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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)**

### FINAL RESULTS FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2012

<b>FINANCIAL HIGHLIGHTS:</b>		
<i>HK\$'000</i>		
	<b>15 months ended 31 March 2012</b>	<b>Year ended 31 December 2010</b>
Revenue		
— Securities brokerage, underwriting and placements	<b>179,858</b>	—
— Margin and IPO financing	<b>489,762</b>	—
— Other financial services	<b>20,427</b>	—
— Hotel ownership and management	<b>203,199</b>	119,069
— Food and beverage	<b>59,709</b>	37,518
— Gaming revenue	<b>613,771</b>	379,988
— Other rental income	<b>7,245</b>	4,672
Total Revenue	<b><u>1,573,971</u></b>	<b><u>541,247</u></b>
Profit for the period/year attributable to owners of the Company	<b><u>548,988</u></b>	<b><u>99,558</u></b>
Earnings per share		
— Basic	<b><u>HK 3.69 cents</u></b>	HK 2.06 cents
— Diluted	<b><u>HK 3.65 cents</u></b>	HK 1.98 cents

The board of directors (the “Board”) of Kingston Financial Group Limited (the “Company”) announces the audited consolidated final results of the Company and its subsidiaries (collectively the “Group”) for the fifteen months ended 31 March 2012 together with comparative figures for the year ended 31 December 2010 as follows:

## CONSOLIDATED INCOME STATEMENT

For the fifteen months ended 31 March 2012

	Note	1.1.2011 to 31.3.2012 HK\$'000	1.1.2010 to 31.12.2010 HK\$'000 (Restated)
Revenue	3	1,573,971	541,247
Other income		35,713	23,225
		<u>1,609,684</u>	<u>564,472</u>
Inventory consumed		(26,307)	(16,771)
Staff costs		(165,109)	(101,906)
Gaming commission		(233,623)	(134,779)
Broker commission		(44,543)	—
Interest expenses for securities brokerage and margin financing operations		(43,585)	—
Depreciation		(118,365)	(99,862)
Impairment loss on trade receivables		(27,799)	(3,495)
Other expenses		(193,513)	(114,711)
		<u>(852,844)</u>	<u>(471,524)</u>
Finance income		11,573	8,357
Finance cost		(54,290)	—
(Loss)/gain from sales of trading securities		(74,688)	361
Fair value (loss)/gain on trading securities		(15,817)	4,743
Exchange gains		11,999	9,273
Surplus/(deficit) on revaluation of leasehold land and buildings		4,521	(14,778)
Share of results of jointly controlled entities		(235)	—
		<u>(116,937)</u>	<u>7,956</u>
Profit before taxation	6	639,903	100,904
Taxation	5	(83,512)	—
<b>Profit for the period/year</b>		<u><b>556,391</b></u>	<u>100,904</u>
<b>Attributable to:</b>			
Owners of the Company		548,988	99,558
Non-controlling interests		7,403	1,346
		<u><b>556,391</b></u>	<u>100,904</u>
<b>Earnings per share (cents per share)</b>	8		
— Basic		3.69	2.06
— Diluted		3.65	1.98

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fifteen months ended 31 March 2012

	<i>Note</i>	<b>1.1.2011 to 31.3.2012 HK\$'000</b>	1.1.2010 to 31.12.2010 HK\$'000 (Restated)
<b>Profit for the period/year</b>		<b><u>556,391</u></b>	<u>100,904</u>
Other comprehensive income/(loss)	9		
Surplus/(deficit) on revaluation of leasehold land and buildings		<b>291,011</b>	(20,321)
Available-for-sale investments:			
Unrealised (loss)/gain arising from change in fair value		<u>(1,388)</u>	<u>1,913</u>
Other comprehensive gain/(loss) for the period/year, net of tax		<u>289,623</u>	<u>(18,408)</u>
<b>Total comprehensive income for the period/year</b>		<b><u>846,014</u></b>	<u>82,496</u>
<b>Attributable to:</b>			
Owners of the Company		<b>838,611</b>	81,150
Non-controlling interests		<u>7,403</u>	<u>1,346</u>
		<b><u>846,014</u></b>	<u>82,496</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2012*

