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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 01031)**

**UNAUDITED INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

**FINANCIAL HIGHLIGHTS**

- Profit attributable to the owners of the Company for the six months ended 30 September 2015 increased significantly by approximately 59% to HK\$923,380,000, which was mainly due to the increase in income from securities brokerage, underwriting and placements, margin and IPO financing businesses as compared to HK\$579,018,000 for the corresponding period of last year.
- Earnings per share for the six months ended 30 September 2015 increased significantly by approximately 60% to HK5.32 cents when compared to HK3.33 cents in the corresponding period of last year.
- Turnover for the six months ended 30 September 2015 also increased significantly by approximately 41% to HK\$1,651,667,000 when compared to HK\$1,169,021,000 in 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 2015 together with comparative figures for the six months ended 30 September 2014.

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

*For the six months ended 30 September 2015*

		<b>Six months ended 30 September</b>	
		<b>2015</b>	<b>2014</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	2	<b>1,651,667</b>	1,169,021
Other income		<b>33,496</b>	11,461
		<b>1,685,163</b>	1,180,482
Inventory consumed		<b>(11,468)</b>	(11,832)
Staff costs	3	<b>(146,937)</b>	(111,350)
Gaming commission		<b>(56,564)</b>	(87,383)
Broker commission		<b>(94,936)</b>	(21,892)
Interest expenses for securities brokerage, underwriting and placements, margin and IPO financing operations		<b>(91,354)</b>	(49,008)
Depreciation		<b>(72,693)</b>	(67,329)
Administrative expenses		<b>(52,672)</b>	(56,398)
Other operating expenses		<b>(60,615)</b>	(89,175)
		<b>(587,239)</b>	(494,367)
Finance income		<b>3,878</b>	3,463
Finance cost		<b>(12,795)</b>	(17,400)
Fair value gain/(loss) on trading securities		<b>13,649</b>	(1,862)
Exchange gain		<b>1,998</b>	1,753
Share of results of joint ventures		<b>(1)</b>	–
Amortisation		<b>(7,066)</b>	–
		<b>(337)</b>	(14,046)
Profit before taxation	4	<b>1,097,587</b>	672,069
Taxation	5	<b>(170,962)</b>	(88,289)
Profit for the period		<b>926,625</b>	583,780

		<b>Six months ended 30 September</b>	
		<b>2015</b>	<b>2014</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period		<u>926,625</u>	<u>583,780</u>
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Deficit on revaluation of leasehold land and buildings	8	(215,695)	–
Item that may be reclassified subsequently to profit or loss:			
Unrealised loss arising from change in fair value of available-for-sale investments		(60)	(116)
Exchange differences arising on translation of foreign operations		<u>–</u>	<u>(2,513)</u>
Other comprehensive loss for the period, net of tax		<u>(215,755)</u>	<u>(2,629)</u>
<b>Total comprehensive income for the period</b>		<u>710,870</u>	<u>581,151</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		923,380	579,018
Non-controlling interests		<u>3,245</u>	<u>4,762</u>
		<u>926,625</u>	<u>583,780</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		707,625	576,389
Non-controlling interests		<u>3,245</u>	<u>4,762</u>
		<u>710,870</u>	<u>581,151</u>
<b>Earnings per share (cents per share)</b>	7		
— Basic		5.32	3.33
— Diluted		<u>5.32</u>	<u>3.33</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

