number of ordinary shares	**10,294,405,151**	4,844,402,854
Weighted average number of non-redeemable convertible preference shares	**3,955,479,452**	—
Weighted average number of shares for the purpose of basic earnings per share	**14,249,884,603**	4,844,402,854

(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:

	Twelve months ended 31 December 2011 (unaudited)	Year ended 31 December 2010 (audited)
Weighted average number of shares used in the calculation of basic earnings per share	**14,249,884,603**	4, 844,402,854
Shares deemed to be issued for no consideration in respect of:		
— Share options	**176,077,166**	150,164,105
— Warrants	**—**	42,021,465
	14,425,961,769	5,036,588,424

Note: For the year ended 31 December 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.

7 TRADE AND OTHER RECEIVABLES

	31 December 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
Trade receivables from financial services segments	**6,191,643**	—
Trade receivables from hotel and gaming segments	**72,382**	72,201
Other receivables, deposits and prepayments	**15,671**	11,747
	6,279,696	83,948

Trade receivables from financial services segments

	31 December 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients	**26,912**	—
Margin clients:		
Directors of the subsidiaries and their associates	**81,248**	—
Other margin clients	**6,041,686**	—
	6,149,846	—
Clearing houses	**30,464**	—
Brokers and dealers	**17**	—
Accounts receivable arising from the ordinary course of business of dealing in futures contracts:		
Clearing house	**9,473**	—
Accounts receivable arising from the ordinary course of business of provision of:		
Corporate finance services	**1,791**	—
Assets management services	**52**	
	6,191,643	—

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

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. Accounts receivable from margin clients are repayable on demand and carry interest at approximately Hong Kong Dollar Prime rate plus 3%. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group.

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

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management.

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:

	31 December 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
0–30 days	**65,079**	59,981
31–60 days	**7,526**	12,148
61–90 days	**586**	782
Over 90 days	**22,186**	18,790
	95,377	91,701
Allowance for doubtful debt	**(22,995)**	(19,500)
	72,382	72,201

8 TRADE AND OTHER PAYABLES

	31 December 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
Trade payables from financial services segments	**590,615**	—
Trade payables from hotel and gaming segments	**15,850**	16,162
Other payable and accruals	**35,277**	39,364
	641,742	55,526

Trade payables from financial services segments

	31 December 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
Accounts payable arising from the ordinary course of business of dealing in securities:		
Cash clients	**229,267**	—
Margin clients	**344,742**	—
	574,009	—
Dividend payable to clients	**3,464**	—
Clearing houses	**—**	—
Brokers and dealers	**1**	—
Accounts payable arising from the ordinary course of business of dealing in futures contracts:		
Clients	**10,506**	—
Accounts payable arising from the ordinary course of business of provision of:		
Corporate finance services	**8**	—
Assets management services	**2,627**	—
	590,615	—

The settlement terms of accounts payable attributable to dealing in securities in respect of brokers and dealers and cash clients are two days after the trade date, and those of accounts payable attributable to dealing in futures are one day after the trade day.

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

As at the 31 December 2011, included in accounts payable was an amount of HK$528,931,000 payable to clients and other institutions in respect of trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities.

Trade payables from hotel and gaming segments

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

	31 December 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
0–30 days	**12,436**	9,395
31–60 days	**1,799**	4,498
61–90 days	**1,576**	1,461
Over 90 days	**39**	808
	15,850	16,162

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During to the change to our financial year to the end of March starting from 2012, this is the second interim report for the fifteen months financial period ending 31 March 2012.

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$1,263,524,000 for the twelve months ended 31 December 2011, representing a significant revenue growth of approximately 133% as compared with approximately HK$541,247,000 in the corresponding period of year 2010.

During the twelve months ended 31 December 2011, the Group recorded an EBITDA of approximately HK$691,067,000 (2010: HK$199,420,000). The unaudited net profit attributable to the Company's shareholders amounted to approximately HK$451,465,000 (2010: HK$99,558,000). The basic earnings per share for the twelve months ended 31 December 2011 was HK3.17 cents (2010: HK2.06 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 jewellery, garment, printing, energy, health care, utilities, information technology, transportation and financial services for the period under review.

During the period, this segment recorded revenue of approximately HK$152,847,000 which accounted for 28% 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$375,638,000, accounting for 69% 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$15,100,000 which accounted for 3% 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 twelve months ended 31 December 2011 amounted to approximately HK$200,919,000 (2010: HK$159,246,000). Hotel business contributed 28% (2010: 29%) of the total hotel and gaming business turnover. During the period under review, the average occupancy rate of the two hotels was approximately 78%. The ongoing renovation entails 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$519,020,000 for the twelve months ended 31 December 2011 (2010: HK$382,001,000), representing an increase of approximately 36% from the corresponding period in year 2010. Casino revenue accounted for 72% (2010: 71%) of total hotel and gaming business turnover.

As at 31 December 2011, the Group has 64 tables in the 2 mass market halls, 8 tables in the 2 self-managed VIP rooms and 205 slot machines and 120 live baccarat machines in the 2 electronic gaming 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 year 2011, the global equity market suffered a significant setback and hence the market value of the trading securities held by the Group recorded a revaluation deficit of approximately HK$84,275,000 during the period under review. As at 31 December 2011, the Group was holding trading securities of approximately HK$68,409,000 in value.

