

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# **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 2014**

#### **FINANCIAL HIGHLIGHTS**

- A significant increase of approximately 70% in the profit attributable to the owners of the Company for the six months ended 30 September 2014 amounting to HK\$579,018,000, mainly due to increase in income from securities brokerage, underwriting and placements, margin and IPO financing businesses as compared to HK\$341,099,000 for the corresponding period of last year.
- Earnings per share for the six months ended 30 September 2014 increased significantly from HK1.96 cents to HK3.33 cents when compared with the corresponding period of last year.
- Turnover for the six months ended 30 September 2014 also increased significantly by approximately 41% from HK\$830,443,000 to HK\$1,169,021,000 when compared with the corresponding period of 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 2014 together with comparative figures for the six months ended 30 September 2013.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 September 2014*

		<b>Six months ended 30 September</b>	
		<b>2014</b>	<b>2013</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
		<b>(restated)</b>	
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	<b>1,169,021</b>	830,443
Other income		<b>11,461</b>	22,780
		<b>1,180,482</b>	853,223
Inventory consumed		<b>(11,832)</b>	(10,662)
Staff costs	3	<b>(111,350)</b>	(104,028)
Gaming commission		<b>(87,383)</b>	(79,793)
Broker commission		<b>(21,892)</b>	(14,309)
Interest expenses for securities brokerage and margin financing operations		<b>(49,008)</b>	(31,216)
Depreciation		<b>(67,329)</b>	(60,823)
Administrative expenses		<b>(56,398)</b>	(53,162)
Other operating expenses		<b>(89,175)</b>	(68,499)
		<b>(494,367)</b>	(422,492)
Finance income		<b>3,463</b>	1,944
Finance cost		<b>(17,400)</b>	(29,191)
Loss from sales of trading securities		<b>–</b>	(675)
Fair value loss on trading securities		<b>(1,862)</b>	(187)
Exchange gain/(loss)		<b>1,753</b>	(6,103)
Share of results of joint ventures		<b>–</b>	(135)
		<b>(14,046)</b>	(34,347)
Profit before taxation	4	<b>672,069</b>	396,384
Taxation	5	<b>(88,289)</b>	(53,758)
Profit for the period		<b>583,780</b>	342,626

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2014</b>	<b>2013</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
			<b>(restated)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period		<b>583,780</b>	342,626
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Unrealised loss arising from change in fair value of available-for-sale investments		<b>(116)</b>	(602)
Exchange differences arising on translation of foreign operations		<b>(2,513)</b>	266
Other comprehensive loss for the period, net of tax		<b>(2,629)</b>	(336)
<b>Total comprehensive income for the period</b>		<b>581,151</b>	342,290
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>579,018</b>	341,099
Non-controlling interests		<b>4,762</b>	1,527
		<b>583,780</b>	342,626
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>576,389</b>	340,763
Non-controlling interests		<b>4,762</b>	1,527
		<b>581,151</b>	342,290
<b>Earnings per share (cents per share)</b>	<b>7</b>		
— Basic		<b>3.33</b>	1.96
— Diluted		<b>3.33</b>	1.96

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

		30 September 2014 (unaudited) HK\$'000	31 March 2014 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		3,238,798	3,303,334
Deferred tax assets		6,107	6,107
Deposit for hotel renovation		1,647	—
Statutory deposit for financial services business		6,460	7,484
Goodwill		10,996,683	10,996,683
Interests in joint ventures		24	24
		<u>14,249,719</u>	<u>14,313,632</u>
Current assets			
Inventories		3,562	2,996
Available-for-sale investments		1,044	1,387
Trading securities		44,113	48,692
Advances to customers in margin financing	8	11,199,237	9,133,772
Trade and other receivables	9	303,250	188,513
Cash and bank balances			
— held on behalf of customers		1,565,424	1,651,393
Cash and bank balances			
— general accounts		228,410	210,861
		<u>13,345,040</u>	<u>11,237,614</u>
Intangible assets held for sale		320,114	322,685
		<u>13,665,154</u>	<u>11,560,299</u>
Current liabilities			
Trade and other payables	10	1,908,775	1,863,074
Amounts due to shareholders		2,618,111	2,847,111
Loan from a related company		4,275,810	2,952,639
Subordinated loans		700,000	700,000
Bank loans		1,835,000	1,324,000
Tax payable		149,146	76,712
		<u>11,486,842</u>	<u>9,763,536</u>

