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

(Incorporated in Bermuda with limited liability)

(Stock Code: 01031)

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 September 2013 increased by 27% from HK\$652,105,000 to HK\$830,443,000 when compared with the corresponding period of last year.
- Profit attributable to the owners of the Company for the six months ended 30 September 2013 increased by 34% from HK\$254,825,000 to HK\$341,099,000, mainly due to increase in income from margin and IPO financing business.
- Earnings per share for the six months ended 30 September 2013 increased from HK1.47 cents to HK1.96 cents when compared with the corresponding period last year.

The Board of Directors (“the Board”) of Kingston Financial Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30 September 2013 together with comparative figures for the six months ended 30 September 2012.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2013

		Six months ended 30 September 2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
	<i>Notes</i>		
Revenue	2	830,443	652,105
Other income		22,780	4,690
		853,223	656,795
Inventory consumed		(10,662)	(11,373)
Staff costs	3	(104,028)	(84,521)
Gaming commission		(79,793)	(89,064)
Broker commission		(14,309)	(8,288)
Interest expenses for securities brokerage and margin financing operations		(31,216)	(18,680)
Depreciation		(60,823)	(52,717)
Impairment loss on trade receivables		—	(874)
Administrative expenses		(87,427)	(49,182)
Other operating expenses		(34,234)	(30,982)
		(422,492)	(345,681)
Finance income		1,944	3,273
Finance cost		(29,191)	(28,081)
(Loss)/gain from sales of trading securities		(675)	1,853
Fair value loss on trading securities		(187)	(2,936)
Exchange (loss)/gain		(6,103)	5,969
Share of results of jointly controlled entities		(135)	(207)
		(34,347)	(20,129)
Profit before taxation	4	396,384	290,985
Taxation	5	(53,758)	(33,927)
Profit for the period		342,626	257,058
Attributable to:			
Owners of the Company		341,099	254,825
Non-controlling interests		1,527	2,233
		342,626	257,058
Earnings per share (cents per share)	7		
— Basic		1.96	1.47
— Diluted		1.96	1.47

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>342,626</u>	<u>257,058</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Unrealised (loss)/gain arising from change in fair value of available-for-sale investments	(602)	174
Unrealised exchange gain arising from intangible assets held for sale	<u>266</u>	<u>–</u>
Other comprehensive (loss)/gain for the period, net of tax	<u>(336)</u>	<u>174</u>
Total comprehensive income for the period	<u><u>342,290</u></u>	<u><u>257,232</u></u>
Attributable to:		
Owners of the Company	340,763	254,999
Non-controlling interests	<u>1,527</u>	<u>2,233</u>
	<u><u>342,290</u></u>	<u><u>257,232</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		2,804,375	2,847,791
Deferred tax assets		6,107	6,107
Deposit for hotel renovation		332	1,128
Statutory deposit for financial business		5,176	4,452
Goodwill		10,996,683	10,996,683
Interests in jointly controlled entities		1,147	1,281
		<u>13,813,820</u>	<u>13,857,442</u>
Current assets			
Inventories		2,961	2,942
Available-for-sale investments		1,468	4,895
Trading securities		48,271	50,121
Loan receivable		—	406,827
Trade and other receivables	8	8,292,038	6,408,637
Tax recoverable		—	990
Cash and bank balances			
— trust accounts		629,667	731,306
Cash and bank balances			
— general accounts		204,300	188,102
		<u>9,178,705</u>	<u>7,793,820</u>
Intangible assets held for sale		400,683	—
		<u>9,579,388</u>	<u>7,793,820</u>
Current liabilities			
Trade and other payables	9	949,710	872,082
Amounts due to shareholders		1,554,111	1,661,111
Loan from a related company		3,014,851	2,289,821
Subordinated loans		700,000	700,000
Promissory notes		980,391	961,200
Bank loans		971,000	150,000
Tax payable		67,552	31,363
		<u>8,237,615</u>	<u>6,665,577</u>
Liability associated with intangible assets held for sale — derivative financial liability		1,263	—
		<u>8,238,878</u>	<u>6,665,577</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Net current assets	<u>1,340,510</u>	<u>1,128,243</u>
Total assets less current liabilities	<u>15,154,330</u>	<u>14,985,685</u>
Non-current liabilities		
Deferred tax liabilities	<u>156,535</u>	<u>158,670</u>
Total liabilities	<u>8,395,413</u>	<u>6,824,247</u>
Net assets	<u>14,997,795</u>	<u>14,827,015</u>
Capital and reserves		
Share capital — ordinary shares	242,290	242,290
Share capital — non-redeemable convertible preference shares	105,000	105,000
Reserves	<u>14,635,540</u>	<u>14,466,287</u>
Total equity attributable to owners of the Company	14,982,830	14,813,577
Non-controlling interests	<u>14,965</u>	<u>13,438</u>
Total equity	<u>14,997,795</u>	<u>14,827,015</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

