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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)**

### ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The board of directors (the “Board”) of Kingston Financial Group Limited (the “Company”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2015 as follows:

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 March 2015 was HK\$2,479,274,000, representing a significant increase of 34.2% from HK\$1,847,685,000 for the year ended 31 March 2014.
- Profit for the year attributable to owners of the Company for the year ended 31 March 2015 was HK\$1,259,636,000, representing a significant increase of 63.4% from HK\$771,060,000 for the year ended 31 March 2014.
- The significant increases were mainly due to the boost in income from securities brokerage, underwriting and placements, margin and IPO financing businesses.
- Earnings per share for the year ended 31 March 2015 increased significantly from HK4.44 cents to HK7.25 cents.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 March 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	4	<b>2,479,274</b>	1,847,685
Other income		<b>25,721</b>	71,980
		<b>2,504,995</b>	1,919,665
Inventory consumed		<b>(23,105)</b>	(22,175)
Staff costs		<b>(212,983)</b>	(190,209)
Gaming commission		<b>(151,032)</b>	(163,685)
Broker commission		<b>(98,784)</b>	(37,767)
Interest expenses for securities brokerage and margin financing operations		<b>(123,445)</b>	(69,957)
Depreciation		<b>(132,495)</b>	(121,049)
Impairment loss on advances to customers in margin financing, trade and other receivables		–	(5,302)
Administrative expenses		<b>(93,128)</b>	(106,592)
Other operating expenses		<b>(159,059)</b>	(164,675)
		<b>(994,031)</b>	(881,411)
Finance income		<b>7,506</b>	4,932
Finance cost	6	<b>(20,200)</b>	(58,800)
Gain/(loss) from sales of trading securities		<b>317</b>	(675)
Fair value loss on trading securities		<b>(7,639)</b>	(2,425)
Exchange gain/(loss)		<b>1,804</b>	(4,328)
Share of results of joint ventures		<b>(23)</b>	(1,262)
Amortisation	14	<b>(14,132)</b>	–
Impairment loss on intangible assets held for sale	14	–	(74,741)
		<b>(32,367)</b>	(137,299)
Profit before taxation	8	<b>1,478,597</b>	900,955
Taxation	7	<b>(207,760)</b>	(125,235)
<b>Profit for the year</b>		<b>1,270,837</b>	775,720

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME — CONTINUED**

*For the year ended 31 March 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year		<u><b>1,270,837</b></u>	<u>775,720</u>
Other comprehensive income	<i>11</i>		
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of leasehold land and buildings		<b>653,477</b>	484,720
Item that may be reclassified subsequently to profit or loss:			
Unrealised loss arising from change in fair value of available-for-sale investments		<b>(229)</b>	(517)
Exchange differences arising on translation of foreign operations		<u>—</u>	<u>(23,404)</u>
Other comprehensive gain for the year, net of tax		<u><b>653,248</b></u>	<u>460,799</u>
<b>Total comprehensive income for the year</b>		<u><u><b>1,924,085</b></u></u>	<u><u>1,236,519</u></u>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>1,259,636</b>	771,060
Non-controlling interests		<u><b>11,201</b></u>	<u>4,660</u>
		<u><u><b>1,270,837</b></u></u>	<u><u>775,720</u></u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>1,912,884</b>	1,231,859
Non-controlling interests		<u><b>11,201</b></u>	<u>4,660</u>
		<u><u><b>1,924,085</b></u></u>	<u><u>1,236,519</u></u>
<b>Earnings per share (cents per share)</b>	<i>10</i>		
— Basic		<b>7.25</b>	4.44
— Diluted		<u><b>7.25</b></u>	<u>4.44</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,926,992</b>	3,303,334
Deferred tax assets		<b>6,107</b>	6,107
Statutory deposit for financial services business		<b>8,272</b>	7,484
Goodwill		<b>10,996,683</b>	10,996,683
Intangible assets	<i>14</i>	<b>308,553</b>	–
Interests in joint ventures		<b>1</b>	24
		<hr/> <b>15,246,608</b>	<hr/> 14,313,632
<b>Current assets</b>			
Inventories		<b>3,265</b>	2,996
Available-for-sale investments		<b>930</b>	1,387
Trading securities		<b>38,644</b>	48,692
Advances to customers in margin financing	<i>12</i>	<b>13,314,293</b>	9,133,772
Trade and other receivables	<i>13</i>	<b>1,129,254</b>	188,513
Tax recoverable		<b>35,331</b>	–
Cash and bank balances — held on behalf of customers		<b>1,207,184</b>	1,651,393
Cash and bank balances — general accounts		<b>1,772,232</b>	210,861
		<hr/> <b>17,501,133</b>	<hr/> 11,237,614
Intangible assets held for sale	<i>14</i>	<hr/> –	<hr/> 322,685
		<hr/> <b>17,501,133</b>	<hr/> 11,560,299
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>1,831,643</b>	1,863,074
Amounts due to shareholders		<b>2,420,911</b>	2,847,111
Loan from a related company		<b>5,437,965</b>	2,952,639
Subordinated loans		<b>700,000</b>	700,000
Bank loans	<i>16</i>	<b>2,954,500</b>	1,324,000
Tax payable		<b>135,678</b>	76,712
		<hr/> <b>13,480,697</b>	<hr/> 9,763,536
<b>Net current assets</b>		<hr/> <b>4,020,436</b>	<hr/> 1,796,763
<b>Total assets less current liabilities</b>		<hr/> <b>19,267,044</b>	<hr/> 16,110,395