	<b>30 September 2014 (unaudited) HK\$'000</b>	31 March 2014 (audited) HK\$'000
Net current assets	<u>2,178,312</u>	<u>1,796,763</u>
Total assets less current liabilities	<u>16,428,031</u>	<u>16,110,395</u>
Non-current liabilities		
Deferred tax liabilities	<u>217,458</u>	<u>220,506</u>
Total liabilities	<u>11,704,300</u>	<u>9,984,042</u>
Net assets	<u>16,210,573</u>	<u>15,889,889</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>15,850,423</u>	<u>15,534,501</u>
Total equity attributable to owners of the Company	16,197,713	15,881,791
Non-controlling interests	<u>12,860</u>	<u>8,098</u>
Total equity	<u>16,210,573</u>	<u>15,889,889</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 2014. 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 2014, 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 2014, noted below:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 39 HK (IFRIC) 21	Novation of Derivatives and Continuation of Hedge Accounting Levies

### **Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities**

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement.

### **Amendments to HKAS 36 — Recoverable Amount Disclosures for Non-financial Assets**

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal.

### **Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities**

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity’s business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

#### **Amendments to HKAS 39 — Novation of Derivatives and Continuation of Hedge Accounting**

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

#### **HK (IFRIC) 21 — Levies**

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

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.

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

## **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 2013: 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, impairment losses, write-off of property, plant and equipment and 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 consolidated 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 consolidated statement of profit or loss and other comprehensive income.

### Operating segments

The following tables present segment information of the Group provided to the Group's management for the six months ended 30 September 2014 and 2013.

#### For the six months ended 30 September 2014 (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	148,201	492,812	15,078	656,091	113,944	19,604	379,382	–	1,169,021
Inter-segment	16	–	480	496	18,751	–	–	–	19,247
	<u>148,217</u>	<u>492,812</u>	<u>15,558</u>	<u>656,587</u>	<u>132,695</u>	<u>19,604</u>	<u>379,382</u>	<u>–</u>	<u>1,188,268</u>
Adjusted EBITDA	<u>131,797</u>	<u>402,047</u>	<u>8,051</u>	<u>541,895</u>	<u>92,843</u>	<u>(1,971)</u>	<u>161,036</u>	<u>(2,330)</u>	<u>791,473</u>
Segment Assets				<u>24,008,926</u>	<u>2,577,817</u>	<u>425,350</u>	<u>472,487</u>	<u>44,113</u>	<u>27,528,693</u>
Capital Expenditure				781	919	157	1,589	–	3,446
Segment Liabilities				<u>9,090,737</u>	<u>236,206</u>	<u>10,549</u>	<u>31,987</u>	<u>–</u>	<u>9,369,479</u>



**For the six months ended 30 September 2013 (unaudited)**

	Securities brokerage, underwriting and placements <i>HK\$'000</i>	Margin and IPO financing <i>HK\$'000</i>	Other financial services <i>HK\$'000</i>	Financial service business <i>HK\$'000</i>	Hotel ownership and management <i>HK\$'000</i>	Food and beverage <i>HK\$'000</i>	Gaming <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>									
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>
<b>Adjusted EBITDA</b>	<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>
<b>Segment Assets</b>				<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
<b>Segment Liabilities</b>				<u>6,307,626</u>	<u>175,765</u>	<u>10,455</u>	<u>19,038</u>	<u>–</u>	<u>6,512,884</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**

	<b>Six months ended 30 September 2014 (unaudited) <i>HK\$'000</i></b>	<b>2013 (unaudited) <i>HK\$'000</i></b>
Staff costs (including directors' remuneration)		
— salaries, wages and other benefits	<b>110,744</b>	103,473
— contributions to defined contribution retirement plan	<b>606</b>	555
	<u><b>111,350</b></u>	<u>104,028</u>

**4 PROFIT BEFORE TAXATION**

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

	<b>Six months ended 30 September 2014 (unaudited) <i>HK\$'000</i></b>	<b>2013 (unaudited) <i>HK\$'000</i></b>
Operating lease charges	<u><b>16,042</b></u>	<u>16,058</u>

## 5 TAXATION

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong profits tax	87,224	53,758
Macau Complementary Tax	4,113	–
Deferred tax	(3,048)	–
	<u>88,289</u>	<u>53,758</u>

Hong Kong profits tax has been provided for six months ended 30 September 2014 and 2013 at a rate of 16.5%.