	<i>Note</i>	<b>31.3.2012</b>	31.12.2010
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		2,544,837	2,206,347
Deferred tax assets		6,107	5,575
Deposit for acquisition		—	400,000
Deposit for hotel renovation		9,191	—
Statutory deposit for financial business		2,773	—
Goodwill		10,996,683	—
Interests in jointly controlled entities		1,818	—
		<u>13,561,409</u>	<u>2,611,922</u>
<b>Current assets</b>			
Inventories		3,366	2,925
Available-for-sale investments		4,572	5,960
Trading securities		51,365	152,070
Loan receivable		414,820	401,328
Trade and other receivables	10	4,752,415	83,948
Tax recoverable		895	—
Cash and bank balances — trust accounts		584,197	—
Cash and bank balances — general accounts		145,172	617,126
		<u>5,956,802</u>	<u>1,263,357</u>
<b>Current liabilities</b>			
Trade and other payables	11	698,469	55,526
Amounts due to shareholders		1,924,411	—
Loan from a related company		16,017	—
Subordinated loans		700,000	—
Bank loans		981,000	—
Tax payable		9,933	—
		<u>4,329,830</u>	<u>55,526</u>
<b>Net current assets</b>		<u>1,626,972</u>	<u>1,207,831</u>
<b>Total assets less current liabilities</b>		<u>15,188,381</u>	<u>3,819,753</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION — CONTINUED***As at 31 March 2012*

	<b>31.3.2012</b> <i>HK\$'000</i>	31.12.2010 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>120,379</b>	—
Promissory notes	<b>924,648</b>	—
	<hr/> <b>1,045,027</b>	<hr/> —
<b>Total liabilities</b>	<hr/> <b>5,374,857</b>	<hr/> 55,526
<b>Net assets</b>	<hr/> <b>14,143,354</b>	<hr/> 3,819,753
<b>Capital and reserves</b>		
Share capital — ordinary shares	<b>240,865</b>	103,198
Share capital — non-redeemable convertible preference shares	<b>105,000</b>	—
Reserves	<b>13,786,200</b>	3,712,669
	<hr/> <b>14,132,065</b>	<hr/> 3,815,867
<b>Total equity attributable to owners of the Company</b>	<hr/> <b>14,132,065</b>	<hr/> 3,815,867
<b>Non-controlling interests</b>	<b>11,289</b>	3,886
	<hr/> <b>14,143,354</b>	<hr/> 3,819,753
<b>Total equity</b>	<hr/> <b>14,143,354</b>	<hr/> 3,819,753

## SCOPE OF WORKS OF MESSRS. BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the fifteen months ended 31 March 2012 as set out in this announcement have been agreed by the Group's auditors, Messrs. BDO Limited to the amounts set out in the Group's audited consolidated financial statement for the year. The work performed by Messrs. BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. BDO Limited in this announcement.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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 financial statement covered a fifteen months period from 1 January 2011 to 31 March 2012 and the comparative figures covered a twelve month period from 1 January 2010 to 31 December 2010.

### 2. ADOPTION OF NEW AND REVISED STANDARDS

#### Adoption of new/revised HKFRSs — effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
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

Except as explained below, the adoption of these new/revised standards and interpretations has no material impact on the Group's financial statements.

#### HKFRS 7 (Amendments) — Financial Instruments: Disclosures

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's trade receivables represents the Group's maximum exposure to credit risk in respect of these financial assets as at 31 March 2012 and 31 December 2010. The prior year financial statements included a positive statement to this effect which is removed in the 2012 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

## HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) 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 revised definitions have no impact on related party disclosures in the current and prior periods. The adoption of HKAS 24 (Revised) also has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented. HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

Other than these, adoption of the other new or revised HKFRSs has had no material effects on the Group's consolidated financial statements nor resulted in substantial changes to the Group's accounting policies.