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION — CONTINUED***As at 31 March 2015*

		<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Bank loans	16	<b>1,410,000</b>	–
Deferred tax liabilities		<b>303,537</b>	220,506
		<hr/>	<hr/>
<b>Total Non-current liabilities</b>		<b>1,713,537</b>	220,506
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>15,194,234</b>	9,984,042
		<hr/>	<hr/>
<b>Net assets</b>		<b>17,553,507</b>	15,889,889
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Share capital — ordinary shares		<b>242,290</b>	242,290
Share capital — non-redeemable convertible preference shares		<b>105,000</b>	105,000
Reserves		<b>17,186,918</b>	15,534,501
		<hr/>	<hr/>
<b>Total equity attributable to owners of the Company</b>		<b>17,534,208</b>	15,881,791
<b>Non-controlling interests</b>		<b>19,299</b>	8,098
		<hr/>	<hr/>
<b>Total equity</b>		<b>17,553,507</b>	15,889,889
		<hr/> <hr/>	<hr/> <hr/>

## SCOPE OF WORKS OF MESSRS. BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2015 as set out in this announcement have been agreed by the Group's auditors, Messrs. BDO Limited, to the amounts set out in the Group's audited consolidated financial statement for the year. The work performed by Messrs. BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. BDO Limited in this announcement.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 10 April 1996 under the Companies Act 1981 of Bermuda. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 July 1996. The address of its registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, respectively.

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

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

Except as described in note 3, the accounting policies adopted for preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2014.

### 3. ADOPTION OF NEW AND REVISED STANDARDS

#### (a) Adoption of new/revised HKFRSs — effective 1 April 2014

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

## **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. The amendments are applied retrospectively.

As a result, the Group has included a disclosure to the consolidated financial statements.

### **(b) New/revised HKFRSs that have been issued but are not yet effective**

The following new/revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle <sup>3</sup>
Amendments to HKAS 1	Disclosure initiative <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>3</sup>
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>3</sup>
HKFRS 9 (2014)	Financial Instruments <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2018

### **Annual Improvements 2010–2012 Cycle, 2011–2013 Cycle and 2012–2014 Cycle**

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

### **HKFRS 9 (2014) Financial Instruments**

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost.

Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

#### **HKFRS 15 — Revenue from Contracts with Customers**

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

#### **4. REVENUE**

	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial services business		
— securities brokerage, underwriting and placements	<b>427,192</b>	200,698
— margin and IPO financing	<b>1,082,742</b>	659,204
— other financial services	<b>31,404</b>	29,990
Hotels and gaming business		
— room rental	<b>209,095</b>	202,503
— food and beverage	<b>57,589</b>	57,608
— gaming revenue	<b>660,246</b>	690,937
— other rental income	<b>11,006</b>	6,745
	<b>2,479,274</b>	1,847,685



## 5. SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their services, and has seven (31 March 2014: 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 offering (“IPO”) financing segment is the provision of credits in these transactions.
- Other financial services mainly include provision of corporate finance advisory services, futures brokerage and asset management.

### **Hotel and gaming segments:**

- Hotel ownership and management segment is the operation of hotels and provision of hotel management services.
- Food and beverage segment is the operation of restaurants in hotels.
- Casino segment is the operation of casino in hotels.

### **Securities investment segment:**

- Securities investment segment is the trading of listed securities.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on a measure of adjusted earnings before interest, income tax, depreciation and amortisation (adjusted EBITDA). Interest income and expenditure and certain income and expenses (including depreciation, amortisation, finance cost, taxation, impairment losses on intangible assets held for sale, gain/(loss) on disposal of plant and equipment, gain on lapse of derivative financial liabilities and share of results in joint ventures) 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 statement of profit or loss and other comprehensive income.

## Operating segments

The following tables represent segment information of the Group provided to the Group's management for the year ended 31 March 2015 and 2014, respectively.

### For the year ended 31 March 2015

	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Financial services business HK\$'000	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Casino HK\$'000	Securities Investment HK\$'000	Total HK\$'000
<b>Segment Revenue</b>									
External customers	427,192	1,082,742	31,404	1,541,338	220,100	39,552	678,284	-	2,479,274
Inter-segment	24	-	960	984	37,760	-	10,771	-	49,515
	<u>427,216</u>	<u>1,082,742</u>	<u>32,364</u>	<u>1,542,322</u>	<u>257,860</u>	<u>39,552</u>	<u>689,055</u>	<u>-</u>	<u>2,528,789</u>
<b>Adjusted EBITDA</b>	<u>457,192</u>	<u>956,637</u>	<u>31,407</u>	<u>1,445,236</u>	<u>174,274</u>	<u>(2,209)</u>	<u>301,319</u>	<u>(5,723)</u>	<u>1,912,897</u>
<b>Segment Assets</b>				<u>28,182,124</u>	<u>3,147,437</u>	<u>555,799</u>	<u>473,533</u>	<u>38,644</u>	<u>32,397,537</u>
Capital expenditure				-	10,163	1,829	2,449	-	14,441
<b>Segment Liabilities</b>				<u>12,690,956</u>	<u>328,062</u>	<u>9,683</u>	<u>23,308</u>	<u>5</u>	<u>13,052,014</u>