Macau Complementary Tax has been provided for the six months ended 30 September 2014 at rate of 12% (six months ended 30 September 2013: Nil). Details of contingent liabilities for Macau Complementary Tax are disclosed in note 11.

## 6 DIVIDENDS

Final dividend of HK1.5 cents per share was declared for the year ended 31 March 2014 (year ended 31 March 2013: HK1.0 cent per share) and was paid on 5 September 2014.

The board has resolved not to declare any interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

## 7 EARNINGS PER SHARE

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK cent	HK cent
Basic earnings per share	<u>3.33</u>	<u>1.96</u>
Diluted earnings per share	<u>3.33</u>	<u>1.96</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>Six months ended 30 September 2014 (unaudited) HK\$'000</b>	<b>2013 (unaudited) HK\$'000</b>
Profit for the purpose of basic earnings per share	<b>579,018</b>	341,099
	<b>Six months ended 30 September 2014 (unaudited)</b>	<b>2013 (unaudited)</b>
Weighted average number of ordinary shares	<b>12,114,480,666</b>	12,114,480,666
Weighted average number of non-redeemable convertible preference shares	<b>5,250,000,000</b>	5,250,000,000
Weighted average number of shares for the purpose of basic earnings per share	<b>17,364,480,666</b>	17,364,480,666

**(b) Diluted earnings per share**

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares in issue during the periods ended 30 September 2014 and 2013.

**8 ADVANCES TO CUSTOMERS IN MARGIN FINANCING**

	<b>30 September 2014 (unaudited) HK\$'000</b>	<b>31 March 2014 (audited) HK\$'000</b>
Directors of subsidiaries and their associates	<b>31,688</b>	119,719
Other margin clients	<b>11,180,196</b>	9,026,700
Less: Allowance for doubtful debt	<b>(12,647)</b>	(12,647)
	<b>11,199,237</b>	9,133,772

The movements in impairment loss on advances to customers in margin financing, all assessed individually, are as follows:

	<b>30 September 2014 (unaudited) HK\$'000</b>	31 March 2014 (audited) HK\$'000
At the beginning of the period/year	<b>12,647</b>	23,430
Impairment loss recognised	–	5,302
Impairment loss reversed	–	(16,085)
	<hr/>	<hr/>
At the end of the period/year	<b>12,647</b>	12,647
	<hr/> <hr/>	<hr/> <hr/>

Advances to customers in margin financing 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 2014, total market value of securities pledged as collateral in respect of the loan to margin clients was approximately HK\$64,105,763,000 (31 March 2014: HK\$46,030,036,000).

No aging analysis is disclosed for advances to customers in margin financing 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.

## 9 TRADE AND OTHER RECEIVABLES

	<b>30 September 2014 (unaudited) HK\$'000</b>	31 March 2014 (audited) HK\$'000
Trade receivables from financial services segments	<b>150,783</b>	29,706
Trade receivables from hotel and gaming segments	<b>113,162</b>	125,555
Other receivables, deposits and prepayments	<b>39,305</b>	33,252
	<hr/>	<hr/>
	<b>303,250</b>	188,513
	<hr/> <hr/>	<hr/> <hr/>

## Trade receivables from financial services segments

	<b>30 September 2014 (unaudited) HK\$'000</b>	31 March 2014 (audited) HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients	<b>137,940</b>	10,964
Clearing House	–	6,803
Brokers and dealers	<b>29</b>	29
Accounts receivable arising from the ordinary course of business of dealing in futures contracts:		
Clearing house	<b>10,307</b>	10,184
Accounts receivable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	<u><b>2,507</b></u>	<u>1,726</u>
	<u><b>150,783</b></u>	<u>29,706</u>

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. 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.