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

The unaudited 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 financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2013. The accounting policies adopted in the preparation of unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013, except for the adoption of new and revised Standards, Amendments and Interpretations (“new/revised HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2013, noted below:

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle
Amendments to HKAS 1(Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
HK(IFRIC)-Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRS 1	Government loans
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Transition Guidance

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these unaudited interim condensed consolidated financial statements as it deals only with separate financial statements.

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK(SIC)-INT 12 “Consolidation — Special purpose entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

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

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim financial reporting (as part of the annual improvements to HKFRSs 2009–2011 cycle)

The Group has applied the amendments to HKAS 34 “Interim financial reporting as part of the annual improvements to HKFRSs 2009–2011 cycle” for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since there has been material change from the amounts disclosed in the last annual financial statements for all reportable segments, the Group has included total assets and total liabilities information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited interim condensed consolidated financial statements and/or disclosures set out in these unaudited interim condensed consolidated financial statements.

2 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their services, and has seven (six months ended 30 September 2012: seven) reporting operating segments as follows:

Financial services segments:

- Securities brokerage, underwriting and placements segment is the provision of brokerage, underwriting and placements services for dealings in securities on recognised stock exchanges.
- Margin and initial public 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.
- 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 amortization (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 and reversal of bad debts) 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 statement of profit or loss.

Operating segments

The following tables present segment information of the Group provided to the Group’s management for the six months ended 30 September 2013 and 2012.

For the six months ended 30 September 2013 (unaudited)

	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
Segment revenue									
External customers	73,060	305,146	15,332	393,538	89,550	17,779	329,576	–	830,443
Inter-segment	19	–	480	499	14,400	–	–	–	14,899
	<u>73,079</u>	<u>305,146</u>	<u>15,812</u>	<u>394,037</u>	<u>103,950</u>	<u>17,779</u>	<u>329,576</u>	<u>–</u>	<u>845,342</u>
Adjusted EBITDA	<u>80,580</u>	<u>274,217</u>	<u>15,331</u>	<u>370,128</u>	<u>64,278</u>	<u>(4,564)</u>	<u>147,762</u>	<u>679</u>	<u>578,283</u>
Segment Assets				<u>19,883,524</u>	<u>2,072,226</u>	<u>375,433</u>	<u>554,878</u>	<u>48,271</u>	<u>22,934,332</u>
Capital Expenditure				–	11,490	2,552	2,495	–	16,537
Segment Liabilities				<u>6,307,626</u>	<u>175,765</u>	<u>10,455</u>	<u>19,038</u>	<u>–</u>	<u>6,512,884</u>

For the six months ended 30 September 2012 (unaudited)