### For the year ended 31 March 2014

	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Financial services business HK\$'000	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Casino HK\$'000	Securities Investment HK\$'000	Total HK\$'000
<b>Segment Revenue</b>									
External customers	200,698	659,204	29,990	889,892	209,246	37,650	710,897	-	1,847,685
Inter-segment	31	-	960	991	37,924	-	7,152	-	46,067
	<u>200,729</u>	<u>659,204</u>	<u>30,950</u>	<u>890,883</u>	<u>247,170</u>	<u>37,650</u>	<u>718,049</u>	<u>-</u>	<u>1,893,752</u>
<b>Adjusted EBITDA</b>	<u>218,451</u>	<u>613,990</u>	<u>29,990</u>	<u>862,431</u>	<u>169,660</u>	<u>(6,547)</u>	<u>312,209</u>	<u>(830)</u>	<u>1,336,923</u>
<b>Segment Assets</b>				<u>21,892,079</u>	<u>2,609,053</u>	<u>441,510</u>	<u>490,571</u>	<u>48,692</u>	<u>25,481,905</u>
Capital expenditure				87	18,468	3,430	3,063	-	25,048
<b>Segment Liabilities</b>				<u>7,285,705</u>	<u>240,845</u>	<u>10,398</u>	<u>33,283</u>	<u>5</u>	<u>7,570,236</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Segment revenue</b>	<b>2,528,789</b>	1,893,752
Elimination of inter-segment revenue	<u>(49,515)</u>	<u>(46,067)</u>
<b>Consolidated revenue</b>	<b><u>2,479,274</u></b>	<b><u>1,847,685</u></b>
<b>Adjusted EBITDA</b>	<b>1,912,897</b>	1,336,923
Other income	3,396	4,163
Interest income	863	620
Exchange gain/(loss)	1,804	(4,328)
Corporate staff cost	(98,872)	(87,242)
Corporate overhead	(174,572)	(115,361)
Depreciation	(132,495)	(121,049)
Amortisation	(14,132)	–
Gain on lapse of derivative financial liabilities	–	21,722
Share of results of joint ventures	(23)	(1,262)
(Loss)/gain on disposal of property, plant and equipment	(69)	310
Finance cost	(20,200)	(58,800)
Impairment loss on intangible assets held for sale	–	(74,741)
Taxation	<u>(207,760)</u>	<u>(125,235)</u>
<b>Profit for the year</b>	<b><u>1,270,837</u></b>	<b><u>775,720</u></b>
<b>Segment assets</b>	<b>32,397,537</b>	25,481,905
Deferred tax assets	6,107	6,107
Intangible assets/intangible assets held for sale	308,553	322,685
Available-for-sale investments	930	1,387
Unallocated corporate assets	<u>34,614</u>	<u>61,847</u>
<b>Total assets</b>	<b><u>32,747,741</u></b>	<b><u>25,873,931</u></b>
<b>Segment liabilities</b>	<b>13,052,014</b>	7,570,236
Amounts due to shareholders	2,130,911	2,410,000
Unallocated corporate liabilities	<u>11,309</u>	<u>3,806</u>
<b>Total liabilities</b>	<b><u>15,194,234</u></b>	<b><u>9,984,042</u></b>

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

- all assets are allocated to reportable segments other than deferred tax assets, intangible assets/intangible assets held for sales, available-for-sale investments and assets used jointly by reportable segments.
- all liabilities are allocated to reportable segments other than amounts due to shareholders and liabilities for which reportable segments are jointly liable.

### *Geographical segment information*

The Group's financial services are located in Hong Kong and the other operations are mainly located in Macau of The People's Republic of China ("PRC").

The Group's non-current assets by geographical location of the assets are detailed below:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	<b>11,008,494</b>	11,012,181
Macau	<b>3,915,182</b>	3,287,860
Canada	<b>308,553</b>	–
	<hr/>	<hr/>
Total non-current assets	<b>15,232,229</b>	14,300,041
	<hr/> <hr/>	<hr/> <hr/>

*Note:* Non-current assets exclude deferred tax assets and statutory deposit for financial services business.

### *Information about major customers*

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sociedade De Jogos De Macau, S.A. ("SJM") ( <i>note</i> )	<b>660,246</b>	690,937
	<hr/>	<hr/>

*Note:* Revenue from income from casino

## **6. FINANCE COST**

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on promissory notes	–	58,800
Interest on amount due to a shareholder	<b>20,200</b>	–
	<hr/>	<hr/>
	<b>20,200</b>	58,800
	<hr/> <hr/>	<hr/> <hr/>

## **7. TAXATION**

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax:		
Hong Kong profits tax	<b>207,839</b>	128,283
Macau profit tax	<b>5,382</b>	1,214
Unprovision in respect of prior years	<b>619</b>	–
Deferred tax	<b>(6,080)</b>	(4,262)
	<hr/>	<hr/>
	<b>207,760</b>	125,235
	<hr/> <hr/>	<hr/> <hr/>