### 3. REVENUE

An analysis of the Group's revenue, which are also the Group's turnover, is as follows:

	<b>1.1.2011 to 31.3.2012 HK\$'000</b>	1.1.2010 to 31.12.2010 HK\$'000
Financial services business		
— securities brokerage, underwriting and placements	<b>179,858</b>	—
— margin and IPO financing	<b>489,762</b>	—
— other financial services	<b>20,427</b>	—
Hotels and gaming business		
— room rental	<b>203,199</b>	119,069
— food and beverage	<b>59,709</b>	37,518
— gaming revenue	<b>613,771</b>	379,988
— other rental income	<b>7,245</b>	4,672
	<b>1,573,971</b>	541,247

### 4. SEGMENTAL INFORMATION

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

#### Financial services segments:

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

**Hotel and gaming segments:**

- Hotel ownership and management segment is the operation of hotels and provision of hotel management services.
- Food and beverage segment is the operation of restaurants in hotels.
- Gaming segment is the 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 performance is evaluated based on a measure of adjusted earnings before interest, income tax, depreciation and amortisation (adjusted EBITDA). Interest income and expenditure and certain income and expenses (including depreciation, taxation, expenses in relation to the grant of share options, impairment losses, write-off of property, plant and equipment, revaluation of property, plant and equipment) are not included in the result of each operating segment that is reviewed by the management. Other information provided, except as noted below, to the management is measured in a manner consistent with that in the 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 income statement.



## Operating segments

The following tables represent segment information of the Group provided to the Group's management for the fifteen months ended 31 March 2012 and year ended 31 December 2010, respectively.

### *For the fifteen months ended 31 March 2012*

	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Financial service business HK\$'000	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Securities Investment HK\$'000	Total HK\$'000
<b>Segment Revenue</b>									
External customers	179,787	489,762	20,498	690,047	210,443	47,678	625,803	—	1,573,971
Inter-segment	71	—	960	1,031	78,235	—	6,715	—	85,981
	<u>179,858</u>	<u>489,762</u>	<u>21,458</u>	<u>691,078</u>	<u>288,678</u>	<u>47,678</u>	<u>632,518</u>	<u>—</u>	<u>1,659,952</u>
<b>Adjusted EBITDA</b>	<u>187,102</u>	<u>457,253</u>	<u>20,499</u>	<u>664,854</u>	<u>208,318</u>	<u>(4,474)</u>	<u>230,077</u>	<u>(86,664)</u>	<u>1,012,111</u>
Unrealised gain/(loss) on trading securities				1	—	—	—	(15,818)	(15,817)
<b>Segment Assets</b>				<u>16,309,805</u>	<u>2,034,880</u>	<u>443,193</u>	<u>203,709</u>	<u>51,364</u>	<u>19,042,951</u>
Capital expenditure				—	32,090	414	5,439	—	37,943
<b>Segment Liabilities</b>				<u>3,380,560</u>	<u>135,530</u>	<u>8,806</u>	<u>13,769</u>	<u>5</u>	<u>3,538,670</u>

### *For the year ended 31 December 2010*

	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Securities Investment HK\$'000	Total HK\$'000
<b>Segment Revenue</b>					
External customers	123,741	35,505	382,001	5,665	546,912
Inter-segment	30,064	—	13,035	—	43,099
	<u>153,805</u>	<u>35,505</u>	<u>395,036</u>	<u>5,665</u>	<u>590,011</u>
<b>Adjusted EBITDA</b>	<u>98,965</u>	<u>(2,562)</u>	<u>162,240</u>	<u>7,844</u>	<u>266,487</u>
<b>Segment Assets</b>	<u>1,689,513</u>	<u>446,839</u>	<u>239,279</u>	<u>152,427</u>	<u>2,528,058</u>
Capital expenditure	31,700	448	5,794	—	37,942
<b>Segment Liabilities</b>	<u>8,694</u>	<u>12,767</u>	<u>21,907</u>	<u>6</u>	<u>43,374</u>