		30 September 2015 (unaudited) HK\$'000	31 March 2015 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	8	3,611,634	3,926,992
Deferred tax assets		8,329	6,107
Deposit for hotel renovation		505	—
Statutory deposit for financial services business		9,036	8,272
Goodwill		10,996,683	10,996,683
Intangible assets	9	301,487	308,553
Interests in joint ventures		—	1
		<u>14,927,674</u>	<u>15,246,608</u>
Current assets			
Inventories		3,329	3,265
Available-for-sale investments		870	930
Trading securities		38,895	38,644
Advances to customers in margin financing	10	17,966,107	13,314,293
Trade and other receivables	11	165,894	1,129,254
Tax recoverable		35,331	35,331
Cash and bank balances			
— held on behalf of customers		2,388,339	1,207,184
Cash and bank balances			
— general accounts		203,356	1,772,232
		<u>20,802,121</u>	<u>17,501,133</u>
Current liabilities			
Trade and other payables	12	2,694,986	1,831,643
Amounts due to shareholders		2,344,911	2,420,911
Loan from a related company		7,919,827	5,437,965
Subordinated loans		700,000	700,000
Bank loans		1,901,000	2,954,500
Tax payable		279,904	135,678
		<u>15,840,628</u>	<u>13,480,697</u>
Net current assets		<u>4,961,493</u>	<u>4,020,436</u>
Total assets less current liabilities		<u>19,889,167</u>	<u>19,267,044</u>

	<b>30 September 2015 (unaudited) HK\$'000</b>	<b>31 March 2015 (audited) HK\$'000</b>
<b>Non-current liabilities</b>		
Bank loans	<b>1,365,000</b>	1,410,000
Deferred tax liabilities	<b>269,790</b>	303,537
<b>Total non-current liabilities</b>	<b>1,634,790</b>	1,713,537
<b>Total liabilities</b>	<b>17,475,418</b>	15,194,234
<b>Net assets</b>	<b>18,254,377</b>	17,553,507
<b>Capital and reserves</b>		
Share capital — ordinary shares	<b>272,290</b>	242,290
Share capital — non-redeemable convertible preference shares	<b>75,000</b>	105,000
Reserves	<b>17,894,543</b>	17,186,918
<b>Total equity attributable to owners of the Company</b>	<b>18,241,833</b>	17,534,208
<b>Non-controlling interests</b>	<b>12,544</b>	19,299
<b>Total equity</b>	<b>18,254,377</b>	17,553,507

# 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 2015. 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 2015, 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 2015, noted below:

HKFRSs (Amendments)	Annual improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual improvements 2011–2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting

### **Annual Improvements 2010–2012 Cycle and 2011–2013 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.

The adoption of the amendments to HKAS16 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with revaluations of its property, plant and equipment.

### **Amendments to HKAS 19 (2011) — Defined Benefit Plans: Employee Contributions**

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service. The adoption of the amendments has no impact on these financial statements as the Group has no defined benefit plans.

The Directors of the Company reviewed and assessed the application of these standards in the current interim period and concluded that except as described above, it has had no material effect on the amounts reported in these unaudited interim condensed consolidated financial statements and/or disclosure 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 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.
- Gaming segment is the casino business run by the licence holder Sociedade de Jogos de Macau, S.A. (“SJM”) 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, amortisation, finance cost, taxation, impairment losses, gain/(loss) on disposal of property, plant and equipment and share of results of 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 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 2015 and 2014.

### For the six months ended 30 September 2015 (unaudited)

	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	Gaming HK\$'000	Securities investment HK\$'000	Total HK\$'000
<b>Segment revenue</b>									
External customers	518,565	778,108	21,246	1,317,919	82,251	16,206	235,291	–	1,651,667
Inter-segment	27	–	480	507	19,209	–	4,211	–	23,927
	<u>518,592</u>	<u>778,108</u>	<u>21,726</u>	<u>1,318,426</u>	<u>101,460</u>	<u>16,206</u>	<u>239,502</u>	<u>–</u>	<u>1,675,594</u>
<b>Adjusted EBITDA</b>	<u>395,160</u>	<u>674,862</u>	<u>11,636</u>	<u>1,081,658</u>	<u>62,465</u>	<u>(4,467)</u>	<u>78,175</u>	<u>14,958</u>	<u>1,232,789</u>
<b>Segment Assets</b>				<u>31,516,662</u>	<u>2,758,565</u>	<u>523,449</u>	<u>549,672</u>	<u>38,895</u>	<u>35,387,243</u>
Capital Expenditure				135	1,737	364	199	–	2,435
<b>Segment Liabilities</b>				<u>15,085,770</u>	<u>20,314</u>	<u>11,052</u>	<u>21,053</u>	<u>–</u>	<u>15,138,189</u>