Inventory consumed

Inventory consumed 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$16,771,000 to approximately HK$20,630,000. The increase was in line with the growth in the hotel revenue.

Staff costs

Staff costs increased from approximately HK$101,906,000 to approximately HK$134,044,000, mainly due to addition of staff cost in relation to the financial businesses acquired in April 2011. Remuneration packages commensurate with employees' qualification and experience were provided to retain good employees in the Group as well as to hire potential talents.

Gaming commission

Gaming commission represents amount paid as an incentive to attract customers. The commission paid by the Group were in line with market level. During the period under review, it increased from approximately HK$134,779,000 to approximately HK$189,013,000, which was in line with the growth of gaming industry in Macau.

Other operating expenses

Other operating expenses mainly represent operating expenses for hotel rooms and gaming facilities, rent and rates, legal and professional fees, advertising and promotion expenses and Macau property tax. During the period under review, it increased from approximately HK$118,206,000 to approximately HK$146,300,000, reflecting mainly the addition of financial businesses.

Finance cost

During the period under review, finance cost represented the effective interest expense on promissory notes.

Future Prospects

The global capital market was exceptionally complex due to the uncertainty of economic recovery in the US, the debt crisis in Europe, the progress of economic recovery progress in Japan post Fukushima earthquake in March 2011 and the nuclear crisis emerged subsequently.

The PRC Government's tightening measures against real estate market bubbles and inflation continue to cast a shadow on global as well as Hong Kong's economy. Nevertheless, the People's Bank of China, the central bank, lowered its RMB deposit reserve requirement ratio by 50 basis points each in December 2011 and February 2012, after the continuous raising of the deposit reserve requirement ratio since December 2008, might be a sign of gradual relaxation of monetary tightening to stimulate growth, as the global financial crisis has started to weigh on the economy.

Fragile investor confidence and high volatility in global capital market continue to affect the global market performance. However, growing PRC economy plays an important role in influencing the global economic recovery and the Central Government's support maintaining Hong Kong as an international financial centre provide us with excellent opportunities.

Financial services segments

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.

With the commencement of new business, a jointly established fund with SBI Holdings, Inc. was set up in September 2011, with the focus on investment in private equities in the Greater China region, it is expected that the capital return will be a new revenue source of income in the future financial years.

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 system enhancements to support the introduction of the RMB Equity Trading Support Facility (TSF) were completed in October 2011. The Group will continue to improve its trading and settlement infrastructure to accommodate trade settlement for RMB-traded products.

Hotel and gaming segments

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 31 December 2011, the shareholders' fund and net current assets of the Group amounted to approximately HK$13,742,710,000 and approximately HK$1,516,145,000 respectively. On the same date, the Group had cash and bank balances of approximately HK$351,308,000 and the current ratio was 1.2 (31 December 2010: 22.8).

As at 31 December 2011, the Group had bank borrowings of approximately HK$1,419,000,000, amounts due to shareholders of approximately HK$2,611,281,000 (2010: nil), loan from a related company of approximately HK$345,729,000 (2010: nil), promissory notes of approximately HK$920,883,000 (2010: nil) and subordinated loans 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 43% (2010: net cash position).

Contingent Liabilities

No material contingent liabilities of the Group were noted as at 31 December 2011.

Capital Structure

During the twelve months ended 31 December 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" 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 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 31 December 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 31 December 2011, the Group had pledged clients' securities at a value of approximately HK$5,367,372,000 to secure certain banking facilities provided to the Group.

Material Acquisitions

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.

Risk Management

Credit risk

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

Market risk

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

Liquidity risk

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

Interest rate risk

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

Foreign Currency Exposure

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

The Group's financial service 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.

CHANGE OF FINANCIAL YEAR END DATE

As disclosed in the Company's announcement dated 1 April 2011, the Company has changed its financial year end from 31 December to 31 March. Accordingly, the next financial year end date of the Company will be 31 March 2012 and the next published audited financial statements of the Company will cover a 15-month period from 1 January 2011 to 31 March 2012.

INTERIM DIVIDEND

The board has resolved not to declare second interim dividend for the twelve months ended 31 December 2011 (year ended 31 December 2010: nil).

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

During the twelve months ended 31 December 2011, the Company had purchased 9,104,000 of its ordinary shares on the Stock Exchange of Hong Kong. All the shares purchased were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the shares acquired by month are as follows:

Month	Number purchased	Highest price paid	Lowest price paid	Total cost
		HK$	*HK$*	*HK$*
September 2011	4,992,000	0.78	0.68	3,692,000
October 2011	4,112,000	0.78	0.74	3,170,000
	9,104,000			6,862,000

Save as disclosed above, neither the Company nor subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Throughout the twelve months ended 31 December 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 twelve months ended 31 December 2011.

AUDIT COMMITTEE

The audit committee has met with BDO Limited, the external auditor of the Group, to review the accounting policies and practices adopted by the Group and review the unaudited interim condensed consolidated financial statements of the Group for the twelve months ended 31 December 2011.

PUBLICATION OF SECOND INTERIM REPORT

The Company's 2011 second 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
Kingston Financial Group Limited
Chu, Nicholas Yuk-yui
Chairman

Hong Kong, 28 February 2012

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.