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.

No aging analysis is disclosed for trade receivables from financial services segments as, in the opinion of the directors, an aging analysis is not meaningful in view of the business nature of securities dealings.

## 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>30 September 2014 (unaudited) HK\$'000</b>	31 March 2014 (audited) HK\$'000
0–30 days	<b>80,219</b>	95,325
31–60 days	<b>25,442</b>	25,527
61–90 days	<b>1,698</b>	1,519
Over 90 days	<u><b>29,187</b></u>	<u>26,568</u>
	<b>136,546</b>	148,939
Allowance for doubtful debt	<u><b>(23,384)</b></u>	<u>(23,384)</u>
	<u><b>113,162</b></u>	<u>125,555</u>

## 10 TRADE AND OTHER PAYABLES

	<b>30 September 2014 (unaudited) HK\$'000</b>	31 March 2014 (audited) HK\$'000
Trade payables from financial services segments	<b>1,790,790</b>	1,760,004
Trade payables from hotel and gaming segments	<b>26,090</b>	30,053
Other payable and accruals	<b>91,895</b>	73,017
	<b><u>1,908,775</u></b>	<b><u>1,863,074</u></b>

### Trade payables from financial services segments

	<b>30 September 2014 (unaudited) HK\$'000</b>	31 March 2014 (audited) HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities:		
Cash clients	<b>411,255</b>	232,129
Margin clients	<b>970,345</b>	1,509,127
	<b>1,381,600</b>	1,741,256
Dividend payable to clients	<b>2,340</b>	–
Clearing house	<b>381,814</b>	–
Brokers and dealers	<b>–</b>	–
Accounts payable arising from the ordinary course of business of dealing in futures contracts:		
Clients	<b>22,932</b>	16,763
Accounts payable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	<b>147</b>	46
Asset management services	<b>1,957</b>	1,939
	<b><u>1,790,790</u></b>	<b><u>1,760,004</u></b>

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 2014, included in accounts payable was an amount of HK\$1,565,424,000 (31 March 2014: HK\$1,651,393,000) 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:

	<b>30 September 2014 (unaudited) HK\$'000</b>	<b>31 March 2014 (audited) HK\$'000</b>
0–30 days	<b>21,628</b>	14,158
31–60 days	<b>2,368</b>	13,159
61–90 days	<b>389</b>	1,440
Over 90 days	<b>1,705</b>	1,296
	<b>26,090</b>	30,053

## 11 COMMITMENTS AND CONTINGENT LIABILITIES

	<b>30 September 2014 (unaudited) HK\$'000</b>	<b>31 March 2014 (audited) HK\$'000</b>
Capital commitments in respect of the acquisition of property, plant and equipment:		
— contracted but not provided for in the financial statements	<b>604</b>	—
— authorised but not contracted for	<b>189</b>	—
	<b>793</b>	—

On 3 May 2014, the Group's wholly owned subsidiary Good Start Group Limited ("Good Start") received a tax notice issued by Macau Financial Services Bureau dated 29 April 2014 assessing its Macau Complementary Tax payable for the year of assessment 2009 and 2010 to be approximately HK\$15,000,000 and HK\$20,000,000 respectively. Good Start lodged an objection letter on 22 May 2014 to appeal against the notice according to stipulated appeal procedures. In October 2014, Macau Financial Services Bureau rejected Good Start's appeal and demanded settlement of the approximately HK\$15,000,000 and HK\$20,000,000 Macau Complementary Tax. On 29 October 2014, Good Start filed a second appeal against the notices and demand notes according to stipulated appeal procedures again. In the opinion of directors, the Group has valid grounds for the appeal and they believed that the gaming revenue generated through Good Start's Service Agreement with Sociedade de Jogos de Macau, S.A. ("SJM") is not subject to Macau Complementary Tax since it is derived from SJM gaming revenue, which gaming revenue is exempted pursuant to Macau Law. Accordingly, no provision of taxation is considered given the chances for the chargeability is remote.