### 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 services business HK\$'000	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Securities investment HK\$'000	Total HK\$'000
<b>Segment revenue</b>									
External customers	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>
<b>Adjusted EBITDA</b>	<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>
<b>Segment Assets</b>				<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
<b>Segment Liabilities</b>				<u>9,090,737</u>	<u>236,206</u>	<u>10,549</u>	<u>31,987</u>	<u>–</u>	<u>9,369,479</u>



As the assets and liabilities of financial services segments, including securities brokerage, underwriting and placements, margin and IPO financing and other financial services, are regularly reviewed by the directors of the Company in total for the group as a whole, the measure of total assets and liabilities by each operating segments under financial services business is therefore not presented.

### 3 STAFF COSTS

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)		
— salaries, wages and other benefits	146,286	110,744
— contributions to defined contribution retirement plan	651	606
	<u>146,937</u>	<u>111,350</u>

### 4 PROFIT BEFORE TAXATION

The profit before taxation has been arrived at after charging/(crediting) the following:

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Operating lease charges	15,223	16,042
Bad debts recovery	(6,998)	—
	<u>(6,998)</u>	<u>—</u>

### 5 TAXATION

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong profits tax	176,893	87,224
Macau Complementary Tax	625	4,113
Deferred tax	(6,556)	(3,048)
	<u>170,962</u>	<u>88,289</u>

Hong Kong profits tax has been provided for six months ended 30 September 2015 and 2014 at a rate of 16.5%.

Macau Complementary Tax has been provided for the six months ended 30 September 2015 and 2014 at a rate of 12%. Details of contingent liabilities for Macau Complementary Tax are disclosed in note 13.

## 6 DIVIDENDS

No final dividend was declared for the year ended 31 March 2015 (year ended 31 March 2014: HK1.5 cents per share).

The board has resolved not to declare any interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

## 7 EARNINGS PER SHARE

	<b>Six months ended 30 September</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>HK cent</b>	HK cent
Basic earnings per share	<u><b>5.32</b></u>	<u>3.33</u>
Diluted earnings per share	<u><b>5.32</b></u>	<u>3.33</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</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit for the purpose of basic earnings per share	<u><b>923,380</b></u>	<u>579,018</u>

	<b>Six months ended 30 September</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
Weighted average number of ordinary shares	<b>13,401,365,912</b>	12,114,480,666
Weighted average number of non-redeemable convertible preference shares	<u><b>3,963,114,754</b></u>	<u>5,250,000,000</u>
Weighted average number of shares for the purpose of basic earnings per share	<u><b>17,364,480,666</b></u>	<u>17,364,480,666</u>

### (b) Diluted earnings per share

Diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the periods ended 30 September 2015 and 2014.

## 8 PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings for own use were revalued as at 30 September 2015, 31 March 2015 and 2014. The valuations were carried out by AA Property Services Limited, an independent valuer who holds recognized and relevant professional qualifications and has recent experience in the location and category of the leasehold land and buildings being valued. The Group's management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date. During the period under review, there were no changes in valuation techniques which were consistent with those adopted in the preparation of the Group's annual report for the year ended 31 March 2015 and 2014.

During the period under review, the after tax revaluation deficit of approximately HK\$215,695,000 (six months ended 30 September 2014: HK\$Nil) has been recognised in other comprehensive income and accumulated in the property revaluation reserve of the Group.

During the period under review, the Group's acquisition of property, plant and equipment amounted to approximately HK\$2,444,000 (six months ended 30 September 2014: approximately HK\$3,452,000).

## 9 INTANGIBLE ASSETS

The intangible assets represented the costs of the 15 subsurface mineral permits. 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.