	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
Segment revenue									
External customers	59,789	201,594	5,196	266,579	68,298	19,255	297,973	–	652,105
Inter-segment	–	–	504	504	32,069	–	–	–	32,573
	<u>59,789</u>	<u>201,594</u>	<u>5,700</u>	<u>267,083</u>	<u>100,367</u>	<u>19,255</u>	<u>297,973</u>	<u>–</u>	<u>684,678</u>
Adjusted EBITDA	<u>67,104</u>	<u>181,894</u>	<u>5,702</u>	<u>254,700</u>	<u>65,927</u>	<u>(1,997)</u>	<u>133,024</u>	<u>(1,550)</u>	<u>450,104</u>
Segment Assets				<u>16,876,813</u>	<u>1,837,423</u>	<u>384,039</u>	<u>462,595</u>	<u>50,260</u>	<u>19,611,130</u>
Capital Expenditure				–	19,089	4,703	2,159	–	25,951
Segment Liabilities				<u>4,069,903</u>	<u>16,123</u>	<u>9,893</u>	<u>13,779</u>	<u>–</u>	<u>4,109,698</u>

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.

3 STAFF COSTS

	Six months ended	
	30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)		
— salaries, wages and other benefits	103,473	83,632
— contributions to defined contribution retirement plan	555	460
— equity-settled share-based payment expenses in relation to the grant of share options	—	429
	104,028	84,521

4 PROFIT BEFORE TAXATION

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

	Six months ended	
	30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Operating lease charges	16,058	16,836

5 TAXATION

	Six months ended	
	30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong profits tax	53,758	33,927

Hong Kong profits tax has been provided for six months ended 30 September 2013 and 2012 at a rate of 16.5%.

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 (six months ended 30 September 2012: Nil).

6 DIVIDENDS

Final dividend of HK1.0 cent per share was declared for the year ended 31 March 2013 (fifteen months ended 31 March 2012: HK1.0 cent per share) and was paid on 10 September 2013.

The board has resolved not to declare any interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

7 EARNINGS PER SHARE

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK cent	HK cent
Basic earnings per share	<u>1.96</u>	<u>1.47</u>
Diluted earnings per share	<u>1.96</u>	<u>1.47</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:

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the purpose of basic earnings per share	<u>341,099</u>	<u>254,825</u>

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
Weighted average number of ordinary shares	12,114,480,666	12,089,178,262
Weighted average number of non-redeemable convertible preference shares	<u>5,250,000,000</u>	<u>5,250,000,000</u>
Weighted average number of shares for the purpose of basic earnings per share	<u>17,364,480,666</u>	<u>17,339,178,262</u>

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share for the periods ended 30 September 2013 and 2012 as all the potential ordinary shares during the periods were anti-dilutive.

8 TRADE AND OTHER RECEIVABLES

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Trade receivables from financial services segments	8,187,389	6,306,548
Trade receivables from hotel and gaming segments	77,174	63,724
Other receivables, deposits and prepayments	27,475	38,365
	8,292,038	6,408,637

Trade receivables from financial services segments

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients	47,330	18,544
Margin clients:		
Directors of the subsidiaries and their associates	394,301	270,289
Other margin clients	7,753,553	6,032,185
Less: Allowance for doubtful debt	(23,430)	(23,430)
	8,171,754	6,297,588
Brokers and dealers	28	26
Accounts receivable arising from the ordinary course of business of dealing in futures contracts:		
Clearing house	13,672	7,539
Accounts receivable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	1,909	1,395
Asset management services	26	–
	8,187,389	6,306,548

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 trade date. Except for disclosed as allowance for doubtful debt above, 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 30 September 2013, total market value of securities pledged as collateral in respect of the loan to margin clients was approximately HK\$29,546,038,000 (31 March 2013: HK\$24,582,215,000).