If the Group's appeal for year of assessment 2009 and 2010 is eventually unsuccessful and if the same basis of taxation applies for subsequent years of assessment from 2011 to 2014, the Group will have to pay approximately HK\$137,000,000 of Macau Complementary Tax for its mass market business in Macau since 2009. Pursuant to the Macau Complementary Tax law, the assessment on an estimated assessable profit in a year of assessment will lapse in five consecutive years after that year of assessment, thus no tax liability was expected for the year of assessment before 2009.

## 12 COMPARATIVE FIGURES

For a better presentation, promotion expenses incurred in respect of VIP gaming halls in the same period last year was reclassified from Administrative Expenses to Other Operating Expenses in current period. This reclassification has no effect on the results and the financial position of the Group for both current and prior periods.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

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

The Group's unaudited turnover was approximately HK\$1,169,021,000 for the six months ended 30 September 2014, representing a significant increase of 41% as compared with approximately HK\$830,443,000 for the corresponding period of last year.

The unaudited net profit attributable to owners of the Company for the six months ended 30 September 2014, amounted to approximately HK\$579,018,000, representing a significant increase of approximately 70% as compared with approximately HK\$341,099,000 for the same period of 2013. The increase was mainly due to the increase in income from securities brokerage, underwriting and placement, margin and IPO financing businesses. The basic earnings per share for the six months ended 30 September 2014 was HK3.33 cents (six months ended 30 September 2013: HK1.96 cents).

### **BUSINESS AND FINANCIAL REVIEW**

Credit to our team of experienced executives, favorable market environment and the strong capital base of the company, the Group achieved fruitful results across securities brokerage, underwriting and placements segment and margin and IPO financing segment.

During the period under review, the global financial market continuously faced stern challenges. The global recovery remained a drawn out process, with the weak recovery in the Euro-zone after the sovereign debt crisis in previous years causing disruptions, the U.S. economy remaining vulnerable and the Chinese economy slowing down. Furthermore, political conflicts also pose risks to the local investment market.

Despite all these factors, the Hong Kong market is still well positioned. For the six months ended 30 September 2014, the average daily turnover of the Hong Kong securities market was HK\$64.2 billion, representing an increase of 9.4% as compared to HK\$58.7 billion for the same period last year. The Hong Kong IPO market continue to boom given its unique geographical location to Mainland China, 64 companies were newly-listed during the period, as compared to 31 reported IPOs for the corresponding period in 2013. The growing local financial market definitely played an important role for driving up the Company's business activities.

As for the gaming operation, the general gaming market in Macau has been adversely affected by China's growth slowdown, the anti-corruption campaign, and the curbs on China's UnionPay bank card. During the period, total gross gaming revenue in Macau slid 0.9% to MOP173.7 billion.



## **Securities Brokerage, Underwriting and Placements**

Securities brokerage, 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\$148,201,000 (six months ended 30 September 2013: HK\$73,060,000), representing a significant increase of 103% as compared to corresponding period in 2013, which also accounted for 23% (six months ended 30 September 2013: 18%) 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\$492,812,000 (six months ended 30 September 2013: HK\$305,146,000), representing a significant increase of 62% as compared to the corresponding period in 2013, which also accounted for 75% (six months ended 30 September 2013: 78%) of the Group's financial service segment revenue.

## **Other Financial Services — 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 Hong Kong Futures Exchange, including After Hours Futures Trading. Clients can place orders online and through 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\$15,078,000 (six months ended 30 September 2013: HK\$15,332,000), representing a decrease of 2% as compared to the corresponding period in 2013, which also accounted for 2% (six months ended 30 September 2013: 4%) of the Group's financial service segment revenue.