- (a) Hong Kong profits tax has been provided for the year ended 31 March 2015 at a rate of 16.5% (2014: 16.5%).
- (b) Macau Complementary Tax has been provided for the year ended 31 March 2015 at a rate of 12% (2014: 12%). During the year ended 31 March 2015, the Group's wholly owned subsidiary, Good Start Group Limited, 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. No such taxation has been provided for current and previous years up to the year ended 31 March 2015.
- (c) Income tax arising in other jurisdictions is calculated at the rates prevailing in respective jurisdictions.
- (d) The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation	<u><b>1,478,597</b></u>	<u>900,955</u>
Tax calculated at domestic tax rate of 16.5%	<b>243,969</b>	148,658
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(14,875)</b>	(14,684)
Tax effect of non-deductible expenses	<b>62,774</b>	116,100
Tax effect of non-taxable income	<b>(85,618)</b>	(129,862)
Deferred tax assets not recognised	<b>1,331</b>	8,576
Utilisation of tax losses not recognised	–	(2,939)
Underprovision in prior years	<b>619</b>	–
Others	<b>(440)</b>	(614)
Taxation for the year	<u><b>207,760</b></u>	<u>125,235</u>

## 8. PROFIT BEFORE TAXATION

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditors' remuneration	<b>1,995</b>	2,126
Marketing, advertising and promotion expenses	<b>83,059</b>	83,359
Operating lease charges	<b>31,927</b>	35,955

## 9. DIVIDEND

No interim dividend was declared for the six months ended 30 September 2014 and 2013.

The Board does not recommend the payment of final dividend for the year ended 31 March 2015 (2014: HK1.5 cents per share).

## 10. EARNINGS PER SHARE

	<b>2015</b> <i>HK cent</i>	2014 <i>HK cent</i>
Basic earnings per share	<u>7.25</u>	<u>4.44</u>
Diluted earnings per share	<u>7.25</u>	<u>4.44</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>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Profit for the purpose of basic earnings per share</b>	<u>1,259,636</u>	<u>771,060</u>
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	<u>5,250,000,000</u>	<u>5,250,000,000</u>
Weighted average number of shares for the purposes of basic earnings per share	<u>17,364,480,666</u>	<u>17,364,480,666</u>

### (b) Diluted earnings per share

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the year ended 31 March 2015 and 2014.

## 11. OTHER COMPREHENSIVE INCOME

	<b>2015</b>			2014		
	<b>Before tax</b> <i>HK\$'000</i>	<b>Tax</b> <i>HK\$'000</i>	<b>After tax</b> <i>HK\$'000</i>	Before tax <i>HK\$'000</i>	Tax <i>HK\$'000</i>	After tax <i>HK\$'000</i>
Surplus on revaluation of leasehold land and buildings	<b>742,588</b>	<b>(89,111)</b>	<b>653,477</b>	550,818	(66,098)	484,720
Unrealised loss arising from change in fair value of available-for-sale investments	<b>(229)</b>	–	<b>(229)</b>	(517)	–	(517)
Exchange differences arising on translation of foreign operations	–	–	–	(23,404)	–	(23,404)
Other comprehensive income	<u>742,359</u>	<u>(89,111)</u>	<u>653,248</u>	<u>526,897</u>	<u>(66,098)</u>	<u>460,799</u>

## 12. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Directors of subsidiaries and their associates	<b>26,320</b>	119,719
Other margin clients	<b>13,300,620</b>	9,026,700
Less: Allowance for doubtful debt	<b>(12,647)</b>	(12,647)
	<b><u>13,314,293</u></b>	<u>9,133,772</u>

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At the beginning of the year	<b>12,647</b>	23,430
Impairment loss recognised	–	5,302
Impairment loss reversed	–	(16,085)
At the end of the year	<b><u>12,647</u></b>	<u>12,647</u>

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.

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.

### 13. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables from financial services segments	1,000,117	29,706
Trade receivables from hotel and gaming segments	84,098	125,555
Other receivables, deposits and prepayments	45,039	33,252
	<u>1,129,254</u>	<u>188,513</u>

#### Trade receivables from financial services segments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients	286,554	10,964
Clearing house	–	6,803
Brokers and dealers	28	29
Client for subscription of new shares in IPO	699,470	–
Accounts receivable arising from the ordinary course of business of dealing in futures contracts:		
Clearing house	7,875	10,184
Accounts receivable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	6,190	1,726
	<u>1,000,117</u>	<u>29,706</u>

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

Accounts receivable 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.

Accounts receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules. As at 31 March 2015, the outstanding balances of HK\$699,470,000 will be settled at early April 2015.



### 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>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	<b>56,337</b>	95,325
31–60 days	<b>16,023</b>	25,527
61–90 days	<b>9,285</b>	1,519
Over 90 days	<b>25,837</b>	26,568
	<b>107,482</b>	148,939
Allowance for doubtful debt	<b>(23,384)</b>	(23,384)
	<b>84,098</b>	125,555

The movements of impairment loss on trade receivables of the hotel and gaming segment are as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At beginning of the year	<b>23,384</b>	23,384
Impairment loss reversed	–	–
At end of the year	<b>23,384</b>	23,384
	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Neither past due nor impaired	<b>56,337</b>	95,325
Past due but not impaired:		
Less than 1 month past due	<b>16,023</b>	25,527
1 to 3 months past due	<b>11,738</b>	4,703
	<b>27,761</b>	30,230
	<b>84,098</b>	125,555

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

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

#### 14. INTANGIBLE ASSETS/INTANGIBLE ASSETS HELD FOR SALE

Cost	HK\$'000
At 1 April 2013 and 31 March 2014	–
Transferred from intangible assets held for sale	322,685
Amortisation	(14,132)
	<hr/>
<b>At 31 March 2015</b>	<b>308,553</b>
	<hr/> <hr/>

The intangible assets held for sale represented the costs of the 15 subsurface mineral permits acquired as part of the settlement agreement (the “Settlement Agreement”) with the borrower of a loan receivable. The settlement was completed on 7 June 2013 (the “Closing Date”).