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, based on invoice date, at the end of the reporting period:

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
0–30 days	51,241	48,797
31–60 days	23,704	14,042
61–90 days	843	590
Over 90 days	24,944	23,679
	<hr/>	<hr/>
	100,732	87,108
Allowance for doubtful debt	(23,558)	(23,384)
	<hr/>	<hr/>
	77,174	63,724
	<hr/> <hr/>	<hr/> <hr/>

9 TRADE AND OTHER PAYABLES

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Trade payables from financial services segments	890,248	778,769
Trade payables from hotel and gaming segments	15,205	17,095
Other payable and accruals	44,257	76,218
	<hr/>	<hr/>
	949,710	872,082
	<hr/> <hr/>	<hr/> <hr/>

Trade payables from financial services segments

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities:		
Cash clients	250,912	330,128
Margin clients	617,681	416,185
	868,593	746,313
Dividend payable to clients	1,463	2
Clearing house	–	15,783
Brokers and dealers	1	1
Accounts payable arising from the ordinary course of business of dealing in futures contracts:		
Clients	17,172	15,352
Accounts payable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	13	13
Asset management services	3,006	1,305
	890,248	778,769

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 payable 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 30 September 2013, included in accounts payable was an amount of HK\$629,667,000 (31 March 2013: HK\$731,306,000) 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, based on invoice date, at the end of the reporting period:

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
0–30 days	12,441	12,251
31–60 days	1,096	4,484
61–90 days	673	208
Over 90 days	995	152
	15,205	17,095

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

The Group’s unaudited turnover was approximately HK\$830,443,000 for the six months ended 30 September 2013, representing a revenue growth of approximately 27% as compared with approximately HK\$652,105,000 for the six months ended 30 September 2012.

The unaudited net profit attributable to the Company’s shareholders for the six months ended 30 September 2013 amounted to approximately HK\$341,099,000 (six months ended 30 September 2012: HK\$254,825,000), representing an increase of approximately 34%. The basic earnings per share for the six months ended 30 September 2013 was HK1.96 cents (six months ended 30 September 2012: HK1.47 cents).

Business and Financial Review

During the period under review, the world economy was still confronting certain level of risks. Clearly, the global recovery remained to be a lengthy process, with Euro-zone’s sovereign debt crisis repeatedly causing disruptions and uncertainties, and the debt ceiling negotiations within the U.S. led to threats of government shutdown and default. Meanwhile, emerging markets showed hints of slower growths than expected. Weak investment and consumer demand pressured India’s economy, while China’s economy maintained sustainable growth.

However, while the global financial market continuously faces stern challenges and uncertainties, the Hong Kong market still enjoyed trading prosperity. For the six months ended 30 September 2013, the average daily turnover of the Hong Kong securities market was HK\$58.7 billion, an increase of 21.8% when compared with HK\$48.2 billion for the same period last year. Furthermore, Hong Kong’s IPO market was on track to regain its position, having a total of 31 newly-listed companies during the period under review, as compared to 29 reported IPOs for the corresponding period in 2012. The booming local financial market definitely played an important role for driving up the Company’s business activities.

As for the Macau casino operation, the steady growth in the city’s overall gaming revenue boosted by an increase in the number of Chinese visitors had positive impact on the operation. During the period under review, total gross gaming revenue in Macau reached MOP175.4 billion, up 17.7% as compared to MOP149.0 billion for the corresponding period last year.

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, Taiwan, Japan, Korea, Canada, the U.S. and the U.K. 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.

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.

During the period, this segment recorded revenue of approximately HK\$73,060,000 (six months ended 30 September 2012: HK\$59,789,000) which accounted for 18% (six months ended 30 September 2012: 22%) 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\$305,146,000 (six months ended 30 September 2012: HK\$201,594,000), accounting for 78% (six months ended 30 September 2012: 76%) of the Group's financial service segment revenue. The Group's healthy financial position allows the Group to meet the robust financing demand from the market.

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 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, including After Hours Futures Trading. 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\$15,332,000 (six months ended 30 September 2012: HK\$5,196,000) which accounted for 4% (six months ended 30 September 2012: 2%) of the Group's financial service segment revenue.