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

## 10 ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	<b>30 September 2015 (unaudited) HK\$'000</b>	31 March 2015 (audited) HK\$'000
Directors of subsidiaries and their associates	<b>82,032</b>	26,320
Other margin clients	<b>17,896,722</b>	13,300,620
Less: Allowance for doubtful debt	<b>(12,647)</b>	(12,647)
	<b><u>17,966,107</u></b>	<u>13,314,293</u>

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

	<b>30 September 2015 (unaudited) HK\$'000</b>	31 March 2015 (audited) HK\$'000
At the beginning of the period/year	<b>12,647</b>	12,647
Impairment loss recognised	—	—
Impairment loss reversed	—	—
At the end of the period/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. At 30 September 2015, total market value of securities pledged as collateral in respect of the loan to margin clients was approximately HK\$92,228,011,000 (31 March 2015: HK\$72,341,192,000).

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.

## 11 TRADE AND OTHER RECEIVABLES

	<b>30 September 2015 (unaudited) HK\$'000</b>	31 March 2015 (audited) HK\$'000
Trade receivables from financial services segments	<b>64,457</b>	1,000,117
Trade receivables from hotel and gaming segments	<b>70,664</b>	84,098
Other receivables, deposits and prepayments	<b>30,773</b>	45,039
	<b>165,894</b>	1,129,254

### Trade receivables from financial services segments

	<b>30 September 2015 (unaudited) HK\$'000</b>	31 March 2015 (audited) HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients	<b>37,953</b>	286,554
Clearing House	<b>8,422</b>	–
Brokers and dealers	<b>566</b>	28
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	<b>10,529</b>	7,875
Accounts receivable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	<b>6,987</b>	6,190
	<b>64,457</b>	1,000,117

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 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 2015 (unaudited) HK\$'000</b>	<b>31 March 2015 (audited) HK\$'000</b>
0–30 days	<b>49,469</b>	56,337
31–60 days	<b>9,509</b>	16,023
61–90 days	<b>3,574</b>	9,285
Over 90 days	<b>31,746</b>	25,837
	<b>94,298</b>	107,482
Allowance for doubtful debt	<b>(23,634)</b>	(23,384)
	<b>70,664</b>	84,098

## 12 TRADE AND OTHER PAYABLES

	<b>30 September 2015 (unaudited) HK\$'000</b>	<b>31 March 2015 (audited) HK\$'000</b>
Trade payables from financial services segments	<b>2,613,974</b>	1,737,117
Trade payables from hotel and gaming segments	<b>13,899</b>	13,628
Other payable and accruals	<b>67,113</b>	80,898
	<b>2,694,986</b>	1,831,643

## Trade payables from financial services segments

	<b>30 September 2015 (unaudited) HK\$'000</b>	31 March 2015 (audited) HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities:		
Cash clients	<b>723,338</b>	674,889
Margin clients	<b>1,664,381</b>	1,003,326
	<b>2,387,719</b>	1,678,215
Dividend payable to clients	<b>1,873</b>	51
Clearing house	<b>66,751</b>	43,234
Placing to clients	<b>137,711</b>	–
Accounts payable arising from the ordinary course of business of dealing in futures contracts:		
Clients	<b>18,296</b>	14,299
Accounts payable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	<b>82</b>	108
Asset management services	<b>1,542</b>	1,210
	<b>2,613,974</b>	1,737,117

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 30 September 2015, included in accounts payable was an amount of HK\$2,388,339,000 (31 March 2015: HK\$1,207,184,000) 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 2015 (unaudited) HK\$'000</b>	31 March 2015 (audited) HK\$'000
0–30 days	<b>11,540</b>	8,361
31–60 days	<b>1,640</b>	1,692
61–90 days	<b>88</b>	1,842
Over 90 days	<b>631</b>	1,733
	<b>13,899</b>	13,628

### 13 COMMITMENTS AND CONTINGENT LIABILITIES

	<b>30 September 2015 (unaudited) HK\$'000</b>	31 March 2015 (audited) HK\$'000
Capital commitments in respect of the acquisition of property, plant and equipment:		
— contracted but not provided for in the financial statements	<b>2,045</b>	1,085
— authorised but not contracted for	—	—
	<b>2,045</b>	1,085

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 2015, the Group will have to pay approximately HK\$161,000,000 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.