The permits were granted by the Saskatchewan Ministry of Energy and Resources, currently known as the Ministry of the Economy of Saskatchewan, in 2008 to prospect for subsurface minerals in mining Elk Point, Saskatchewan, Canada with area of approximately 3,989.95 square kilometers.

Pursuant to the Settlement Agreement, the borrower shall have the right to purchase all the permits by unilateral written notice to the Group at an exercise price of CAD82,000,000 net of any liability within 180 days from the Closing Date. The right lapsed on 5 December 2013.

As at 31 December 2014, the permits were presented as intangible assets held for sale following the intention of the Group’s management to dispose of these permits.

In accordance with HKFRS 5 the intangible assets held for sale have been written down to their fair value less costs to sell of HK\$322,685,000 as at 31 March 2014. This is a non-recurring fair value measurement.

An impairment loss of HK\$74,741,000 has been recognised for the year end 31 March 2014 on the measurement of the intangible assets held for sale to fair value less costs to sell, mainly due to decline in mineral price.

The valuations of intangible assets held for sale were carried out by Roma Appraisals Limited, an independent valuer who holds recognised and relevant professional qualifications and has recent experience in the location and category of the intangible assets held for sale being valued.

The fair value less costs to sell of the intangible assets held for sale as at 31 March 2014 was measured using in-situ resource method under the market-based approach. The variables and assumptions used in computing the fair value of the intangible assets held for sale were based on the independent professional valuer’s best estimate.

As at 31 March 2015, since the permits have been presented as intangible assets held for sales for more than one year and no sale has been concluded yet, the permits were reclassified from intangible assets held for sales to intangible assets.

The intangible assets is amortised on a straight-line basis over its estimated useful life of 24 years.

## 15. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables from financial services segments	1,737,117	1,760,004
Trade payables from hotel and gaming segments	13,628	30,053
Other payable and accruals	80,898	73,017
	<u>1,831,643</u>	<u>1,863,074</u>

### Trade payables from financial services segments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Accounts payable arising from the ordinary course of business of dealing in securities:		
Cash clients	674,889	232,129
Margin clients	1,003,326	1,509,127
	<u>1,678,215</u>	<u>1,741,256</u>
Dividend payable to clients	51	–
Clearing house	43,234	–
Accounts payable arising from the ordinary course of business of dealing in futures contracts:		
Clients	14,299	16,763
Accounts payable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	108	46
Assets management services	1,210	1,939
	<u>1,737,117</u>	<u>1,760,004</u>

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

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

As at the 31 March 2015, included in accounts payable was an amount of HK\$1,207,184,000 (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>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	<b>8,361</b>	14,158
31–60 days	<b>1,692</b>	13,159
61–90 days	<b>1,842</b>	1,440
Over 90 days	<b>1,733</b>	1,296
	<u><b>13,628</b></u>	<u>30,053</u>

## 16. BANK LOANS

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Secured bank loans:			
Money market loans and revolving loans	<i>(a)</i>	<b>2,864,500</b>	1,324,000
Term loans	<i>(b)</i>	<b>1,500,000</b>	–
		<u><b>4,364,500</b></u>	<u>1,324,000</u>
Repayable:			
Within one year		<b>2,954,500</b>	1,324,000
more than one year, but not exceeding two years		<b>90,000</b>	–
more than two years, but not exceeding five years		<b>270,000</b>	–
after five years		<b>1,050,000</b>	–
		<u><b>4,364,500</b></u>	<u>1,324,000</u>
Amount within one year included in current liabilities		<u><b>(2,954,500)</b></u>	<u>(1,324,000)</u>
Amount due after one year		<u><b>1,410,000</b></u>	<u>–</u>

### Notes:

(a) The bank loans were secured by marketable securities of HK\$12,324,655,000 (2014: HK\$7,465,202,000) pledged to the Group by margin clients. The bank loans bear floating interest rates ranging from 0.8% to 1.53% per annum (2014: 0.8% to 1.09%).

(b) The term loans of HK\$1,500,000,000 (2014: nil), bearing floating interest rates ranging from 2.68% to 2.69% per annum (2014: nil) were secured by:

- the pledge of leasehold land and buildings held for own use with carrying amounts of approximately HK\$2,970,000,000 (2014: nil);
- shares of a subsidiary;
- corporate guarantee from a subsidiary;
- a charge over operating bank accounts of two subsidiaries;
- assignment of income and receivables arising from commercial operations of two subsidiaries.

## 17. CONTINGENT LIABILITIES

During the year ended 31 March 2015, the Group's wholly owned subsidiary Good Start Group Limited 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 Group Limited lodged an objection letter on 22 May 2014 to appeal against the notice according to stipulated appeal procedures.