Hotel Business

The Group's hotel operation, mainly comprised of guest rooms rental, food and beverage sales and other rental income, managed to capture the steady growth in the Macau tourism industry. The revenue for the six months ended 30 September 2013 amounted to approximately HK\$107,329,000 (six months ended 30 September 2012: HK\$87,553,000). During the period under review, hotel business contributed 25% (six months ended 30 September 2012: 23%) of the total hotel and gaming business turnover. The average occupancy rate of the two hotels was approximately 88%. With full scale of newly renovated guest rooms, the Group was in the better position to solicit high quality guest to further enhanced profitability in the hotel segment. Sales would be more diversified into different markets of the world.

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.

Gaming revenue, including gaming revenue and food and beverage sales in casino, amounted to approximately HK\$329,576,000 for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$297,973,000). Gaming revenue accounted for 75% (six months ended 30 September 2012: 77%) of total hotel and gaming business turnover.

As at 30 September 2013, the Group has 60 tables in the 2 mass market halls, 11 tables in the 2 self-managed VIP rooms and 255 slot machines and 140 live baccarat machines in the 2 electronic gaming halls. The Group continuously looks into market development and devises its own marketing plan suitable for its own facilities to optimise the overall operations.

Trading of listed securities

During the period under review, the global equity market experienced moderate ups and downs and Hong Kong was in general in line with it. The market value of the trading securities held by the Group recorded a revaluation deficit of approximately HK\$187,000 (six months ended 30 September 2012: HK\$2,936,000). As at 30 September 2013, the Group was holding trading securities of approximately HK\$48,271,000 in market value (as at 31 March 2013: HK\$50,121,000).

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\$10,662,000 (six months ended 30 September 2012: HK\$11,373,000).

Staff costs

Staff costs amounted to approximately HK\$104,028,000 (six months ended 30 September 2012: HK\$84,521,000), the increase was mainly due to additional staff employed. 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 for attract customers. The commission paid by the Group was in line with market level. During the period under review, the gaming commission amounted to approximately HK\$79,793,000 (six months ended 30 September 2012: HK\$89,064,000).

Administrative expenses

Administrative expenses mainly consist of 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\$87,427,000 (six months ended 30 September 2012: HK\$49,182,000). The increase was mainly due to promotion expenses incurred in respect of the VIP gaming halls.

Other operating expenses

Other operating expenses mainly consist of operating expenses for guest rooms and gaming facilities. During the period under review, it amounted to approximately HK\$34,234,000 (six months ended 30 September 2012: HK\$30,982,000). The increase was mainly due to certain staff associated welfare improvement during the period.

Finance cost

During the period under review, finance cost represented the effective interest expense on promissory notes. It amounted to approximately HK\$29,191,000 (six months ended 30 September 2012: HK\$28,081,000).

Future Prospects

Looking forward, China's economy has gradually restored growth since the fourth quarter of year 2012. New China leaders' acceleration in urbanization would support the sustainable economic growth in the country. At the same time, the China Securities Regulatory Commission (CSRC) further raised the quotas for QFII and RQFII, and attempted pilot programs in Taiwan, enabling greater investment flexibility. Key growth factors also included the establishment of the Qianhai Economic Zone in Shenzhen, setting up as a booming financial centre. Meanwhile, Shanghai's new free trade zone acts as a testing ground for China's economic reform, having a mutually complimentary relationship with Hong Kong as a major global free port, but playing a different, equally important role in boosting China's economy. Moreover, Hong Kong signed the 10th supplement for Closer Economic Partnership Arrangement (CEPA), marking further step towards trade liberalization between Mainland and Hong Kong. We believe the combination of the abovementioned may bring more new advantages in the Hong Kong financial market, and we have already equipped ourselves to explore and take actions should suitable opportunities arise from Qianhai Economic Zone and CEPA 10.