*Reconciliations of segment revenues, adjusted EBITDA, assets and liabilities*

	<b>1.1.2011 to 31.3.2012 HK\$'000</b>	1.1.2010 to 31.12.2010 HK\$'000
<b>Segment revenue</b>	<b>1,659,952</b>	590,011
Elimination of inter-segment revenue	<b>(85,981)</b>	(43,099)
Elimination of revenue of securities investment	<b>—</b>	(5,665)
<b>Consolidated revenue</b>	<b><u>1,573,971</u></b>	<u>541,247</u>
<b>Adjusted EBITDA</b>	<b>1,012,111</b>	266,487
Other income	<b>5,970</b>	1,123
Interest income	<b>17,952</b>	27,674
Exchange gain	<b>11,999</b>	760
Corporate staff costs	<b>(63,929)</b>	(18,737)
Corporate overhead	<b>(145,647)</b>	(31,495)
Depreciation	<b>(118,365)</b>	(99,862)
Expenses in relation to the grant of share option	<b>(2,385)</b>	(24,457)
Impairment losses on trade and other receivables	<b>(27,799)</b>	(3,495)
Share of results of jointly controlled entities	<b>(235)</b>	—
Write off of property, plant and equipment	<b>—</b>	(2,316)
Surplus/(deficit) on revaluation of leasehold land and buildings	<b>4,521</b>	(14,778)
Finance costs	<b>(54,290)</b>	—
<b>Profit before taxation</b>	<b><u>639,903</u></b>	<u>100,904</u>
<b>Segment assets</b>	<b>19,042,951</b>	2,528,058
Deferred tax assets	<b>6,107</b>	5,575
Deposit for acquisition	<b>—</b>	400,000
Loan receivable	<b>414,820</b>	401,328
Available-for-sale investments	<b>4,572</b>	5,960
Unallocated corporate assets	<b>49,761</b>	534,358
<b>Total assets</b>	<b><u>19,518,211</u></b>	<u>3,875,279</u>
<b>Segment liabilities</b>	<b>3,538,670</b>	43,374
Unallocated corporate liabilities	<b>1,836,187</b>	12,152
<b>Total liabilities</b>	<b><u>5,374,857</u></b>	<u>55,526</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than deferred tax assets, loan receivable, available-for-sale investments, deposit for acquisition and assets used jointly by reportable segments.
- all liabilities are allocated to reportable segments other than the liabilities for which reportable segments are jointly liable.

*Geographical segment information*

The Group's financial services are located in Hong Kong and the other operations are mainly located in Macau Special Administrative Region of The People's Republic of China.

*Information about major customers*

Revenue from customers of corresponding years contributing over 10% of total revenue of the Group are as follows:

	<b>1.1.2011 to 31.3.2012 HK\$'000</b>	1.1.2010 to 31.12.2010 HK\$'000
Sociedade De Jogos De Macau, S.A. ( <i>note</i> )	<u><b>613,771</b></u>	<u>375,727</u>

*Note:* Revenue from income from casino

**5. TAXATION**

	<b>1.1.2011 to 31.3.2012 HK\$'000</b>	1.1.2010 to 31.12.2010 HK\$'000
Current tax:		
Hong Kong profits tax	<b>85,860</b>	—
Deferred tax	<u><b>(2,348)</b></u>	<u>—</u>
	<u><b>83,512</b></u>	<u>—</u>

- (a) Hong Kong profits tax has been provided for the fifteen months ended 31 March 2012 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.
- (b) No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau have accumulated tax losses to set off against the assessable profit for the period (year ended 31 December 2010: nil).
- (c) The taxation for the period/year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	<b>1.1.2011 to 31.3.2012 HK\$'000</b>	1.1.2010 to 31.12.2010 HK\$'000
Profit before taxation	<u><b>639,903</b></u>	<u>100,904</u>
Tax calculated at domestic tax rate 16.5%	<b>105,584</b>	16,649
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(13,778)</b>	(3,679)
Tax effect of non-deductible expenses	<b>107,016</b>	11,110
Tax effect of non-taxable income	<b>(113,260)</b>	(37,973)
Deferred tax assets not recognised	<b>769</b>	13,893
Others	<u><b>(2,819)</b></u>	<u>—</u>
Taxation for the period/year	<u><b>83,512</b></u>	<u>—</u>

*Note:* The tax rates adopted here are 16.5% for those entities operating in Hong Kong and 12% for entities operating in other jurisdictions.