On 25 September 2014, the Committee of Financial Service Bureau (the "Committee") issued their final decision to reject the Group's appeal. The Group made the tax payment according to stipulated regulation requirement before making further appeal via court. On 9 December 2014, the Group submitted initial petitions to the court for appeal and the proceedings are currently in progress. As advised by local tax consultant and lawyer, the directors considered that the Group has valid grounds for the appeal and they believed that the gaming revenue generated through Good Start Group Limited's Service Agreement with 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 the 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\$151,000,000 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

On behalf of the Board of directors (the “Board”) of Kingston Financial Group Limited (the “Company”), I am pleased to announce the annual result of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2015 (the “Year”).

### **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.

Thanks to the significant increase in contributions from securities brokerage, underwriting and placements, margin and IPO financing businesses, the Group continued to achieve fruitful results. During the Year, total revenue recorded by the Group was approximately HK\$2,479,274,000, representing a significant increase of 34.2% as compared to approximately HK\$1,847,685,000 for the year ended 31 March 2014 (“the Previous Year”).

Profit attributable to the Company’s shareholders for the Year increased significantly by 63.4% to approximately HK\$1,259,636,000 (2014: HK\$771,060,000). The basic earnings per share for the Year was HK7.25 cents (2014: HK4.44 cents).

### **BUSINESS AND FINANCIAL REVIEW**

Shanghai-Hong Kong Stock Connect Scheme (the “Scheme”) launched in November 2014, has been a significant driver of the Chinese capital market reform, giving investors a wide range of new investment opportunities. Under the Scheme, the Hong Kong’s securities market provides a good investment outlet for mainland funds and is an excellent way for mainland investors to diversify their portfolios. The southbound flow is then boosted as Hong Kong stocks surge to fresh seven years high as Chinese funds flood the market.

Hong Kong stock market was well positioned for the Year. The average daily turnover of the Hong Kong securities market was HK\$73.7 billion, representing an increase of 21.6% as compared to HK\$60.6 billion for the Previous Year. With the unique advantages of its close proximity to China and the increasing integration of the Hong Kong and China markets, Hong Kong’s IPO market remains active. There were 126 newly listed companies during the Year, as compared to 87 reported IPOs for the Previous Year. The growing local financial market definitely played an important role for driving up the Company’s business activities.

Credit to the favorable market environment, our team of experienced professional executives and the strong capital base of the Company, the Group achieved fruitful results especially across securities brokerage, underwriting and placements, margin and initial public offering financing.

As for Macau industry, the general operation has been affected by China's anti-corruption campaign, alongside with the slowdown of number of visitors. During the Year, total gross revenue of Macau's gaming industry slid approximately 16.8% to MOP314.10 billion as compared to MOP377.7 billion for the Previous Year. Nonetheless, the Group achieved satisfactory result during the Year.

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

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 across-the-board 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.

Stock trading volume under the Scheme has been boosted up especially in the first quarter of 2015, favorable for the segment's performance. During the Year, this segment recorded revenue of approximately HK\$427,192,000 (2014: HK\$200,698,000), representing a drastic increase of 112.9% compared to the Previous Year, which also accounted for 27.7% (2014: 22.6%) of the Group's financial service segment revenue.

In line with the booming segment revenue, the brokerage commission increased significantly from HK\$37,767,000 in the Previous Year to HK\$98,784,000 in the Year.

### **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 Year, revenue generated from the margin and IPO financing segment amounted to approximately HK\$1,082,742,000 (2014: HK\$659,204,000), representing a significant rise of 64.2% compared to the Previous Year, which also accounted for 70.2% (2014: 74.1%) of the Group's financial service segment revenue.

### **Other Financial Services mainly include 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 deal structure and 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 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 Year, this segment recorded revenue of approximately HK\$31,404,000 (2014: HK\$29,990,000), representing an increase of approximately 4.7% as compared to the Previous Year, which also accounted for 2.1% (2014: 3.3%) of the Group's financial service segment revenue.

### **Goodwill Impairment Assessment**

Goodwill has arisen upon the Group's acquisition of financial services business completed in April 2011. An independent professional valuer was engaged to perform impairment assessment on the goodwill. It was found that the recoverable amount of all 3 cash generating units, namely the Placing and Underwriting segment, the Margin and IPO Financing segment and the Corporate Finance segment, exceed their respective carrying amount. Under this circumstance, no impairment on the goodwill is considered necessary.

### **Hotel Business**

The Group's hotel operation, mainly comprising of hotel rooms, food and beverage sales and other rental income, managed to capture the opportunity in the Macau tourism industry. Supported by the local demand, the general performance of hotel business remained steady, and the revenue for the Year amounted to approximately HK\$259,652,000 (2014: HK\$246,896,000), representing an increase of 5.2% compared to the Previous Year. Hotel business contributed 27.7% (2014: 25.8%) of the total hotel and gaming business turnover.

The average occupancy rate of the two hotels, namely Casa Real and Grandview, was approximately 87% (2014: 89%) and 78% (2014: 84%) during the Year.

### **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\$678,284,000 for the Year, representing a slightly decrease of 4.6% as compared to approximately HK\$710,897,000 of the Previous Year. Gaming revenue accounted for 72.3% (2014: 74.2%) of total hotel and gaming business turnover.