The Company had no material contingent liabilities at the end of the reporting period.

## **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 interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2015 (the “Period”).

### **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\$1,651,667,000 for the Period, representing a significant increase of 41% as compared to approximately HK\$1,169,021,000 for the six months ended 30 September 2014 (the “Previous Period”).

The unaudited net profit attributable to the owner of Company for the Period amounted to approximately HK\$923,380,000, representing a significant increase of approximately 59% as compared to approximately HK\$579,018,000 for the Previous Period. The increase was mainly driven by the outstanding performance in financial services segment, especially securities brokerage, underwriting and placements, margin and IPO financing businesses during the Period. Basic earnings per share for the Period increased significantly by approximately 60% to HK5.32 cents when compared to HK3.33 cents in the Previous Period.

### **BUSINESS AND FINANCIAL REVIEW**

Credit to the favorable market environment, our experienced management team, and our strong capital base, the Group continued to achieve fruitful results across securities brokerage, underwriting and placements, margin and IPO financing segment. During the Period, the income from the Group’s financial services segment recorded a prominent growth when compared to the Previous Period.

Enhanced market access by the Shanghai-Hong Kong Stock Connect Scheme (the “Scheme”) is a key component to an increase of southbound capital flow in Hong Kong. Over the Period, the Scheme launched smoothly and the trading volume was satisfactory. Under the Scheme, the Hong Kong stock market serves as a good investment outlet for mainland investors to diversify their portfolios, and a gateway for mainland companies to expand their business. Hong Kong offers bridging communications between Mainland China and international markets. Mainland companies can utilize the region’s wealth of international marketing expertise and a wide array of professional service providers to expand their global business. These reforms have boosted the securities market activities — including securities brokerage, underwriting, and placements in Hong Kong.

Furthermore, Mainland-Hong Kong Mutual Recognition of Funds (MRF) launched on 1 July 2015 which enables qualifying Mainland China and Hong Kong funds to be distributed in each other’s market. The market believes that it is a quantum shift in broadening the availability of fund products to investors in Hong Kong and the move is expected to further promote Hong Kong’s role in asset management.



Hong Kong's market is well positioned. For the Period, the average daily turnover of the Hong Kong securities market was HK\$133.4 billion, representing an increase of 108% as compared to HK\$64.2 billion for the Previous Period. The Hong Kong IPO market remained stable, 56 companies were newly-listed during the Period, as compared to 64 reported IPOs for the Previous Period. The growing local financial market is expected to regain stronger growth momentum, the Group is confident in the market's role for driving up the Company's business activities.

As for Macau industry, affected by China's anti-corruption campaign and alongside with the slowdown of number of visitors, total gross revenue from Games of Fortune in Macau slid approximately 36% to MOP111.2 billion as compared to MOP173.7 billion in the Previous Period, which also affected the Group's operation in Macau during the Period.

### **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 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.

During the Period, this segment recorded revenue of approximately HK\$518,565,000, representing a significant increase of 250% as compared to HK\$148,201,000 in the Previous Period, which also accounted for 39% (the Previous Period: 23%) 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\$778,108,000, representing a significant increase of 58% as compared to HK\$492,812,000 in the Previous Period, which also accounted for 59% (the Previous Period: 75%) 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 Period, this segment recorded revenue of approximately HK\$21,246,000 (the Previous Period: HK\$15,078,000), representing an increase of 41%, which also accounted for 2% (the Previous Period: 2%) of the Group's financial service segment revenue.

### **Hotel Business**

The Group's hotel operation, mainly comprising hotel rooms, food and beverage sales and other rental income, managed to capture the opportunity in the Macau tourism industry. In spite of the slowdown of the tourism industry in Macau, the performance of the Group's hotel business was satisfactory. The revenue for the Period amounted to approximately HK\$98,457,000 (the Previous Period: HK\$133,548,000), representing a decrease of 26% as compared to the Previous Period.