## 6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the following:

	<b>1.1.2011 to 31.3.2012 HK\$'000</b>	1.1.2010 to 31.12.2010 HK\$'000
Auditors' remuneration		
— audit services	1,984	540
— tax services	4	13
— other services	780	40
Operating lease charges	<u>32,390</u>	<u>10,438</u>

## 7. DIVIDEND

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 directors of the Company recommended the payment of final dividend of HK1 cent per share for the fifteen months ended 31 March 2012 (year ended 31 December 2010: nil).

## 8. EARNINGS PER SHARE

	<b>1.1.2011 to 31.3.2012 HK cent</b>	1.1.2010 to 31.12.2010 HK cent
Basic earnings per share	<u>3.69</u>	<u>2.06</u>
Diluted earnings per share	<u>3.65</u>	<u>1.98</u>

### (a) Basic earnings per share

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

	<b>1.1.2011 to 31.3.2012 HK\$'000</b>	1.1.2010 to 31.12.2010 HK\$'000
<b>Profit for the purpose of basic earnings per share</b>	<u>548,988</u>	<u>99,558</u>
	<b>1.1.2011 to 31.3.2012</b>	1.1.2010 to 31.12.2010
Weighted average number of ordinary shares	10,666,736,006	4,844,402,854
Weighted average number of non-redeemable convertible preference shares	<u>4,223,076,923</u>	<u>—</u>
Weighted average number of shares for the purposes of basic earnings per share	<u>14,889,812,929</u>	<u>4,844,402,854</u>

**(b) Diluted earnings per share**

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

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

	<b>1.1.2011 to 31.3.2012</b>	1.1.2010 to 31.12.2010
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>14,889,812,929</b>	4,844,402,854
Shares deemed to be issued for no consideration in respect of:		
— Share options	<b>167,406,224</b>	150,164,105
— Warrants	<u>—</u>	<u>42,021,465</u>
	<b><u>15,057,219,153</u></b>	<b><u>5,036,588,424</u></b>

*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.

**9. OTHER COMPREHENSIVE INCOME/(LOSS)**

	<b>1.1.2011 to 31.3.2012</b>			1.1.2010 to 31.12.2010		
	<b>Before tax HK\$'000</b>	<b>Tax HK\$'000</b>	<b>After tax HK\$'000</b>	Before tax HK\$'000	Tax HK\$'000	After tax HK\$'000
Surplus/(deficit) on revaluation of leasehold land and buildings	<u>413,738</u>	<u>(122,727)</u>	<u>291,011</u>	<u>(20,321)</u>	<u>—</u>	<u>(20,321)</u>
Available-for-sale investments						
Unrealised (loss)/gain arising from change in fair value	<u>(1,388)</u>	<u>—</u>	<u>(1,388)</u>	<u>1,913</u>	<u>—</u>	<u>1,913</u>
Other comprehensive income/(loss)	<u>412,350</u>	<u>(122,727)</u>	<u>289,623</u>	<u>(18,408)</u>	<u>—</u>	<u>(18,408)</u>

**10. TRADE AND OTHER RECEIVABLES**

	<b>The Group</b>		<b>The Company</b>	
	<b>31.3.2012 HK\$'000</b>	31.12.2010 HK\$'000	<b>31.3.2012 HK\$'000</b>	31.12.2010 HK\$'000
Trade receivables from financial services segments	<b>4,668,514</b>	—	—	—
Trade receivables from hotel and gaming segments	<b>53,653</b>	72,201	—	—
Other receivables, deposits and prepayments	<u>30,248</u>	<u>11,747</u>	<u>8,643</u>	<u>5,413</u>
	<b><u>4,752,415</u></b>	<b><u>83,948</u></b>	<b><u>8,643</u></b>	<b><u>5,413</u></b>