As at 31 March 2015, the Group has 58 (2014: 59) tables in the mass market halls, 13 (2014: 12) tables in the self-managed VIP rooms and 224 (2014: 240) slot machines and 136 (2014: 140) live baccarat machines in the electronic gaming halls. Live baccarat machines brought additional crowd to the property, achieving synergy with the slot machine business as well.

### **Trading of listed securities**

During the Year, both the global and Hong Kong equity market experienced fluctuations. The market value of the trading securities held by the Group during the year recorded a revaluation deficit of approximately HK\$7,639,000 (2014: HK\$2,425,000). As at 31 March 2015, the Group was holding trading securities of approximately HK\$38,644,000 (2014: HK\$48,692,000) at 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 Year, it amounted to approximately HK\$23,105,000 (2014: HK\$22,175,000).

### **Staff costs**

Staff costs amounted to approximately HK\$212,983,000 (2014: HK\$190,209,000), representing a 12% increase. Such an increase was mainly due to increase in compensation and benefits to employee to match market rates. Packages commensurate with employees' qualifications 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. The amount decreased 7.7% from HK\$163,685,000 in the Previous Year to HK\$151,032,000 in the Year which matched with the decrease in income from gaming segment due to the slowdown of the gaming industry in Macau.

### **Interest expenses for securities brokerage and margin financing operations**

To cope with the growth of securities brokerage, underwriting and placements, margin and IPO financing businesses, additional fundings were obtained during the Year. The related interest expenses increased significantly from HK\$69,957,000 in the Previous Year to HK\$123,445,000 in the Year, representing a 76.5% increase.

### **Administrative expenses**

Administrative expenses mainly represent rent and rates, legal and professional fees, advertising and Macau property tax. During the year, it amounted to approximately HK\$93,128,000 (2014: HK\$106,592,000). Overall expenses had been controlled as the Group has been adopting a prudent cost management during the Year.

## **Other operating expenses**

Other operating expenses mainly represent operating expenses for gaming facilities and promotion expenses and other hotel rooms operating expenses. During the Year, it amounted to approximately HK\$159,059,000 (2014: HK\$164,675,000). The decrease was in line with the slightly decrease in income from gaming segment.

## **Impairment Loss for Intangible Assets Held for Sale**

In the Previous Year, an impairment loss of HK\$74,741,000 has been recognised on the measurement of the intangible assets held for sale to fair value less costs to sell. Details are set out in note 14 to the financial statements on page 18 to this announcement. No impairment loss has been recognised during the Year. The Intangible Assets Held for Sale has been reclassified to Intangible Assets as at 31 March 2015.

## **Amortisation**

The amount of HK\$14,132,000 (2014: nil) for the Year represented the amortisation expenses of the Intangible Assets which has been amortised on a straight-line basis over its estimated useful life of 24 years.

## **Finance cost**

During the Year, finance cost of HK\$20,200,000 represented the effective interest expenses on the amount due to a shareholder. The amount of HK\$58,800,000 represented the effective interest expenses on the promissory notes in the Previous Year.

## **FUTURE PROSPECTS**

### **Financial service segments**

Looking forward, the Group is optimistic about its business growth due to a number of positive factors. First, the expected launch of Shenzhen-Hong Kong Stock Connect will further enlarge the investment flows from Mainland China into Hong Kong's small and mid-sized listed companies and further boost Hong Kong stock markets turnover and valuation.

Second, Shanghai-Hong Kong Stock Connect Scheme has enabled investors in the respective markets to trade designated equity securities listed in the other's market. The program has created momentum for the long-term development of the Hong Kong capital market, which the Group promised to provide full support for the Scheme.

Third, with Hong Kong's growing number of high networth individuals seeking out superior assets management services, huge business opportunities have been created for our assets management arm which is licensed to provide portfolio management services to clients. The Group is planning to expand its experienced investment team in order to capture such business opportunities.

In conclusion, we are convinced that Hong Kong will continue to play a major role in the internationalization of the Chinese stock market and Renminbi, which is also beneficial to the local IPO and securities market. We believe these may bring more new advantages to the Hong Kong financial market, and we are well equipped to explore and take actions should suitable opportunities arise.

### Hotel and gaming segments

Although the slowdown of Macau tourism and China's anti-corruption campaign put pressure on the industry, the Group is cautiously optimistic about its operation because a large part of its segment income is derived from the local market.

Furthermore, the Group will continue to pursue various marketing and promotion activities through comprehensive membership programmes. Our guests enjoy excellent services within the Group's properties with the use of our casino package. The Group will also continue to upgrade its programmes to attract more new customers.

### LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 March 2015 the shareholders' fund and net current assets of the Group amounted to approximately HK\$17,534,208,000 (2014: HK\$15,881,791,000) and approximately HK\$4,020,436,000 (2014: HK\$1,796,763,000) respectively. On the same date, the Group had cash and bank balance of approximately HK\$1,772,232,000 (2014: HK\$210,861,000) and the current ratio was 1.3 (2014: 1.2).

As at 31 March 2015, the Group had bank borrowings of approximately HK\$4,364,500,000 (2014: HK\$1,324,000,000), amounts due to shareholders of approximately HK\$2,420,911,000 (2014: HK\$2,847,111,000), loan from a related company of approximately HK\$5,437,965,000 (2014: HK\$2,952,639,000) and subordinated loans of approximately HK\$700,000,000 (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 64% (2014: 48%). Additional financial resources were obtained from banks and a related company to cope with the growth of the margin and IPO financing business, resulting in a slight increase in the net gearing ratio during the Year.