Hotel business contributed 30% (the Previous Period: 26%) to 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 83% (the Previous Period: 90%) and 72% (the Previous Period: 85%) respectively.

### **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 development of the gaming industry in Macau.

Affected by the sluggish market conditions, gaming revenue, including gaming revenue and food and beverage sales in casinos, amounted to approximately HK\$235,291,000 for the Period (the Previous Period: HK\$379,382,000), representing a 38% decrease. Gaming revenue accounted for 70% (the Previous Period: 74%) of total hotel and gaming business turnover.

As at 30 September 2015, the Group has 59 (31 March 2015: 58) tables in the two mass market halls, 14 (31 March 2015: 13) tables in the two VIP rooms and 239 (31 March 2015: 224) slot machines and 134 (31 March 2015: 136) live baccarat machines in the two electronic gaming halls. Live baccarat machines brought additional crowds to the properties, achieving synergy with the slot machine business as well.

## **Other Income**

Other income mainly represents handling charges received from securities clients, bad debts recovered and other miscellaneous income. The income increased by approximately 192% from HK\$11,461,000 in the Previous Period to HK\$33,496,000 in this Period. The increase was due to the increase in securities handling charges and a bad debts of approximately HK\$6,998,000 (the Previous Period: HK\$ Nil) recovered during the Period.

## **Trading of listed securities**

During the Period, the Hong Kong equity market experienced fluctuations. The market value of the trading securities held by the Group during the Period recorded a revaluation gain of approximately HK\$13,649,000 (the Previous Period: revaluation deficit HK\$1,862,000). As at 30 September 2015, the Group was holding trading securities of approximately HK\$38,895,000 (31 March 2015: HK\$38,644,000) 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, it amounted to approximately HK\$11,468,000 (the Previous Period: HK\$11,832,000).

## **Staff costs**

Staff costs amounted to approximately HK\$146,937,000 (the Previous Period: HK\$111,350,000), representing a 32% increase. Such an increase was mainly due to increase in compensation and benefits to employee to match market rates. 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 expenses of the Group was in line with market level. During the Period under review, the gaming commission amounted to approximately HK\$56,564,000 (the Previous Period: HK\$87,383,000), representing a 35% decrease. The decrease was in line with the decrease in income from gaming segment due to the downturn of the gaming market in Macau.

## **Broker Commission**

Broker commission increased 334% from approximately HK\$21,892,000 in the Previous Period to approximately HK\$94,936,000 in the Period. The increase matched with the increase in revenue from securities brokerage business.

## **Interest expenses for securities brokerage, underwriting and placement, margin and IPO financing operations**

To cope with the growth of securities brokerage, underwriting and placements, margin and IPO financing businesses, additional fundings were obtained during the Period. The related interest expenses increased significantly from approximately HK\$49,008,000 in the Previous Period to approximately HK\$91,354,000 in the Period, representing a 86% increase, which was in line with the increase in related incomes from the booming business.

## **Administrative expenses**

Administrative expenses mainly consist of rent and rates, legal and professional fees and Macau property tax. During the Period under review, it amounted to approximately HK\$52,672,000 (the Previous Period: HK\$56,398,000).

## **Other operating expenses**

Other operating expenses mainly represented other operating expenses for gaming facilities, promotion expenses and other hotel room operating expenses. During the Period under review, it amounted to approximately HK\$60,615,000 (the Previous Period: HK\$89,175,000). The decrease was mainly due to decrease in gaming promotion expenses.

## **Finance cost**

During the Period under review, finance cost of approximately HK\$12,795,000 (the Previous Period: HK\$17,400,000) represents the effective interest expenses on the amount due to a shareholder. The decrease of approximately 26% was mainly due to repayment of part of the amount during the Period.

## **Amortisation**

The amount of HK\$7,066,000 (the Pervious Period: HK\$Nil) for the Period 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.