### **Hotel Business**

The Group's hotel operation, mainly comprising hotel 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 2014 amounted to approximately HK\$133,548,000 (six months ended 30 September 2013: HK\$107,329,000), representing an increase of 24% as compared to the corresponding period in 2013. Hotel business contributed 26% (six months ended 30 September 2013: 25%) of the total hotel and gaming business turnover. During the period, the average occupancy rate of the two hotels, namely Casa Real and Grandview, was approximately 90% (six months ended 30 September 2013: 88%) and 85% (six months ended 30 September 2013: 86%). With full scale of newly renovated guest rooms, the Group was in the better position to solicit high quality guests to further enhance 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 healthy growth of the gaming industry in Macau. To strengthen customer loyalty and attract potential ones, the Group bolstered 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\$379,382,000 for the six months ended 30 September 2014, representing an increase of 15% as compared to approximately HK\$329,576,000 of the corresponding period in 2013. Gaming revenue accounted for 74% (six months ended 30 September 2013: 75%) of total hotel and gaming business turnover.

As at 30 September 2014, the Group has 58 (31 March 2014: 59) tables in the 2 mass market halls, 13 (31 March 2014: 12) tables in the 2 self-managed VIP rooms and 224 (31 March 2014: 240) slot machines and 140 (31 March 2014: 140) live baccarat machines in the 2 electronic gaming halls. The live baccarat machines at Casa Real brought additional crowd to the property, achieving synergy with the slot machine business as well.

## **Trading of listed securities**

During the period, the global equity market experienced slight fluctuations while the Hong Kong equities grew steadily. The market value of the trading securities held by the Group during the period recorded a revaluation deficit of approximately HK\$1,862,000 (six months ended 30 September 2013: HK\$187,000). As at 30 September 2014, the Group was holding trading securities of approximately HK\$44,113,000 (31 March 2014: HK\$48,692,000) in market 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\$11,832,000 (six months ended 30 September 2013: HK\$10,662,000).

## **Staff costs**

Staff costs amounted to approximately HK\$111,350,000 (six months ended 30 September 2013: HK\$104,028,000). Such increase was mainly due to increase in compensation and benefits to employee to match market rates. Remuneration packages commensurate with employees' qualification and experience were provided to retain good employees in the Group as well as to hire potential talents.

## **Gaming commission**

Gaming commission represents amount paid as an incentive to attract customers. The commission paid by the Group was in line with market level. During the period under review, the gaming commission amounted to approximately HK\$87,383,000 (six months ended 30 September 2013: HK\$79,793,000). The increase matched with the increase in income from gaming segment.

## **Administrative expenses**

Administrative expenses mainly consist of rent and rates, legal and professional fees, advertising and Macau property tax. During the period under review, it amounted to approximately HK\$56,398,000 (six months ended 30 September 2013: HK\$53,162,000). For a better presentation, promotion expenses incurred in respect of VIP gaming halls in the same period last year was reclassified from Administrative Expenses to Other Operating Expenses in current period. This reclassification has no effect on the results and the financial position of the Group for both current and prior periods.

## **Other operating expenses**

Other operating expenses mainly consist of operating expenses for hotel rooms and gaming facilities, promotion expenses of VIP gaming halls and supplier fees of slot and live baccarat operation. During the period under review, it amounted to approximately HK\$89,175,000 (six months ended 30 September 2013: HK\$68,499,000). For a better presentation, promotion expenses incurred in respect of VIP gaming halls in the same period last year was reclassified from Administrative Expenses to Other Operating Expenses in current period. This reclassification has no effect on the results and the financial position of the Group for both current and prior periods. The increase was mainly due to increase in supplier fees of slot and live baccarat operations and gaming promotion expenses for VIP gaming halls which was in line with the increase in revenue from gaming business during the period.

## **Finance cost**

During the period under review, finance cost of approximately HK\$17,400,000 represented the effective interest expense on amount due to a shareholder. For the six months ended 30 September 2013, the finance cost of HK\$29,191,000 represented the effective interest expenses on promissory note.

## **FUTURE PROSPECTS**

### **Financial service segments**

Looking forward, the Group is optimistic that the global market will regain some stronger growth momentum. A recovery is expected after passing through general booms and slumps in economic activity.