## Trade receivables from financial services segments

	<b>The Group</b>	
	<b>31.3.2012</b>	31.12.2010
	<b>HK\$'000</b>	<b>HK\$'000</b>
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients	<b>19,045</b>	—
Margin clients:		
Directors of the subsidiaries and their associates	<b>37,271</b>	—
Other margin clients	<b>4,623,623</b>	—
Less: Allowance for doubtful debt	<b>(23,430)</b>	—
	<b>4,656,509</b>	—
Brokers and dealers	<b>18</b>	—
Accounts receivable arising from the ordinary course of business of dealing in futures contracts:		
Clearing house	<b>10,747</b>	—
Accounts receivable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	<b>1,240</b>	—
	<b>4,668,514</b>	—

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. At 31 March 2012, total market value of securities pledged as collateral in respect of the loan to margin clients was approximately HK\$18,550,902,000.

Accounts receivables from 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:

	<b>The Group</b>	
	<b>31.3.2012</b>	31.12.2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	<b>45,758</b>	59,981
31–60 days	<b>7,003</b>	12,148
61–90 days	<b>1,707</b>	782
Over 90 days	<b>23,054</b>	18,790
	<hr/>	<hr/>
	<b>77,522</b>	91,701
Allowance for doubtful debt	<b>(23,869)</b>	(19,500)
	<hr/>	<hr/>
	<b>53,653</b>	72,201
	<hr/> <hr/>	<hr/> <hr/>

The movements of impairment loss on trade receivables of the Group are as follows:

	<b>The Group</b>	
	<b>31.3.2012</b>	31.12.2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the period/year	<b>19,500</b>	16,005
Impairment loss recognised	<b>4,369</b>	3,495
	<hr/>	<hr/>
At end of the period/year	<b>23,869</b>	19,500
	<hr/> <hr/>	<hr/> <hr/>

	<b>The Group</b>	
	<b>31.3.2012</b>	31.12.2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	<b>45,467</b>	59,690
Past due but not impaired:		
Less than 1 month past due	<b>6,712</b>	11,857
1 to 3 months past due	<b>1,474</b>	654
	<hr/>	<hr/>
	<b>8,186</b>	12,511
	<hr/>	<hr/>
	<b>53,653</b>	72,201
	<hr/> <hr/>	<hr/> <hr/>

The balances which are past due but not impaired relate to a number of customers who have a good track record with the Group, or are active during the period.

The balances of other classes within trade and other receivables of the Group and of the Company are neither past due nor impaired. They comprise other receivables which are currently aged, and receivables from related companies and group companies which are active during the period/year. Management considers that these related parties have sufficient financial capacities to repay.

The balances of other classes within trade and other receivables of the Group are neither past due nor impaired. Management considers that the credit risk associated with these receivables is minimal.

## 11. TRADE AND OTHER PAYABLES

	The Group		The Company	
	31.3.2012	31.12.2010	31.3.2012	31.12.2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables from financial services segments	640,306	—	—	—
Trade payables from hotel and gaming segments	11,894	16,162	—	—
Other payable and accruals	46,269	39,364	11,540	2,410
	<u>698,469</u>	<u>55,526</u>	<u>11,540</u>	<u>2,410</u>

### Trade payables from financial services segments

	The Group	
	31.3.2012	31.12.2010
	HK\$'000	HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities:		
Cash clients	173,410	—
Margin clients	413,976	—
	<u>587,386</u>	<u>—</u>
Dividend payable to clients	4	—
Clearing house	36,729	—
Brokers and dealers	1	—
Accounts payable arising from the ordinary course of business of dealing in futures contracts:		
Clients	14,387	—
Accounts payable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	14	—
Asset management services	1,785	—
	<u>640,306</u>	<u>—</u>

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

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

As at the 31 March 2012, included in accounts payable was an amount of HK\$584,197,000 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/year:

	The Group	
	31.3.2012	31.12.2010
	HK\$'000	HK\$'000
0–30 days	11,797	9,395
31–60 days	49	4,498
61–90 days	29	1,461
Over 90 days	19	808
	<u>11,894</u>	<u>16,162</u>

## 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 result of the Company and its subsidiaries (collectively, the “Group”) for the fifteen months ended 31 March 2012.