The following table details the Cash and bank balances — general account and bank loan of the Group at the end of the reporting period denominated in original currencies:

	2015							
	HKD	CNY	USD	JPY	SGD	GBP	AUD	MOP
	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)
Cash and bank balances								
— general account	1,723,750	13,878	78	50	78	8	6	29,279
Bank loan	<u>4,364,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	2014							
	HKD	CNY	USD	JPY	SGD	GBP	AUD	MOP
	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)
Cash and bank balances								
— general account	169,842	14,419	6	100	87	8	9	21,607
Bank loan	<u>1,324,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 March 2015 are set out in note 17 to the financial statements on page 21 to this announcement.

## CAPITAL STRUCTURE

During the year ended 31 March 2015, no material fluctuation was noted on the Company's overall share capital structure.

## CAPITAL COMMITMENTS

At 31 March 2015, the Group had capital commitments of approximately HK\$1,085,000 (2014: nil) in respect of acquisition of plant and equipment.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: HK1.5 cent per share, amounting to approximately HK\$260,467,000).

## CLOSURE OF REGISTER OF MEMBERS

### For ascertaining shareholders' right to attend and vote at AGM

Latest time to lodge transfers	4:30 p.m. on 17 August 2015 (Monday)
Book close date	18 August 2015 (Tuesday) to 19 August 2015 (Wednesday)
Record date	19 August 2015 (Wednesday)
AGM	19 August 2015 (Wednesday)

In order to qualify for the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before the above latest time to lodge transfers.

## **EMPLOYEES**

As at 31 March 2015, the Group employed a total of approximately 849 (2014: 877) staff. The total staff cost for the year ended 31 March 2015 was approximately HK\$212,983,000 (2014: HK\$190,209,000). The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market condition.

## **PLEDGE OF ASSETS**

As at 31 March 2015, the Group had pledged clients' securities at a value of approximately HK\$12,324,655,000 (2014: HK\$7,465,202,000) to secure certain banking facilities provided to the Group.

In addition, the group's term loans are secured by:

- the pledge of leasehold land and buildings held for own use with carrying amounts of approximately HK\$2,970,000,000 (2014: nil);
- shares of a subsidiary;
- corporate guarantee from a subsidiary;
- a charge over operating bank accounts of two subsidiaries;
- assignment of income and receivables arising from commercial operations of two subsidiaries.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

In the Previous Year, the Group acquired 15 subsurface mineral permits through a wholly owned subsidiary incorporated in Canada for cancellation of a loan receivable. Details are set in note 14 to the financial statements on page 18 to this announcement.

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

## **FOREIGN CURRENCY EXPOSURE**

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

The Group's financial service businesses and gaming revenue are mainly denominated in Hong Kong Dollars and hence no significant exchange rate risk is identified.

## **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.

## **REVIEW BY AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) meets the external auditors at least twice a year to discuss any areas of concerns during the audits. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Rules Governing the Listing of Securities (the “Listing Rules”) and the legal requirements in the review of the Company interim and annual reports. The Group’s annual results for the year ended 31 March 2015 have been reviewed by the Audit Committee.

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

During the year ended 31 March 2015, there were no purchases, sales or redemption of the Company’s listed securities by the Company or any of its subsidiaries.

## **CORPORATE GOVERNANCE**

The Group had complied with all code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the year ended 31 March 2015.

## **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 year ended 31 March 2015.

## **EVENTS AFTER THE REPORTING PERIOD**

1. Subsequent to the year end date, 1,500,000,000 convertible preference shares of HK\$0.02 each in the capital of the Company were converted into 1,500,000,000 ordinary shares of HK\$0.02 each in the capital of the Company.

2. On 19 May 2015, the Company submitted a proposal pursuant to Practice Note 15 of the Listing Rules to the Stock Exchange on the spin-off and separate listing of its financial services business (“Financial Services Business”) on the main board of the Stock Exchange (“Proposed Spin-off”). The Proposed Spin-off is at an early stage. No application for the listing of the Financial Services Business has yet been made. The Proposed Spin-off is subject to various conditions, including the final decision of the Board and the approval of the Stock Exchange. Accordingly, there is no assurance that the Proposed Spin-off will take place or if it does, when it will take place.
3. On 25 June 2015 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company conditionally agreed to place through the Placing Agent, on a best effort basis, up to 1,761,250,000 Placing Shares at the Placing Price of HK\$2.20 per Placing Share to the Placees who and whose beneficial owners shall be Independent Third Parties. Four placees were identified to take up all the Placing Shares. It is expected that the maximum gross proceeds and net proceeds from the Placing will be HK\$3,874.75 million and approximately HK\$3,835.80 million, respectively. The net proceeds from the Placing are intended to be used for expansion of the Financial Service Business and further strengthening its working capital. The Company proposes to seek the grant of the Specific Mandate from the Shareholders at the SGM for the allotment and issue of the Placing Shares. Details are set out in the announcement of the Company dated 26 June 2015.

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

The Company’s 2015 annual report, as well as the announcement of annual results, containing the relevant information required by the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.kingston.com.hk>) in due course.

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

Hong Kong, 30 June 2015

*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 are Dr. Wong Yun Kuen, Mr. Lau Man Tak and Mr. Yu Peter Pak Yan.*