## **FUTURE PROSPECTS**

### **Financial service segments**

We are convinced that Hong Kong will continue to play a major role in the internationalization of the Mainland stock market and the Renminbi, which is beneficial to both primary and secondary market fund raisings in the stock market. We believe these may bring more new advantages to the Hong Kong financial market, and we are well equipped to explore and take action to seize opportunities as they arise.

Merger and acquisitions activities have been increasing in recent years and we believe this trend will sustain in future along with more Mainland enterprises will expand their businesses by way of merger and acquisitions and fund raising activities in Hong Kong. With our existing track records, expertise, expanding clientele and resources, we are confident to maintain our market position in Hong Kong.

In the long run, we aim at extending our financial services businesses to Mainland China and then the Great China Region.

### **Hotel and Gaming Segments**

Despite the slowdown in tourist spending and China's anti-corruption campaign, in light of the rebounding results during Golden Week in early October, we anticipate the outlook of Macau's hotel and gaming market shall not further worsen in the long run.

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

As at 30 September 2015, the shareholders' fund and net current assets of the Group amounted to approximately HK\$18,241,833,000 (31 March 2015: HK\$17,534,208,000) and approximately HK\$4,961,493,000 (31 March 2015: HK\$4,020,436,000) respectively. On the same date, the Group had cash and bank balance of approximately HK\$203,356,000 (31 March 2015: HK\$1,772,232,000) and the current ratio was 1.3 (31 March 2015: 1.3).

As at 30 September 2015, the Group had bank borrowings of approximately HK\$3,266,000,000 (31 March 2015: HK\$4,364,500,000), amounts due to shareholders of approximately HK\$2,344,911,000 (31 March 2015: HK\$2,420,911,000), loan from a related company of approximately HK\$7,919,827,000 (31 March 2015: HK\$5,437,965,000) and subordinated loans of approximately HK\$700,000,000 (31 March 2015: 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 77% (31 March 2015: 64%). Additional financial resources were obtained from a related company to cope with the growth of the financial services business which resulting in an increase in the net gearing ratio during the Period.

### **COMMITMENTS AND CONTINGENT LIABILITIES**

Details of commitments and contingent liabilities of the Group as at 30 September 2015 are set out in note 13 to the financial statements in this announcement.

### **CAPITAL STRUCTURE**

During the six months ended 30 September 2015, 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.

### **CAPITAL COMMITMENTS**

At 30 September 2015, the Group had capital commitments of approximately HK\$2,045,000 (31 March 2015: HK\$1,085,000) in respect of acquisition of plant and equipment.

## **EMPLOYEES**

As at 30 September 2015, the Group employed a total of approximately 868 (31 March 2015: 849) staff. The total staff cost for the Period was approximately HK\$146,937,000 (the Previous Period: HK\$111,350,000). 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 2015, the Group had pledged clients' securities at a value of approximately HK\$8,752,949,000 (31 March 2015: HK\$12,324,655,000) 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\$2,760,000,000 (31 March 2015: HK\$2,970,000,000);
- 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**

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

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risk and uncertainty facing the Group is the market economy of China, Hong Kong and the surrounding regions as significant changes in their economic conditions will have significant impact on China and Hong Kong's stock market, as well as Macau's tourism.

Other risks include credit risks, market risks, liquidity risks and interest rate risks. The Group has been adopting prudent risk management policy to mitigate exposure to various risks.

## **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 business 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 authorise, 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 2015 (six months ended 30 September 2014: Nil).

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

During the six months ended 30 September 2015, 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 2015, the Company has complied with all code provisions under the Corporate Governance Code as set out 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 of 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 2015.



## AUDIT COMMITTEE

The Audit Committee is composed of all the three Independent Non-Executive Directors of the Company. The Audit Committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, internal control, and financial reporting matters, including the review of the unaudited interim financial statements for the six months ended 30th September, 2015.

## PUBLICATION OF INTERIM REPORT

The Company's 2015 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, 23 November 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), Mr. Chu, Kingston Chun Ho 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.*