### 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 audited financial statements cover a fifteen month period from 1 January 2011 to 31 March 2012.

### 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 offering 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 turnover was approximately HK\$1,573,971,000 for the fifteen months ended 31 March 2012, representing a significant revenue growth as compared with approximately HK\$541,247,000 in the year ended 31 December 2010.

During the fifteen months ended 31 March 2012, the Group recorded an EBITDA of approximately HK\$848,740,000 (year ended 31 December 2010: HK\$199,420,000).

The net profit attributable to the Company’s shareholders amounted to approximately HK\$548,988,000 (year ended 31 December 2010: HK\$99,558,000). The basic earnings per share for the fifteen months ended 31 March 2012 was HK3.69 cents (year ended 31 December 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, Australia, 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 food and beverage, media and entertainment, 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\$179,787,000 which accounted for 26% 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\$489,762,000, accounting for 71% 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\$20,498,000 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 years 2011 and 2012. The revenue for the fifteen months ended 31 March 2012 amounted to approximately HK\$258,121,000 (year ended 31 December 2010: HK\$159,246,000). Hotel business contributed 29% (year ended 31 December 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 79%. 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 Sociedade 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\$625,803,000 for the fifteen months ended 31 March 2012 (year ended 31 December 2010: HK\$382,001,000). Casino revenue accounted for 71% (year ended 31 December 2010: 71%) of total hotel and gaming business turnover.

As at 31 March 2012, the Group has 64 tables in the 2 mass market halls, 8 tables in the 2 self-managed VIP rooms and 189 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**

During the first quarter of 2012, the global equity market did not demonstrate a sign of strong recovery. The market value of the trading securities held by the Group recorded a revaluation deficit of approximately HK\$15,817,000 during the period under review, in addition to loss from trading of listed securities of approximately HK\$74,688,000. As at 31 March 2012, the Group was holding trading securities of approximately HK\$51,365,000 in value.

## **Inventory consumed**

Inventory consumed represents the cost of guest supplies and food and beverage consumed upon provision of accommodation and catering services to the customers. During the period under review, it amounted to approximately HK\$26,307,000 (year ended 31 December 2010: HK\$16,771,000). The increase was in line with the growth in the hotel revenue.

## **Staff costs**

Staff costs amounted to approximately HK\$165,109,000 (year ended 31 December 2010: HK\$101,906,000), the increase mainly due to addition of staff cost in relation to the financial businesses acquired in April 2011. 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 was in line with market level. During the period under review, it amounted to approximately HK\$233,623,000 (year ended 31 December 2010: HK\$134,779,000), representing the booming performance of gaming industry in Macau.

## **Other expenses**

Other 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 amounted to approximately HK\$193,513,000 (year ended 31 December 2010: HK\$114,711,000), reflecting mainly the addition of finance businesses.

## **Finance cost**

During the period under review, finance cost represents 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 eurozone crisis showed no signs of abating, the progress of economic recovery progress in Japan post Fukushima earthquake in March 2011 and the nuclear crisis emerged subsequently. Investor confidence remained subdued.

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, has lowered its RMB deposit reserve requirement ratio by 50 basis points each in December 2011, February 2012 and May 2012 after the continuous raising of the deposit reserve requirement ratio since December 2008, and the

central bank cut rates for the first time by 25 basis points for 12-month lending and deposit rates on 8 June 2012 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 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.

Capturing the experience of success in electronic gaming hall in Grandview Hotel, the Group is now actively preparing for the upgrading of the same in Casa Real Hotel. Significant revenue growth therefrom is expected.