Regarding the Group's Macau business, the last batch of the hotel guest rooms renovation was done in July 2013, and the Group is planning to have further retouching in other parts of the properties to advance the overall image. Although lack of manpower continued to be a challenge in Macau for all industries, the Group shall regularly review and provide competitive remuneration to the Group's talents for maintaining quality services to guests. Furthermore, although the Tourism Law effective from 1 October 2013 results in less tours visiting Macau, the Group's hotels turned the focus on Free Individual Travellers well before, mitigating that effect to a great extent.

Financial services segments

Facing with uncertainty and ever-growing market competition, the Group endeavours to maintain its competitive leading position as a one-stop financial service to its clients.

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, well established network and a strong client base, the Group will further reinforce the foundation in these key revenue generating businesses by recruiting qualified professionals, improving the trading infrastructure and delivering more value-added services to its clients.

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

Being one of the leading local brokerage firms in Hong Kong, the Group will continue to explore should suitable opportunities arise from Qianhai Economic Zone and CEPA 10.

Hotel and gaming segments

The hotel and gaming segments continued to provide solid contribution to the Group. Government policies are in general supportive on continuously improving infrastructure and transport, resulting in environment facilitating growth in customer consumption and driving visitation to Macau over the longer term. Shorter travel time and lower travel cost further enhances Macau's attractiveness as a favourable tourist destination for mainland visitors.

The Group is committed to provide quality services to the customers while striving to improve operating efficiency. As such, the Group is confident to capture the market potential in Macau.

Liquidity, Financial Resources and Funding

As at 30 September 2013, the shareholders' fund and net current assets of the Group amounted to approximately HK\$14,982,830,000 (31 March 2013: HK\$14,813,577,000) and approximately HK\$1,340,510,000 (31 March 2013: HK\$1,128,243,000) respectively. On the same date, the Group had cash and bank balances of approximately HK\$204,300,000 (31 March 2013: HK\$188,102,000) and the current ratio was 1.2 (31 March 2013: 1.2).

As at 30 September 2013, the Group had bank borrowings of approximately HK\$971,000,000 (31 March 2013: HK\$150,000,000), amounts due to shareholders of approximately HK\$1,554,111,000 (31 March 2013: HK\$1,661,111,000), loan from a related company of approximately HK\$3,014,851,000 (31 March 2013: HK\$2,289,821,000), promissory notes of approximately HK\$980,391,000 (31 March 2013: HK\$961,200,000) and subordinated loans of approximately HK\$700,000,000 (31 March 2013: HK\$700,000,000). On the same date, the net gearing ratio, measured on the basis of total borrowings less bank and cash balances over net assets, was 47% (31 March 2013: 38%).

Contingent Liabilities

No material contingent liabilities of the Group were noted as at 30 September 2013.

Capital Structure

During the six months ended 30 September 2013, no material fluctuation was noted on the Company's overall capital structure.

Employees

As at 30 September 2013, the Group employed a total of approximately 870 staff. The total staff cost for six months ended 30 September 2013 was approximately HK\$104,028,000 (six months ended 30 September 2012: HK\$84,521,000). 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 30 September 2013, the Group had pledged clients' securities at a value of approximately HK\$5,814,173,000 (31 March 2013: HK\$6,563,506,000) to secure certain banking facilities provided to the Group.

Material Acquisitions and Disposals

During the period under review, the Group acquired 15 subsurface mineral permits through a wholly owned subsidiary incorporated in Canada for cancellation of a loan receivable.

Save as disclosed above, there was no other material acquisition nor disposal conducted by the Group.

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 holding an intangible asset held for sale 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.

Treasury Policy

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

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

During the six months ended 30 September 2013, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2013, the Company has complied with all code provisions in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2013.

AUDIT COMMITTEE

These interim condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

PUBLICATION OF INTERIM REPORT

The Company’s 2013 interim report, containing the relevant information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 22 November 2013

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.