On the other hand, the introduction of After-Hours Futures Trading (AHFT) in April 2013 enables market participants to hedge or adjust their positions in response to market news and events during the European and U.S. business days. We, as an active Stock Exchange Participant firm, warmly welcomed the system and have immediately executed staff reallocation to facilitate the change accordingly. The HKEx has extended the close of its AHFT from 11 pm to 11:45 pm since 3 November 2014, increasing AHFT's overlap with the business hours in key European and North American markets. We believed that extending the session will further enhance trade volume, thus raising the turnover from our trading services.

Second, Hong Kong signed the 10th supplement for Closer Economic Partnership Arrangement (CEPA) in late 2013. Qualified Hong Kong-funded financial institutions will be allowed to set up joint venture fund management companies in the Mainland, marking further step towards trade liberalization between Mainland and Hong Kong.

Last but not least, the Shanghai-Hong Kong Stock Connect program was launched on 17 November 2014. The Stock Exchange of Hong Kong and Shanghai Stock Exchange will establish a mutual order-routing connectivity that will enable investors in the respective markets to trade designated equity securities listed in the other's market. The program may create momentum for the long-term development of the Hong Kong capital market. The Group promised to provide full support for the scheme.

We are convinced that Hong Kong will continue to play a major role in the internationalization of Chinese stock market and Renminbi, which is also beneficial to the local IPO and securities market.

We believe these may bring more new advantages and opportunities to the Hong Kong financial market and yet, we are well equipped for any challenge ahead.

### **Hotel and gaming segments**

Regarding the Group's Macau business, its performance in the second half of the financial year will remain susceptible to the overall economic performance of Mainland China, the level of visitation to Macau, as well as the competitive situation among the casino operators.

The Group believes that the hotel and gaming segment will robust from the rejuvenation of Hengqin Island, an island in Zhuhai that connects Cotai via the Lotus Bridge. The revival of Hengqin Island is considered a key driver of mass market gaming segment in Macau, with the proximity, ease of access and the expectation of visitors to Hengqin's theme parks staying longer.

The Group is planning to have further upgrades in other parts of the properties to advance the overall image. The last batch of the hotel guest room renovation was completed in July 2013.

Looking forward, the Group will continue to maintain its strength in both the mass market and VIP gaming segments.

### **Overall**

The Group will stay positive but cautious on managing its diversified businesses and look for potential investment opportunities in bringing greater value to its shareholders. At the same time, the Group is exploring various fund raising opportunities with a view to further expanding its business.

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

As at 30 September 2014, the shareholders' fund and net current assets of the Group amounted to approximately HK\$16,197,713,000 (31 March 2014: HK\$15,881,791,000) and approximately HK\$2,178,312,000 (31 March 2014: HK\$1,796,763,000) respectively. On the same date, the Group had cash and bank balances of approximately HK\$228,410,000 (31 March 2014: HK\$210,861,000) and the current ratio was 1.2 (31 March 2014: 1.2).

As at 30 September 2014, the Group had bank borrowings of approximately HK\$1,835,000,000 (31 March 2014: HK\$1,324,000,000), amounts due to shareholders of approximately HK\$2,618,111,000 (31 March 2014: HK\$2,847,111,000), loan from a related company of approximately HK\$4,275,810,000 (31 March 2014: HK\$2,952,639,000), and subordinated loans of approximately HK\$700,000,000 (31 March 2014: 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 57% (31 March 2014: 48%).

## **CONTINGENT LIABILITIES**

Details of the contingent liabilities of the Group were set out in note 11 to the financial statements.

## **CAPITAL STRUCTURE**

During the six months ended 30 September 2014, no material fluctuation was noted on the Company's overall share capital structure.

## **EMPLOYEES**

As at 30 September 2014, the Group employed a total of approximately 876 (31 March 2014: 877) staff. The total staff cost for six months ended 30 September 2014 was approximately HK\$111,350,000 (six months ended 30 September 2013: HK\$104,028,000). 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 2014, the Group had pledged clients' securities at a value of approximately HK\$9,717,830,000 (31 March 2014: HK\$7,465,202,000) to secure certain banking facilities provided to the Group.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

There was no other material acquisition nor disposal conducted by the Group during the period under review.

## **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 assets 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 2014 (six months ended 30 September 2013: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended 30 September 2014, 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 2014, 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 2014.

## **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 2014 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, 26 November 2014

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