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

As at 31 March 2012 the shareholders' fund and net current assets of the Group amounted to approximately HK\$14,132,065,000 (31 December 2010: HK\$3,815,867,000) and HK\$1,626,972,000 (31 December 2010: HK\$1,207,831,000) respectively. On the same date, the Group had cash and bank balance of approximately HK\$145,172,000 (31 December 2010: HK\$617,126,000) and the current ratio was 1.4 (31 December 2010: 22.8).

As at 31 March 2012, the Group had bank borrowings of approximately HK\$981,000,000 (31 December 2010: nil), amounts due to shareholders of approximately HK\$1,924,411,000 (31 December 2010: nil), loan from a related company of approximately HK\$16,017,000 (31 December 2010: nil), promissory notes of approximately HK\$924,648,000 (31 December 2010: nil) and subordinated loans of approximately HK\$700,000,000 (31 December 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 31% (31 December 2010: net cash position).

## **CONTINGENT LIABILITIES**

No material contingent liabilities of the Group were noted as at 31 March 2012.

## **CAPITAL STRUCTURE**

During the fifteen months ended 31 March 2012, 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 described in the Company's announcements dated 7 April 2011 and 28 April 2011. The proceeds from the placing amounted to approximately HK\$871,900,000.

During the same period, certain employees exercised their options to subscribe for 2,450,000 new shares of the Company. The proceeds from the exercise of options amounted to approximately HK\$1,550,000.



## **FINAL DIVIDEND**

The Board recommended the payment of a final dividend of HK1 cent per Share for the fifteen months ended 31 March 2012 (“Final Dividend”) to the Shareholders whose names appear on the register of members of the Company as at 4:30 p.m. on 22 August 2012, the record date for determining entitlements of the Shareholders to the proposed Final Dividend. The proposed Final Dividend is subject to approval by the Shareholders at the AGM and a resolution will be proposed to the Shareholders for voting at the AGM. If the resolution for the proposed Final Dividend is passed at the AGM, the proposed Final Dividend will be payable on or about 29 August 2012.

In order to qualify for the proposed Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 22 August 2012.

## **CLOSURE OF REGISTER OF MEMBERS**

The book closure dates are from 16 August 2012 to 17 August 2012, both days inclusive. No transfer of shares will be registered during this period. In order to qualify for the entitlement to the attendance and voting at the annual general meeting, all transfers accompanied by relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on 15 August 2012.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate sales attributable to the Group’s five largest customers were approximately 45% of the Group’s total revenue and the revenue attributable to the Group’s largest customer were approximately 39% of the Group’s total revenue for the year.

The aggregate purchases and service received during the 15 months ended 31 March 2012 attributable to the Group’s five largest suppliers were less than 30% of the Group’s total purchases and service received.

At no time during the 15 months ended 31 March 2012 did a Director, an associate of a Director or a shareholder of the Company, which to the knowledge of the Directors, owns more than 5% of the Company’s issued share capital, have an interest in the share capital of any of the five largest customers of the Group.

## **EMPLOYEES**

As at 31 March 2012, the Group employed a total of approximately 800 staff. The total staff cost for the fifteen months ended 31 March 2012 was approximately HK\$165,109,000. The employees’ remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market condition.

## **PLEDGE OF ASSETS**

As at 31 March 2012, the Group had pledged clients' securities at a value of approximately HK\$5,902,275,000 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 was completed in 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. Through the acquisition the Group has made a meaningful step in its strategic direction to focus on diversification of businesses. The acquisition has enabled the Group to become one of the leaders in the 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.

During the period under review, no material disposal was conducted by the Group.

## **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.



## **REVIEW BY AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) meets the external auditors at least once a year to discuss any areas of concerns during the audits. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Rules Governing the Listing of Securities (the “Listing Rules”) and the legal requirements in the review of the Company interim and annual reports.

## **CORPORATE GOVERNANCE**

The Group had complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the fifteen months ended 31 March 2012.

## **PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE**

The Company’s 2012 annual report, as well as the announcement of final results, containing the relevant information required by the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.kingston.com.hk>) in due course.

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

Hong Kong, 26 June 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.*